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17 **UNITED STATES DISTRICT COURT**  
18 **CENTRAL DISTRICT OF CALIFORNIA**

19 CRAIG NEWMARK, *et. al.*,

20 Plaintiffs,

21 v.

22 TURNER BROADCASTING  
23 SYSTEM, INC., *et. al.*,

24 Defendants.

CASE NO. CV 02-04445 FMC (Ex)  
**PLAINTIFFS' MEMORANDUM OF  
POINTS AND AUTHORITIES IN  
OPPOSITION TO ENTERTAINMENT  
COMPANIES' MOTION TO DISMISS  
COMPLAINT OR, ALTERNATIVELY,  
TO STAY PROCEEDINGS**

Hearing Date: August 12, 2002

Time: 10:00 a.m.

Courtroom: No. 750, Los Angeles - Roybal

Judge: Hon. Florence-Marie Cooper

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1 **I. INTRODUCTION**

2 Plaintiffs and the Entertainment Companies<sup>1</sup> have adverse positions and  
3 interests in a dispute with concrete facts. Plaintiffs are all owners of ReplayTV 4000  
4 devices. In another action before this court,<sup>2</sup> the Entertainment Companies seek *de*  
5 *facto* to enjoin Plaintiffs' ongoing use of two key features of their ReplayTV 4000  
6 devices based upon a finding that Plaintiffs, along with other ReplayTV owners, are  
7 using the device to infringe the Entertainment Companies' copyrights. Plaintiffs want  
8 to continue to use those same two features, known as Commercial Advance and Send  
9 Show, to the fullest extent allowed by law and do not want to suffer a reduction in the  
10 value of their personal property. The controversy is real and substantial.

11 The dispute involving Plaintiffs (individually and as representatives of the  
12 ReplayTV owners) is appropriate for a declaratory judgment because such a judgment  
13 will serve the public interest by clarifying important legal issues concerning the  
14 application of the copyright "fair use doctrine" to the ReplayTV 4000. Plaintiffs'  
15 interests are not coincident with those of SonicBlue. In fact, SonicBlue's CEO has  
16 been reported as "talking with Hollywood" and reportedly considering a settlement  
17 even though "[s]uch a move might tick off the early adopters who forked over \$2,000  
18 for the product."<sup>3</sup>

19 In moving for dismissal, the Entertainment Companies focus almost exclusively  
20 on the fact that they have not directly threatened to sue the named Plaintiffs. Yet in  
21

---

22 <sup>1</sup> To keep the parties clear, moving parties herein are referred to as the  
23 "Entertainment Companies," and opposing parties as the "Plaintiffs" (sometimes  
24 identified as representatives of "ReplayTV 4000 owners"). SonicBlue, Inc. and its  
25 subsidiary, ReplayTV, Inc., defendants in the related action before the Court and  
herein, are collectively referred to as "SonicBlue."

26 <sup>2</sup> *Paramount Pictures, Inc., v. ReplayTV, Inc.* Case No. CV 01-9358 FMC  
27 (consolidated cases filed by the Entertainment Companies against SonicBlue).

28 <sup>3</sup> See Exhibit A to the accompanying declaration of Ira P. Rothken.

1 doing so they ignore the damage they seek to impose on Plaintiffs and all other  
2 ReplayTV 4000 owners through the equipment “downgrades” they have requested in  
3 their prayer for relief in *Paramount*. They also ignore the fact that in the *Paramount*  
4 case they have unequivocally claimed (and must prove) that ReplayTV owners,  
5 including Plaintiffs, are in fact copyright infringers. Thus, the unspoken goal of the  
6 Entertainment Companies' motion is to deny Plaintiffs a voice in the determination of  
7 whether they are, in fact "stealing," and whether their personal property is to be  
8 "downgraded" as a result.

9 Accordingly, this dispute presents a real case and controversy suitable for this  
10 court to decide and the Entertainment Companies' motion to dismiss or alternately to  
11 stay this action should be denied.

