APPEAL NO. 04-1462

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

STORAGE TECHNOLOGY CORPORATION
(doing business as Storagetek),

Plaintiff-Appellee,

v.

CUSTOM HARDWARE ENGINEERING & CONSULTING, INC.,

Defendant-Appellant,

and

DAVID YORK,

Defendant-Appellant.

Appeal from the United States District Court for the District of Massachusetts in Case No. 1:02-CV-12102, Judge Rya W. Zobel.

DEFENDANTS-APPELLANTS CUSTOM HARDWARE ENGINEERING & CONSULTING, INC. AND DAVID YORK'S ANSWER TO PLAINTIFF-APPELLEE'S PETITION FOR REHEARING OR REHEARING *EN BANC*

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Storage Technology Corporation v. Custom Hardware Engineering & Consulting, Inc., et al.

No. 04-1462

Certificate of Interest

Counsel for Defendants-Appellants Custom Hardware Engineering & Consulting, Inc. and David York certify the following:

1. The full name of every party or amicus represented by us is:

Custom Hardware Engineering & Consulting, Inc. and David York.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

N/A.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None.

4. There is no such corporation as listed in paragraph 3. N/A.

5. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

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I. STK Fails To Meet The Standard For Rehearing Or Rehearing *En Banc*

STK has not met its burden to warrant rehearing or rehearing *en banc*. *Pentax Corp. v. Robison*, 135 F.3d 760, 762 (Fed. Cir. 1998) (petition for rehearing must state with particularity the points of law or fact which the court has overlooked or misapprehended). The Petition does not identify a single point of law or fact that the court has overlooked or misapprehended. Instead, STK merely repeats arguments that were previously fully considered and properly rejected. As this Court has advised the parties: "A petition for panel rehearing should not be used to reargue issues already briefed and orally argued. If a party failed to persuade the Court on an issue in the first instance, they do not get a second chance." United States Court of Appeals for the Federal Circuit, *Questions and Answers, Petitions for Panel Rehearing and Petitions for Hearing or Rehearing En Banc* (2005). With respect to the requests of *STK* and amici to overturn *Chamberlain Group, Inc. v. Skylink Techs., Inc.*, 381 F.3d 1178 (Fed. Cir. 2004), *cert. denied*, 125 S. Ct. 1669 (2005), similar arguments were not only rejected by the *Chamberlain* panel twice, once on the appeal and again on a request for rehearing, but the holding of *Chamberlain* was applied by the entire panel in this case and also by the Sixth Circuit without dissent. *Storage Tech. Corp. v. Customer Hardware Eng'g & Consulting, Inc.*, 421 F.3d 1307 (Fed. Cir. 2005); *Lexmark Int'l v. Static Control Components, Inc.*, 387 F.3d 522 (6th Cir. 2004).

Furthermore, *en banc* review is inappropriate here, where the only issues concern interpretation of First Circuit law: "… the ultimate duty of the court *en banc* is to set forth the law of the Federal Circuit …" United States Court of Appeals for the Federal Circuit, *Questions and Answers*.[1] Essentially, STK argues that rehearing should be granted because the panel confirmed *Chamberlain* and *Lexmark* and disagreed with STK.

II. Maintenance Code Is Necessary For The Machines To Be Activated Because It Must Be Copied In Order For The Machines To Be Turned On.

STK first challenges the majority's finding that the maintenance code meets the requirement of the Computer Maintenance Competition Assurance Act that the code be "necessary for the machines to be activated." *Storage Tech.*, 421 F.3d at 1314-15. The majority properly found that all of the code, including the maintenance code, is necessary for activation because it is undisputed that all of the code must be loaded to turn on the machines. *Id.* As with any statutory construction, the majority first interpreted what is meant by the phrase "necessary for the machine to be activated." *Id.* at 1314. Using the legislative history, the majority confirmed that software is necessary for the machine to be activated if it "need[s] to be so loaded in order for the machine to be turned on." *Id.* (citing H.R.

[1] *Chamberlain* applied Seventh Circuit law and *Lexmark* applied Sixth Circuit Law.

Rep. No. 105-551, pt. 1, at 28). The majority concluded that "the statutory text and legislative history make clear that the phrase 'necessary for the machine to be activated' [in § 117(c)] refers to the portion of code that must be copied in order for the machine 'to be turned on.'" *Id*.