## 12 13 **II. STATEMENT OF FACTS**

14 The facts relevant to the instant motion are not in dispute. SonicBlue  
15 manufactures, sells and supports the ReplayTV 4000 units that Plaintiffs have  
16 purchased and use. The ReplayTV 4000 resembles video cassette recorders (“VCR’s”)  
17 in general use, but with certain enhanced features made possible by digital technology.  
18 The features at issue in both the instant case and *Paramount Pictures* are: (1)  
19 “Commercial Advance,” which allow ReplayTV 4000 owners to automatically skip  
20 commercials in recorded programs, and (2) “Send Show,” which allow ReplayTV  
21 4000 owners to transfer recorded programs to another ReplayTV 4000 unit. Plaintiffs  
22 make use of both of these features. *See* Complaint herein, ¶¶ 10-14. In the *Paramount*  
23 *Pictures* case, the Entertainment Companies contend that the use of these features by  
24 ReplayTV 4000 owners (a category that obviously includes Plaintiffs) constitutes  
25 copyright infringement, and that SonicBlue should be held secondarily liable for these  
26  
27  
28

1 infringements.<sup>4</sup>

2  
3 **A. If Ordered, SonicBlue Will Materially Downgrade the Features**  
4 **Enjoyed by Plaintiffs in Their ReplayTV 4000s.**

5 Another operating feature of the ReplayTV 4000 is important in connection  
6 with this motion: SonicBlue's technical ability to remotely "downgrade" existing  
7 ReplayTV 4000 units.

8 An owner of a ReplayTV 4000 unit *must* access an Internet server operated by  
9 the SonicBlue in order to record programs with the ReplayTV 4000. The  
10 Entertainment Companies specifically allege that the SonicBlue "Defendants ...  
11 maintain a permanent, continuous relationship with their customers' devices. After the  
12 device is installed, it will communicate with Defendants every day so that Defendants  
13 can tell its customers what programs are available for copying." *See* Time Warner  
14 Entertainment *et. al.* Complaint, ¶ 5 (emphasis in original). Using this daily  
15 interaction, modifications to the ReplayTV 4000 operating software can be "pushed"  
16 (i.e., automatically downloaded) into all ReplayTV 4000 units even without the  
17 owners' consent.

18 In the *Paramount Pictures* case, the Entertainment Companies are attempting to  
19 obtain an order from the Court compelling the ReplayTV defendants to download  
20 software that will cripple the Commercial Advance and Send Show features. In a  
21 Joint Stipulation for Plaintiffs' Motion to Compel Discovery<sup>5</sup> at 19:11-20:11, the  
22 Entertainment Companies stated:

23 \_\_\_\_\_  
24 <sup>4</sup> Various Entertainment Companies also allege that the ReplayTV defendants are  
25 liable for direct infringement and violations of the Communications Act based on  
26 the functioning of other ReplayTV 4000 features.

27 <sup>5</sup> Pertinent extracts are attached as Exhibit A to plaintiffs' Request for Judicial  
28 Notice in Opposition to the motion to dismiss.



1           “The ReplayTV 4000 is not like a toaster (or a VCR, for that matter)  
2 that is fixed and unchangeable once it is sold to consumers. Just the  
3 opposite: the [SonicBlue] Defendants have the ability *to transform the*  
4 *functionality of the ReplayTV 4000 simply by delivering new software*  
5 *over the Internet to their customers*. There is no dispute as to this fact:  
6 Defendants’ web site, for example, advises customers that Defendants  
7 ‘reserve[] the right to automatically add, modify, or disable any features in  
8 the operating software when [a] ReplayTV 4000 connects to our sever.’

9           “Defendants’ ability to modify the ReplayTV 4000 to prevent  
10 particular types of unlawful behavior, while leaving other functions of the  
11 ReplayTV 4000 intact, is extraordinarily relevant. ... In mid-March 2002,  
12 Defendants announced for the first time that they had implemented  
13 technology – presumably through an online software download – to prevent  
14 consumers from using the ‘Send Show’ feature to transmit *any* Pay-Per-  
15 View programming.” (Emphasis in the Entertainment Companies' original  
16 statement.)

17  
18           As a result, if the Entertainment Companies succeed in *Paramount Pictures* in  
19 establishing infringement on the part of ReplayTV owners, and further succeed in  
20 holding SonicBlue secondarily liable for these infringements, SonicBlue can be forced  
21 to “downgrade” existing ReplayTV 4000 units to disable or modify the “Commercial  
22 Advance” and “Send Show” features. Such an order would plainly and materially  
23 impair the quality and value of Plaintiffs' equipment.

24           In fact, this is precisely the remedy sought by the Entertainment Companies. In  
25 *Paramount Pictures*, some of the Entertainment Companies seek to “Prevent  
26 ReplayTV from engaging in ‘any provision, use or support of the ‘AutoSkip’ or ‘Send  
27 Show functions or any similar functions” and to prevent ReplayTV from  
28 “encourag[ing] or permit[ing] users to transmit copies of such programming to other

1 persons.”). (See paragraph 51 of Plaintiffs' complaint.) Accordingly, Plaintiffs  
2 “reasonably fear that as part of an injunction granted (or settlement reached) in the  
3 *Paramount Pictures* case, the Entertainment Oligopoly defendants will require  
4 ReplayTV to ‘push down’ a software ‘downgrade’ onto their ReplayTV 4000 units,  
5 thus disabling the commercial advance and send show features on their units.” *See*  
6 *also id.* at ¶ 8 (Plaintiffs believe that there is a “realistic danger of creating a direct  
7 injury to them in their ongoing use and enjoyment of their ReplayTV 4000 units”), ¶  
8 16 (“direct risk of the loss of beneficial use of his personal property”) and ¶ 66  
9 (“Court-mandated modification of Plaintiffs’ ReplayTV 4000 units ... would  
10 materially impair Plaintiffs’ enjoyment of their ReplayTV 4000 units.”).

### 11 12 **III. ARGUMENT**

13 A. There is an “Actual Controversy” and the Parties Have Adverse  
14 Legal Interests of Sufficient Immediacy and Reality to Warrant the  
15 Issuance of a Declaratory Judgment.

16 The leading authority in this Circuit on the question of subject matter  
17 jurisdiction to hear an action for declaratory relief is *Societe de Conditionnement en*  
18 *Aluminum v. Hunter Engineering Co., Inc.*, 655 F.2d 938, 942-943 (9<sup>th</sup> Cir.  
19 1981)(“*Societe*”).<sup>6</sup> In *Societe* the Ninth Circuit considered a declaratory relief action  
20 arising from a claim of patent infringement. The Court quoted from Supreme Court  
21 authority that held that subject matter jurisdiction is established when the facts are  
22 "definite and concrete" and present a "real and substantial controversy." In contrast, a  
23 declaratory judgment is not appropriate when there is "a dispute of a hypothetical or  
24 abstract character" or when a party seeks "an opinion advising what the law would be  
25 upon a hypothetical state of fact."

26 \_\_\_\_\_  
27 <sup>6</sup> Courts apply the same declaratory relief justiciability standards to patent,  
28 trademark and copyright cases. *See Hal Roach Studios, Inc. v. Richard Feiner &*  
*Co.*, 896 F.2d 1542, 1556 (9th Cir. 1989).

1 "The difference ... is necessarily one of degree, and it would be difficult, if  
2 it would be possible, to fashion a precise test for determining in every case  
3 whether there is such a controversy. **Basically, the question in each case**  
4 **is whether the facts alleged, under all the circumstances, show that**  
5 **there is a substantial controversy, between parties having adverse**  
6 **legal interests, of sufficient immediacy and reality to warrant the**  
7 **issuance of a declaratory judgment.** *Maryland Casualty Co. v. Pacific*  
8 *Coal & Oil Co.*, 312 U.S. 270, 273, 61 S. Ct. 510, 512, 85 L. Ed. 826  
9 (1941)." *Societe* at 655 F.2d 942-43 (emphasis added).

10  
11 Thus, while the decision is made on a case-by-case basis, the requirements  
12 are: 1) a substantial controversy between parties having adverse legal interests,  
13 and 2) of sufficient immediacy and reality to warrant declaratory relief.

14 As the Entertainment Companies admit, this standard is applied by reference to the  
15 perceptions of the Plaintiffs, not those of Defendants. (Entertainment Companies'  
16 motion at 6, citing *Societe* at 944 and *Chesebrough-Ponds v. Faberge*, 666 F.2d 393,  
17 396 (9th Cir., 1982).

18 The *Societe* "general principles" establish that there is a justiciable "case or  
19 controversy" here. This case raises real, substantial issues about technical innovation  
20 and fair use in the digital age. Plaintiffs present "definite and concrete" facts. The  
21 parties have adverse legal interests, since the Entertainment Companies have both  
22 alleged and publicly declared that users of the Commercial Advance and Send Show  
23 features of the ReplayTV 4000, a category which includes Plaintiffs, infringe on  
24 copyrights owned by the Entertainment Companies or violate the Communications  
25 Act. The dispute revolves around a specific electronic device, the ReplayTV 4000

1 unit owned by Plaintiffs and specific uses made of that device.<sup>7</sup>

2 "Threats of litigation" are not the only basis for declaratory relief. In numerous  
3 cases involving prospective determination of personal rights, the courts have found  
4 that a controversy is "of sufficient immediacy and reality to warrant the issuance of  
5 declaratory relief." *Bilbrey by Bilbrey v. Brown*, 738 F.2d 1462, 1471 (9<sup>th</sup> Cir. 1982)  
6 (inner quotation marks and citations to Supreme Court authority omitted); *Greater Los*  
7 *Angeles Council on Deafness, Inc. v. Zolin*, 812 F.2d 1103, 1111-1113 (9<sup>th</sup> Cir. 1987)  
8 (dispute involving right of deaf persons to serve as jurors "sufficiently case-specific");  
9 *Corcoran v. Fletcher*, 160 F.Supp.2d 1085 (C. D. Cal. 2001).