It is undisputed that "the maintenance code is so entangled with the functional code that the entire code must be loaded into RAM for the machine to function at all. That is, loading the maintenance code into RAM is necessary for the management or control unit 'to be turned on.'" *Id.* As explained by the majority, "the possibility that STK *could* have written the maintenance code as a separate 'freestanding' program that would not have been needed to start the machine does not affect the statutory analysis of the system that STK in fact created." *Id*.

STK does not propose any alternative to the majority's statutory interpretation of this phrase or provide any analysis as to why the majority's statutory interpretation is improper. Instead, STK simply concludes that the maintenance code is not necessary for activation. Pet. at 7. STK made no argument to the district court that the maintenance code was "not necessary for the machine to be activated" and the district court made no findings on the issue. STK submitted absolutely no evidence to support these arguments which were made for the first time on appeal and repeated here.

Citing the dissent, STK claims that "as CHE admits, the maintenance code can be disabled with no affect on the operating aspects of the system." Pet. at 7. This conclusion is contrary to the undisputed evidence. It is undisputed that the entire code (including maintenance code) loads into RAM on activation automatically, regardless of the maintenance level (A4011; A4610) and that maintenance code executes regardless of the maintenance level, or any activity by CHE. (A4012; A4608). CHE's expert, Mr. Klausner, testified that all of the code was necessary for activation of the machine. (A4609-10). STK's expert had no opinion on this issue. (A4573). A STK employee testified that maintenance code cannot be prohibited from executing. (A4608-09).[2]

While not offering an alternative statutory definition, STK's position would rewrite "necessary for the machine to be activated," to "necessary to operate." "Operate" is an overextension of the more restrictive term chosen by Congress — "activate." The legislative history, (omitted from the portion quoted by STK), confirms that "these programs need to be covered by [§ 117(c)] but only to the extent they are automatically reproduced when the machine is *turned on*." H.R. Rep. No. 105-551, pt. 1 at 28 (emphasis added).

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[2] STK obfuscates the facts by using conclusory terms such as "disabled" and "operational" when describing the maintenance code. STK cites no evidence for these conclusions and does not explain what is meant by these terms or their relevance to statutes where the terms do not appear.

If STK's interpretation were adopted, every computer manufacturer could simply intertwine superfluous lines of code in its operating system that arguably could be removed without impacting operation.[3] In such cases, § 117(c) would never apply and computer manufacturers like STK could eliminate competition in the service market, which would be contrary to Congress's intent when it enacted the Computer Maintenance Competition Assurance Act.

In an effort to sensationalize the Court's ruling, STK argues that the majority's opinion "eliminates copyright protection for any maintenance program in an operating system" and gives ISOs access to and use of any code that is simply "reproduced with or as part of the operating system when the machine is turned on." Pet. at 7. This is directly contrary to both the Court's opinion and the express language of the "necessary for activation" phrase in the statute. As the majority expressly stated, "not all code that resides in a machine's RAM after the completion of the start up routine qualifies as 'necessary for the machine to be activated.'" *Storage Tech.*, 421 F.3d at 1313. Contrary to STK's assertion, the maintenance code is not simply "reproduced" when the machine is turned on, but

[3] STK's position would require each Independent Service Organization (ISO) to analyze all of the code that loads and executes on activation to determine if portions of the program could have been left out by the programmer without adverse operational consequences. This would render § 117(c) unworkable. ISOs could not make such an analysis because they have no access to the source code. Indeed, here STK has refused to identify those portions of the code it claims are "maintenance code." *See Storage Tech.*, 421 F.3d at 1309-10.

also executes without any activity by CHE and if removed the machine would not activate. *Id.*

III. STK Misquotes Section 117(c) To Shoehorn Its Argument Regarding Destruction Of The Copy

STK's second argument simply repeats the argument that Section 117(c) requires CHE to reboot the machine each time a discrete repair is made. As noted by the majority, the flaw in this argument "is that it focuses on the term 'repair' in the statute, while ignoring the term 'maintenance.'" *Storage Tech.*, 421 F.3d at 1312. The majority defined "maintenance" to include "monitoring systems for problems, not simply fixing a single isolated malfunction." *Id*. The dissent agreed that "maintenance" included checking the proper functioning of components. *Id*. at 1321. Based on the testimony of STK's expert, the majority concluded that CHE's tools stay in place at customer locations to constantly monitor the machines so that when problems occur, CHE can immediately detect and fix the malfunction. *Id.* at 1313. Under either definition, CHE destroys the copy immediately after the conclusion of maintenance.