10 The suggestion by the Entertainment Companies that Plaintiffs should  
11 intervene, discussed below, effectively refutes their argument on subject matter  
12 jurisdiction. If Plaintiffs could intervene, they necessarily present a substantial "case  
13 or controversy" that authorizes them to participate in litigation against the  
14 Entertainment Companies. It appears that Plaintiffs are "necessary parties" under  
15 Federal Rule of Civil Procedure 19(a). This "case or controversy" is concrete and  
16 immediate and subject matter jurisdiction is present.

17  
18 **1. No Direct Threat of Litigation Is Required to be Made to a Party**  
19 **When that Party is Actually Engaged in Challenged Activity.**

20 When a Plaintiff is allegedly engaged in an ongoing act of infringement, an  
21 actual threat of litigation is not required to meet the standard for declaratory relief.  
22 *Societe* at 943–44 (9th Cir. 1981); *Chesebrough* at 396; *Hal Roach* at 1566. In  
23 *Societe*, the Court specifically considered and rejected the idea that an actual litigation  
24

25  
26 <sup>7</sup> Each side also seeks "a decree of a conclusive character." The decision sought by  
27 the Entertainment Companies in *Paramount* would conclusively establish that  
28 ReplayTV owners are infringers and would disable features on their ReplayTV 4000  
units that Plaintiffs want to continue to use. Plaintiffs seek a decree that their uses of  
those same features constitute fair use and do not violate the Communications Act and  
so should not be disabled or enjoined.

1 threat was required, stating: “[W]e conclude that the Constitution has a much lower  
2 threshold than this standard would suggest.” *Id.* at 944. When "the plaintiff is  
3 engaged in the ongoing manufacture of the allegedly patented item," plaintiff's  
4 “showing of real and reasonable apprehension need not be substantial.” *Id.*

5 In *Societe* the Ninth Circuit considered a declaratory relief action arising from a  
6 claim of patent infringement. The Court found a "case or controversy" based upon a  
7 single telephone call to a potential customer of both plaintiff and defendant from an  
8 employee of the defendant who admittedly did not have the authority to bring a legal  
9 action. The employee told the customer that it would take the disputed patent to court  
10 and "take every legal action" against the customer should the customer purchase from  
11 the plaintiff instead of the defendant. The threat was never made to the plaintiff. The  
12 decision does not indicate that the plaintiff and defendant had ever even engaged in  
13 direct discussions before the declaratory suit was filed. Immediately after the action  
14 was filed, the threat was repudiated by the defendant, which claimed that it had not  
15 even known that its employee had made it. *Societe* at 941, 944-45.

16 Notwithstanding the lack of a direct threat to the plaintiff and the fact that the  
17 case arose from a single phone call threatening litigation against a third party, the  
18 Ninth Circuit held that the case was justiciable.

19 In *Hal Roach*, the requirements of a "case or controversy" were met by a  
20 letter stating that in the future the plaintiff would "have no rights of any kind or  
21 character whatsoever in and to" the disputed works. *Hal Roach* at 1556.

22 In *Chesebrough* this standard was met based upon the issuance of a letter from  
23 the defendant to plaintiff threatening to file, not a lawsuit, but an opposition to  
24 plaintiffs' application to register its trademark in the Patent and Trademark Office.  
25 *Chesebrough* at 396. The *Chesebrough* court also considered the failure of the  
26 defendant to disclaim an intent to pursue an infringement action and the "practical  
27 effect" that the:  
28

1 "failure of this court to resolve the dispute would force Chesebrough to  
2 choose between continuing to forego competition in this quickly  
3 expanding market, and entering the market, risking substantial future  
4 damages and harm to relationships with its customers and retailers."  
5 *Chesebrough* at 397. The court also noted that, while not threatening litigation,  
6 in its letter declaring an intent to file an opposition to the trademark application,  
7 Chesebrough "stated a prima facie case for trademark infringement" as outlined  
8 in the Lanham Act. *Chesebrough* at 396.

9 Despite this clear law, the Entertainment Companies state that "[A]s best we  
10 know, Ninth Circuit has never found an actual controversy absent a direct threat of  
11 suit." Motion to Dismiss at 7:6-7. However, in *Chesebrough*, on which the  
12 Entertainment Companies rely, the Ninth Circuit specifically held: "we therefore  
13 conclude that **although there was no actual threat** by Faberge that it would sue  
14 Chesebrough for trademark infringement, Chesebrough had a real and reasonable  
15 apprehension that such action would be taken." *Chesebrough* at 397 (emphasis added).