This interpretation comports with the general policy underlying the enactment of § 117(c). *Id*. at 1312-13 ("It would run counter to that objective to construe section § 117(c) narrowly to apply only to companies that performed repair in discrete, temporally isolated stages, rather than to construe the statute to apply to repair and maintenance services generally.").

STK argues that the majority's interpretation "reads 'immediate destruction' out of the statute." Pet. at 8. "Immediate destruction" is not in the statute. Instead, the statute requires that such new copy be "destroyed immediately *after* the maintenance or repair is completed." 17 U.S.C. § 117(c)(1) (emphasis added). Thus, Congress required that the copy be destroyed *after* two possible events. The first event is *after* a repair is completed and the second event is *after* the maintenance is completed. To adopt STK's proposal would eliminate the words "after the maintenance . . . is completed" from the statute. STK admits that CHE only uses the copy during the time that CHE "provides maintenance service to the customer." Pet. at 5. The requirement to destroy the copy only occurs after maintenance is completed. STK's effort to import a temporal limitation ignores that "the protection of section 117 does not cease simply by virtue of the passage of time. Rather, it ceases only when the maintenance ends." *Storage Tech.*, 421 F.3d at 1313. This construction comports with the plain language of The Computer Maintenance Competition Assurance Act and the legislative history which contains no temporal limitation.

STK mischaracterizes the basis of the majority opinion and its effect in this market.[4] Pet. at 1. The holding is based on the fact that all of the maintenance

[4] Because of STK's decision to intertwine the code, CHE's "use" of the code does not cause any additional copying due to CHE performing maintenance services for

code in this case is inextricably intertwined with functional code. STK cites no evidence that any Original Equipment Manufacturer (OEM) besides STK has ever intertwined its maintenance code with the functional code into a single monolithic program that loads and executes automatically or even that STK has done so with any of its current machines.[5]

STK argues that § 117(c) applies only "during the limited time the repairman is actually working on the computer." Pet. at 8. CHE's LEM and ELEM constantly monitor the computers for problems and check the proper functioning of the components. *Storage Tech.*, 421 F.3d at 1310. These tools take the place of a live technician being constantly on site. There is no requirement in the statute for a live person to be on site in order to take advantage of § 117(c) and to read such a restriction into the statute would be an artificial restraint on technologically advanced companies such as CHE in favor of more inefficient repair providers.

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a customer. The very same copy of code that would be running in the customer's machines in CHE's absence is running when CHE provides maintenance.

[5] The amicus briefs include associations for copyright owners of commercially distributed computer programs. The fact that no amicus takes issue with the majority's construction of §117(c) belies STK's dire predictions. Furthermore, no OEM manufacturers have filed amicus briefs attacking the majority's interpretation of The Computer Maintenance Competition Assurance Act.

IV. STK Mischaracterizes The Panel's Holding As Resting On The Meaning Of "Internal Code" in STK's License.

STK mischaracterizes the panel's analysis by concluding that the panel construed the definition of "Internal Code" in the license to include maintenance code.[6] Pet. at 10. The panel clearly stated the basis for its ruling was that the license authorized the customer to activate the equipment:

> [t]he license specifically authorizes the customers to use the code to "enable the specific unit of Equipment." The parties are in agreement that both the maintenance code and functional code portions of the [code] must be loaded into RAM in order to activate the [equipment]. In order to activate the [equipment], the maintenance code must be copied. Therefore, the license authorizes copying of that code.

Storage Tech., 421 F.3d at 1315.

If the license were construed as STK now argues, every customer (even those not using CHE) would have no right to activate its own machines because activating the machines makes copies of the maintenance code, an activity which STK argues is prohibited by the license agreement. As noted by the panel, the "whole purpose of the license is to allow the tape library owners to activate their machines without being liable for copyright infringement." *Id*. at 1317. Therefore turning on the machine by the licensee and its agents is implicitly authorized by the license agreement.

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[6] The dissent did not express any dispute with any portion of the majority's opinion on the license.

STK also disputes the panel's holding that "use" of the maintenance code is not a copyright infringement because it does not implicate any of the copyright holder's exclusive statutory rights. Pet. at 11. STK cites no authority contrary to the panel's holding on this point. Instead, STK argues that by "allowing CHE to use the maintenance code, STK's licensee necessarily violated STK's right of distribution and therefore engaged in copyright infringement." Pet. at 11, n.2. This argument, raised for the first time in this Petition, is frivolous. The right of distribution includes the right "to distribute copies of the copyrighted work to the public *by sale or other transfer of ownership*, or by *rental* or *lending*." *Ortiz-Gonzalez v. Fonovisa*, 277 F.3d 59, 62 (1st Cir. 2005) (quoting 17 U.S.C. §106) (emphasis added). There is no evidence whatsoever that anyone, other than STK, ever transferred ownership, rented or loaned copies of any code to the public.

V. *Chamberlain* Should Not Be Overturned.

Recognizing the futility of asking for a panel rehearing on the DMCA ruling, STK seeks an *en banc* hearing to overturn this Court's interpretation of Seventh Circuit law as set forth in *Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, 381 F.3d 1178 (Fed. Cir. 2004). This Court denied rehearing and rehearing *en banc* in *Chamberlain* and the United States Supreme Court denied certiorari. *Chamberlain Group, Inc. v. Skylink Techs., Inc.*, 125 S. Ct. 1669 (2005). There is no reason for an *en banc* hearing. There is no lack of uniformity in the court's

decisions. Fed. R. App. P. 35(a). In fact, all of this Court's decisions on the issue are consistent and consistent with the other Court of Appeals that addressed *Chamberlain*. *See Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522 (6th Cir. 2004). Two panels of this Court and a panel of the Sixth Circuit have four times ruled in accordance with *Chamberlain.* None have questioned *Chamberlain*.[7]

STK completely ignores the *Lexmark* decision and subtly mischaracterizes portions of the holdings from *Chamberlain* and *Storage Tech* in an attempt to make the holdings appear to be at odds with the language of the statute. STK tries to argue that *Chamberlain* requires proof of infringement. Pet. at 12. Neither *Chamberlain* nor *Storage Tech* held that proof of infringement is required. Instead, *Chamberlain* requires a reasonable relationship between the form of access and the protections the Copyright Act affords the copyright owner. *Chamberlain*, 381 F.2d at 1202-03. The panel appropriately recognized that GetKey does not prevent a copy of the maintenance code from being made. Every time machines are rebooted, the maintenance code is automatically recopied into

[7] STK failed to argue in its appellee brief that the holding in *Chamberlain* (much less *Lexmark*) should be overturned, as it now asks the Court to do *en banc*. Pet. at 11-12. This is improper. *Pentax Corp*., 135 F.3d at 762 (quoting 1st Circuit law in declining to address new arguments that were not previously raised in briefing or oral argument). Having thought so little of the argument that STK failed to raise this question for the original panel to fairly consider, it is too late in the day to raise the question for the first time in a Petition for Rehearing.

the freely accessible RAM. This copying occurs regardless of the GetKey. Thus, GetKey cannot be reasonably related to a protection afforded by the Copyright Act.

To allow a DMCA violation without showing facilitation of infringement would lead to inconsistencies in statutory construction. Congress enacted § 117(c) and § 1201 in the same DMCA enactment. *Telecomm Technical Servs. Inc. v. Siemens Rolm Communications Inc.*, 51 U.S.P.Q.2d 1793, 1794-95 (N.D. Ga. 1999). Congress could not have intended to allow maintenance and repair providers the right to copy and use copyrighted software that is necessary for activation and at the same time prevent this legitimate use by giving manufacturers an alternative cause of action arising from circumvention of technological measures that restricted the repair provider's access to the output of the same computer software they are permitted to use. To construe § 1201 as STK proposes violates the principle of statutory construction which seeks to avoid construing simultaneously enacted provisions of the same statute in an inconsistent, contradictory manner. *Chamberlain*, 381 F.2d at 1200.