16 The Entertainment Companies have not only publicly claimed that these acts  
17 are "theft" and "stealing"<sup>8</sup> but, as in *Chesebrough* have laid out a prima facie case for  
18 infringement against the Plaintiffs in their pleadings in the *Paramount* case. A  
19 showing of copyright infringement by owners is a prerequisite to any relief pursuant  
20 to the theories of Contributory Copyright Infringement and Vicarious Copyright  
21 Infringement that is at the center of all the complaints filed by the Entertainment  
22 Companies.

23 \_\_\_\_\_  
24 <sup>8</sup> In addition to the statements discussed in the Complaint, the materials submitted  
25 by the Entertainment Companies in support of this motion contain yet another  
26 public accusation that ReplayTV owners are "stealing," this one by Defendant  
27 Viacom. "'It facilitates and encourages people to steal our copyrights,' said Susan  
28 Duffy, a spokeswoman for Viacom." Plaintiffs' Request for Judicial Notice, Exhibit  
5 (Evangelista, "SonicBlue Defying Media Firms," *San Francisco Chronicle*, B1  
(November 28, 2001)).



1           **B.     The Court Should Exercise Its Discretion to Allow Plaintiffs to**  
2           **Participate in Litigation Where They Have a Personal Interest**  
3           **and Where They Will Protect Public Policies of Importance.**

4           The Entertainment Companies also seek a discretionary dismissal. The Ninth  
5 Circuit instructs that:

6           The *Brillhart* factors remain the philosophic touchstone for the district. The  
7 district court should avoid needless determination of state law issues; it should  
8 discourage litigants from filing declaratory actions as a means of forum  
9 shopping; and it should avoid duplicative litigation."  
10 *GEICO v. Dizol*, 133 F.3d 1220, 1223 (9th Cir. 1998) (en banc).<sup>9</sup> (citing *Brillhart v.*  
11 *Excess Insurance Co. of America*, 316 U.S. 491, 62 S.Ct. 1173, 86 L.Ed. 1620  
12 (1942)).

13           Those factors are not exhaustive. Other factors that may be considered include  
14 “whether the declaratory action will settle all aspects of the controversy”; “whether  
15 the declaratory action will serve a useful purpose in clarifying the legal relations at  
16 issue”; and “the convenience of the parties, and the availability and relative  
17 convenience of other remedies.” *Id.* at n.5. In summary, “[a] district court, therefore,  
18 when deciding whether to exercise its jurisdiction under the Declaratory Judgments  
19 Act, must balance concerns of judicial administration, comity, and fairness to the  
20 litigants.” *Chamberlain v. Allstate Insurance Co.*, 931 F.2d 1361, 1367 (9<sup>th</sup> Cir. 1991).

21           In the instant case, all of the factors touching on comity, federalism and the  
22 avoidance of duplicative actions tip in favor of Plaintiffs. Unlike the authorities cited  
23 by the Entertainment Companies, the instant case does not involve parallel state court  
24 actions or unresolved state law questions that raise vexing federalism or comity  
25

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26           <sup>9</sup> Once a party objects to the exercise of this discretionary jurisdiction, Ninth Circuit  
27 precedent requires that “the district court must make a sufficient record of its  
28 reasoning to enable appropriate appellate review.” *See Dizol*, 133 F.3d at 1225.



1 concerns. *Cf. Brillhart v. Excess Insurance Co. of America*, 316 U.S. 491, 62 S.Ct.  
2 1173, 86 L.Ed. 1620 (1942); *Yellow Cab Co. v. City of Chicago*, 186 F.2d 946 (7<sup>th</sup> Cir.  
3 1951); *Qwest Communications International v. Thomas*, 52 F.Supp.2d 1200 (D.  
4 Colo.1995). The only "parallel action" is *Paramount Pictures* pending before this  
5 Court, where Plaintiffs are seeking consolidation. Far from forum shopping, Plaintiffs  
6 here have willingly acceded to the Entertainment Companies' choice of forum.  
7 Accordingly, each of the *Brillhart* factors favors the Court's exercise of declaratory  
8 jurisdiction—the action does not raise state law issues; is not tainted by forum  
9 shopping; and does not result in duplicative actions.