This case is also not a proper vehicle to review *Chamberlain* because there is no violation of § 1201 even if the Court were to overturn *Chamberlain* as requested. Even without a requirement that a circumvention facilitate a copyright infringement, there is no DMCA violation here because the GetKey does not protect access to a work protected under the Copyright Act as required by §

1201(a)(1). The GetKey does not prevent access to maintenance code because maintenance code can be freely copied and executes regardless of maintenance level.[8]

The panel's ruling that the DMCA covers those circumventions of technology that result in or facilitate infringement of a right protected by the Copyright Act is consistent with the express language of 17 U.S.C. § 1201(a)(2), which refers to "circumventing a technological measure that effectively controls access to a *work protected under* [the Copyright Act]." (emphasis added). *See also* 17 U.S.C. § 1201(a)(3)(B) (technological measure must prevent one from "gain[ing] access to the work").

Reimerdes and *Corley* are consistent with the panel's opinion. *Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001); *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp 2d 294 (S.D.N.Y. 2000). As the *Chamberlain* panel notes, the technology at issue in those cases facilitated copying of copyrighted motion pictures. *Chamberlain*, 381 F.3d at 1198. This distinguished the technology from Skylink's products: "Chamberlain's proposed construction of the DMCA ignores the significant differences between defendants whose accused products enable copying [like DeCSS] and those, like Skylink, whose accused

[8] Furthermore, the fault symptom code output are not "works protected under" the Copyright Act.

products enable only legitimate uses of copyrighted software." *Id*. STK cannot point to a single case where the DMCA was held to apply to technology that did not result in or facilitate infringement.

Finally, in *Chamberlain*, this Court explained certain aspects of the statutory constructions behind its holdings that are relevant to this case:

> Chamberlain's proposed construction would allow any manufacturer of any product to add a single copyrighted sentence or software fragment to its product, wrap the copyrighted material in a trivial "encryption" scheme, and thereby gain the right to restrict consumers' rights to use its products in conjunction with competing products. In other words, Chamberlain's construction of the DMCA would allow virtually any company to attempt to leverage its sales into aftermarket monopolies--a practice that both the antitrust laws, see *Eastman Kodak Co. v. Image Tech. Servs.*, 504 U.S. 451, 455, 112 S.Ct. 2072, 119 L.Ed.2d 265 (1992), and the doctrine of copyright misuse, *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640, 647 (7th Cir. 2003), normally prohibit.

Chamberlain, 381 F.3d at 1201.

STK attempts to circumvent the Congressional intent (expressed in The Computer Maintenance Competition Assurance Act, 17 U.S.C. § 117(c)) to preserve and promote competition for maintenance and service of computer-related systems.[9] STK's conduct is the *exact* type of conduct that was rejected in *Chamberlain* and *Lexmark* where the Court refused to grant the Plaintiff the broad

[9] Promoting this competition is consistent with the objectives of §117(c) and the Copyright Act. Even the title of the Act, the "Computer Maintenance Competition Assurance Act," testifies to Congress' decision to strike this balance between copyright and competition in favor of competition.

construction it sought and which apparently STK now realizes it needs as well if it is to prevail in this suit. Such wholesale rewriting of our jurisprudence was appropriately rejected by the Chamberlain panel, where rehearing was denied. *Chamberlain*, 381 F.3d at 1194. STK's request for rehearing should similarly be denied.[10]

[10] It appears that STK is not basing its petition on the trade secret issues. Regardless, STK's conclusory footnote on the trade secret claim raises nothing justifying rehearing by the panel or the court *en banc*. STK's petition presents no challenge to the panel's correct decision that the failure of STK to establish any secrecy over its "Event Messages" and fault symptom codes (*i.e.*, when they were "freely transmitted" between the silo components and displayed on the LCU's LED monitor), dedicated this information to the public domain. *Storage Tech.*, 421 F.3d at 1320. In addition, STK's position flies in the face of the principle that "information as to single or ephemeral events in the conduct of the business" cannot be trade secrets. *Lehman v. Dow Jones & Co.*, 783 F.2d 285, 297-98 (2nd Cir. 1986). The undisputed record confirms that an "Event Message" is nothing more than "information as to [a] single, ephemeral event[]." *Id.* For these reasons, "the actual reason for the machine malfunctioning would not be [a trade secret.]" *Storage Tech.*, 421 F.3d at 1320.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that two (2) true and complete copies of Defendants-Appellant's Answer to Storage Technology's Request for Rehearing to Appeal number 04-1462 in the United States Court of Appeals for the Federal Circuit were served via Third Party Commercial Carrier for delivery within three calendar days this __th day of October, 2005 on:

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