10  
11 **1. This Case Will Clarify Important Legal Issues Concerning**  
12 **Specific Fair Uses by Plaintiffs.**

13 Judgment in this case will also “serve a useful purpose in clarifying the legal  
14 relations at issue,” *see Dizol*, 133 F.3d at 1225 n.5, namely, the proper application of  
15 the fair use doctrine to Plaintiffs' use of the ReplayTV 4000. As discussed above, the  
16 Entertainment Companies have alleged, both in public statements and in their  
17 complaints in *Paramount Pictures*, that individuals who use the Commercial Advance  
18 and Send Show features of the ReplayTV 4000 are engaged in unlawful copyright  
19 infringement and violations of the Communications Act. Because Plaintiffs here use  
20 these ReplayTV 4000 features, they seek a determination regarding whether their use  
21 of these features is unlawful.

22 Plaintiffs' declaratory judgment action is necessary to “clarify the legal  
23 relations at issue.” While the *Paramount Pictures* action will likely touch on  
24 numerous issues closely related to those raised by the instant suit, that action is  
25 unlikely to resolve the central issue presented by Plaintiffs' action. Plaintiffs seek to  
26 clarify the reach of the fair use for various *uses* of the ReplayTV 4000, not just the  
27 general liability of SonicBlue for the distribution of the product. Because SonicBlue  
28 will almost certainly rely upon the “staple article of commerce” defense articulated in

1 *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 442, 104 S.Ct.  
2 774, 789, 78 L.Ed.2d 574 (1984), it need not raise or defend the actions of Plaintiffs.  
3 According to *Sony*, a manufacturer of a device cannot be enjoined from making and  
4 selling the product so long as it is "merely ... capable of substantial noninfringing  
5 uses." *Id.* Consequently, the *Paramount Pictures* action will likely focus on whichever  
6 activities SonicBlue believes are most easily defended as noninfringing, a category of  
7 activities that may not coincide with Plaintiffs' activities. *Cf. Sony*, 464 U.S. at 442  
8 ("In order to resolve [the "staple article of commerce"] question, we need not explore  
9 all the different potential uses of the machine and determine whether or not they  
10 would constitute infringement."); *Vault v. Quaid*, 847 F.2d 235, 263-267 (5th Cir.  
11 1988) (in applying the *Sony* rule, examining only one noninfringing use of the  
12 challenged software—creating back-up copies—rather than examining all possible  
13 legitimate uses). As a result, it is by no means certain that, without Plaintiffs'  
14 involvement, the *Paramount Pictures* action will clarify whether *Plaintiffs' specific*  
15 *uses* of the ReplayTV 4000 are unlawful.<sup>10</sup> Even if the existence or capability of  
16 substantial noninfringing uses clears SonicBlue of secondary liability, the primary  
17 liability of the Plaintiffs will remain unclear absent the instant declaratory relief  
18 action.

19 These same considerations make it plain that Plaintiffs' declaratory judgment  
20 action is necessary to "settle all aspects of the controversy." *See Dizol*, 133 F.3d at  
21 1225 n.5. The only relief that Plaintiffs seek is a declaration that their use of their  
22

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23 <sup>10</sup> For example, Plaintiff Shawn Hughes uses the Commercial Advance feature to  
24 control the advertising his children are exposed to. *See Complaint*, ¶ 11. This  
25 particular use of the feature may be lawful while some other uses may be unlawful.  
26 Similarly, Plaintiff Craig Newmark intends to use the Send Show feature to move  
27 programs to his laptop computer for his own viewing while traveling. *See id.* at ¶  
28 10. This activity may prove to be lawful, even if some of the other uses of Send  
Show posited by the Entertainment Companies are infringing.

1 ReplayTV 4000s are lawful, notwithstanding the Entertainment Companies’  
2 allegations to the contrary. The instant declaratory judgement action would “settle all  
3 aspects” of that controversy.

4  
5 **2. This Case Serves the Public Interest.**

6 Perhaps the most important factor for the Court to consider in this case,  
7 however, is the public interest. *See International Harvester Co. v. Deere & Co.*, 623  
8 F.2d 1207, 1218 (7th Cir. 1980) (“In exercising its discretion [to hear declaratory  
9 judgment actions], a federal court must consider the public interest....”). The fair use  
10 doctrine has repeatedly been recognized as a crucial element in copyright law, helping  
11 to strike the proper balance between owners’ rights and the public’s interest in access  
12 to information. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 564, 577 (1994)  
13 (“The fair use doctrine thus permits and requires courts to avoid rigid application of  
14 the copyright statute....”); *Sony*, 464 U.S. at 447-55 (finding that unauthorized “time-  
15 shifting” constitutes a fair use). In recent years, however, the entertainment industries  
16 have attempted to erode fair use indirectly by bringing suits against those that  
17 manufacture the technologies that make innovative fair uses possible. *See, e.g., Sony*,  
18 464 U.S. 417 (suit against manufacturer of the Betamax VCR); *RIAA v. Diamond*  
19 *Multimedia Systems*, 180 F.3d 1072 (9th Cir. 1999) (suit against manufacturer of the  
20 Rio portable digital music player); *Cahn v. Sony Corp.*, No. 90-4537 (S.D.N.Y. filed  
21 July 11, 1991) (suit against manufacturer of the digital audio tape recorder). Rather  
22 than allowing courts to decide fair use cases involving noncommercial personal uses  
23 of new technology on a case-by-case basis, the entertainment industries have  
24 attempted to regulate fair use indirectly, by using litigation to pressure companies into  
25 withdrawing or modifying their devices. These strategies, unfortunately, result in trial  
26 by surveys, sampling, and limited witness testimony, resulting in a distortion of fair  
27 use jurisprudence.

28 It is understood that copyright owners are entitled to choose whom they wish to

1 sue, and to base those decisions on any strategic rationales they like.  
2 Correspondingly, however, those who use equipment challenged in such suit, such as  
3 Plaintiffs, should be able to seek declaratory judgment and vindicate enjoyment of  
4 fair use. The Plaintiffs here chose voluntarily to enter into litigation against extremely  
5 wealthy and powerful Entertainment Companies to present actual facts to the court in  
6 the tradition of case-by-case fair use litigation.

7 For example, Plaintiffs are conscious of statements by officers and  
8 representatives of the Entertainment Companies that certain uses of the ReplayTV  
9 4000 may be considered to be actionable. No one disputes the proposition that  
10 recording and selling copies of HBO programs over the Internet without a license  
11 would constitute copyright infringement. But what if an owner of a ReplayTV 4000  
12 records reruns of the UPN series *Buffy the Vampire Slayer*, broadcast locally over free  
13 commercial television, and transmits electronic copies over the Internet to a son or  
14 daughter for digital playback at a college where reception is unavailable?<sup>11</sup> Asking an  
15 individual to risk cumulative statutory damages and attorney fees for infringement  
16 would be onerous. See 17 U.S.C. § 504(c). A declaratory judgment action seems a far  
17 preferable method to address the public interest in testing and developing fair use  
18 principles. In sum, Plaintiffs' participation in this litigation will serve the public  
19 interest in clarifying the fair use doctrine, and a “decision to grant declaratory relief  
20 should always be made with reference to the public interest.” *Greater Los Angeles*  
21 *Council on Deafness, Inc. v. Zolin, supra*, at 812 F.2d at 1112 (inner quotation marks  
22 and citation omitted).

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24  
25  
26 <sup>11</sup> The claims of the Entertainment Companies encompass an enormous number of  
27 copyrighted works. Plaintiffs request that the Court take judicial notice of the  
28 copyrights identified in the complaints in the *Paramount Pictures* case.

1                   **3. This Case Will Not Materially Increase the Cost, Effort or**  
2 **Complexity of the *Paramount* Case.**

3           The Entertainment Companies argue that "the individual Plaintiffs will serve  
4 only to add to the cost, effort and complexity of litigating the claims." *See* Notice of  
5 Motion at 2:7-8. No evidence is presented in support of these arguments. The  
6 Plaintiffs here are five individuals. They have only a handful of documents between  
7 them and are all available for deposition now. Indeed, the facts of their activities are  
8 not in dispute: the question presented by this case is almost entirely one of law,  
9 specifically whether the admitted actions of Plaintiffs violate the Copyright or  
10 Communications Acts. And the Entertainment Companies must *already* prove  
11 primary infringement by ReplayTV4000 owners (and possibly disprove claims of fair  
12 use) in the related *Paramount* action. Certainly the most judicially efficient context in  
13 which to resolve the important legal questions raised by Plaintiffs' action is in an  
14 action consolidated with *Paramount*; putting Plaintiffs to the burden of filing an  
15 independent action in another venue would plainly result in duplicative litigation,  
16 precisely the outcome that declaratory judgment actions are to avoid.

17  
18                   **4. Plaintiffs' Interests Are Not Coincident With SonicBlue's**  
19 **Interests.**

20           The Entertainment Companies further argue that Plaintiffs' interests are  
21 coincident with, and well-represented by, SonicBlue in the *Paramount Pictures*  
22 action. The Entertainment Companies are mistaken. First, as noted above, there is a  
23 strong likelihood that resolution of the *Paramount Pictures* action will not clarify the  
24 "legal relations" between the Entertainment Companies and Plaintiffs.

25           Second, the interests of SonicBlue may well diverge from Plaintiffs on matters  
26 of settlement. An article recently published on the Forbes.com website reports  
27 SonicBlue's CEO, Ken Potashner, "is talking to Hollywood, and one possible  
28 outcome is that ReplayTV survives but with different features. Such a move might

1 tick off the early adopters who forked over \$2,000 for the product. But Potashner say  
2 ReplayTV's service agreement allows it to add or subtract features at any time. 'We  
3 reserve the right to turn this into a toaster.'" See "Zapper War," by Michael Freedman,  
4 dated June 20, 2002, attached as Exhibit A to the accompanying Rothken declaration).  
5 SonicBlue's interests regarding settlement are those of a profit-maximizing public  
6 company weighing the costs of suit against anticipated market returns on *future sales*  
7 of the ReplayTV 4000 and its progeny. Plaintiffs, in contrast, are seeking to protect  
8 the sunk costs of their *existing* ReplayTV units, as well as clarifying the public's fair  
9 use privileges under the Copyright Act. These interests may obviously result in very  
10 different views of settlement.

11 In anticipation of these concerns, the Entertainment Companies suggest that, if  
12 Plaintiffs are disappointed by the resolution of the *Paramount Pictures* case, they can  
13 sue SonicBlue for breach of warranty or breach of contract. Such an outcome invites  
14 a needless multiplicity of litigation and runs counter to the principle that a federal  
15 court should proceed to hear a declaratory judgment action if it will provide a  
16 comprehensive solution. See *Dizol*, 133 F.3d at 1225 n.5; 10B Wright, Miller &  
17 Kane, *Federal Practice & Procedure, Civil 3d* (1998) § 2758 at 531-534. Moreover,  
18 Plaintiffs should not be required to forego the opportunity to preserve their actual uses  
19 of their property upon the argument that they can sue for money damages for its loss  
20 later. Even if a money damages case would provide an adequate remedy, and it would  
21 not, "[T]he existence of another adequate remedy does not preclude a judgment for  
22 declaratory relief where it is appropriate." Federal Rule of Civil Procedure 57; see  
23 10B Miller, Wright & Kane *supra*, § 2761.

24 The Entertainment Companies also argue that Plaintiffs are seeking intervention  
25 in the *Paramount Pictures* case, and that this request to intervene should be denied.  
26 While Plaintiffs reserve the right to intervene, they have not sought intervention, and  
27 thus the arguments of the Entertainment Companies constitute little more than shadow  
28 boxing. The arguments of the Entertainment Companies, however, are telling. Under

1 Federal Rule of Civil Procedure 24(a), a party may intervene as a matter of right (1)  
2 where it has an interest that may be impaired by disposition of a pending action; and  
3 (2) where that interest is not adequately represented by the existing parties. Condition  
4 (1) is fulfilled here—for the reasons explained above, Plaintiffs plainly have at stake  
5 their property interest in preserving the functionality of their ReplayTV 4000s.  
6 Moreover, as discussed above, Plaintiffs’ interests are not necessarily being  
7 adequately represented by SonicBlue. Accordingly, to the extent that the prerequisites  
8 of Rule 24(a) are met here, hearing Plaintiffs’ declaratory judgment action will  
9 obviously serve the interests of judicial efficiency and avoid the discovery delays that  
10 would be occasioned by additional motion practice.

11  
12 **5. These Proceedings Should Not Be Stayed.**

13 The Entertainment Companies ask the court in the alternative to stay Plaintiffs'  
14 action. This request makes no sense at all. It will inevitably lead to the increased  
15 expense and confusion that the Entertainment Companies profess to abhor. See  
16 *American Academy of Science v. Novell, Inc.*, 24 U.S.P.Q.2d 1386 (N. D. Cal. 1992).  
17 A judgment that use of the ReplayTV 4000 constitutes "infringement" will not be  
18 binding on Plaintiffs who are not parties to the *Paramount Pictures* case.  
19 Alternatively, as shown above, a finding that SonicBlue is not secondarily liable will  
20 not necessarily, or even likely, resolve the question of whether a particular ReplayTV  
21 owner's use of the product is protected as a fair use.

22  
23 **IV. CONCLUSION**

24 This case presents a real, substantial and concrete controversy over the future of  
25 entertainment equipment Plaintiffs paid for and own and over Plaintiffs' potential  
26 liability for the uses they have made and want to continue to make of that equipment.  
27 Permitting plaintiffs to go forward will clarify important issues of importance to the  
28 public interest and help to ensure that this case is decided on the basis of principle and

1 not because one side has greater wealth or staying power.

2 Based upon the foregoing, the motion to dismiss or in the alternative to stay this  
3 litigation should be denied.

4  
5  
6 Dated: July 29, 2002

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7  
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