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15 **UNITED STATES DISTRICT COURT**
16 **CENTRAL DISTRICT OF CALIFORNIA**

17 PARAMOUNT PICTURES CORPORATION,) Case No. 01-09358 FMC (Ex)
et al.,)
18)
Plaintiffs,) **NOTICE OF MOTION AND MOTION OF**
19) **THE NEWMARK PLAINTIFFS' FOR**
v.) **LEAVE TO AMEND; DECLARATION**
20) **OF GWENITH A. HINZE IN SUPPORT**
REPLAYTV, INC., *et al.*,) **THEREOF**
21) [Fed. R. Civ. P. 15(a) and 23 and
Defendants.) 28 U.S.C. § 2201]
22)
DATE: January 12, 2004
23 AND CONSOLIDATED ACTIONS.) TIME: 10:00 a.m.
PLACE: Courtroom 750
24)

25 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

26 PLEASE TAKE NOTICE that, on Monday, January 12, 2004, at 10:00 a.m., or as soon
27 thereafter as the matter may be heard by the Honorable Florence-Marie Cooper, United States
28 District Court Judge, in Courtroom 750, located at 255 East Temple Street, Los Angeles, California

1 90012, the undersigned will, and do hereby move, pursuant to Federal Rules of Civil Procedure
2 15(a) and 23 and 28 U.S.C. § 2201, for an order granting the Newmark Plaintiffs leave to amend
3 their Complaint to add an additional individual plaintiff, to add claims for declaratory relief on
4 behalf of named plaintiffs and on behalf of a class of persons similarly situated, as well as
5 allegations necessary to convert this case into a class action on behalf of all consumer owners of
6 certain ReplayTV digital video recorders.

7 This Notice of Motion and Motion is, and will be based on this Notice of Motion and
8 Motion and the Declaration of Gwenith A. Hinze, filed herewith, all of the papers, pleadings and
9 records on file in the above-captioned proceeding, and such oral argument as may be presented at
10 the hearing on this Motion.

11 This Motion is made following the conference of counsel pursuant to Local Rule 7-3, which
12 took place during telephone conferences on September 4, 2003 and October 27, 2003 and is
13 reflected in letters of September 12 and October 17, 2003.

14
15 DATED: November 24, 2003

ELECTRONIC FRONTIER FOUNDATION

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NEWMARK PLAINTIFFS’ MOTION FOR LEAVE TO AMEND

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1 **I. INTRODUCTION**

2 The Newmark Plaintiffs file this motion for leave to amend their Complaint to add an
3 additional individual plaintiff, as well as class action allegations, to convert this case into a class
4 action on behalf of all consumer owners of certain ReplayTV digital video recorders (“ReplayTV
5 DVRs”). The proposed amended complaint seeks the same declaratory relief sought in Newmark
6 Plaintiffs’ original Complaint for the wider class of plaintiffs, on the same factual and legal basis as
7 the Newmark Plaintiffs’ original Complaint – that skipping commercials is not copyright
8 infringement and neither is noncommercial space shifting or saving shows to watch later or
9 repeatedly.

10 The Entertainment Company Defendants initiated the controversy over whether these
11 consumer uses of the ReplayTV DVR constitute copyright infringement by bringing four separate
12 actions against the manufacturers of the ReplayTV DVR units, SONICblue, Inc. and ReplayTV,
13 Inc. (hereinafter “SONICblue”). In these actions, the Entertainment Company Defendants
14 contended that consumers who use ReplayTV DVRs thereby infringe copyrights in motion pictures
15 and television programs owned by the Entertainment Company Defendants, and that SONICblue
16 was directly or derivatively liable for these alleged consumer infringements. Thus, at the heart of
17 the Entertainment Company Defendants’ lawsuits, and an essential element of their claims against
18 SONICblue, is their contention that the consumer users of the ReplayTV DVR are all copyright
19 infringers. Because of the Entertainment Company Defendants’ contention that all consumers who
20 use the features of the ReplayTV DVR are engaging in copyright infringement, this court allowed
21 the Newmark Plaintiffs to proceed with their action for declaratory relief to remove the threat of
22 copyright liability hanging over them and all other ReplayTV users.

23 The Newmark Plaintiffs seek leave to amend because recently over 90 consumer owners of
24 ReplayTV DVRs have indicated interest in obtaining the same declaratory relief sought by the
25 Newmark Plaintiffs in their original Complaint. These consumer owners are similarly situated to
26 the Newmark Plaintiffs in all relevant respects. Each owns a ReplayTV DVR or DVRs with the
27 same features that are at issue in the present case; each seeks to make similar uses of their
28 ReplayTV DVRs to those made by the Newmark Plaintiffs. By virtue of the Entertainment

1 Company Defendants’ statements and conduct, they have the same reasonable apprehension that
2 they may be subject to liability by reason of past, present, and future use of ReplayTV devices in a
3 manner that the Entertainment Company Defendants assert constitutes copyright infringement.

4 Importantly, each ReplayTV DVR owner wishes to obtain a declaration about the legality
5 of their uses of the device, to several ends: first, to relieve their individual apprehension of liability;
6 second, to relieve them of liability upon resale of their units and to ensure a reasonable resale price;
7 third, to ensure that the new owner of the ReplayTV assets, Digital Networks North America, Inc.
8 (“DNNA”), will not be sued by the Entertainment Company Defendants for customer use of the
9 features and will not in the future electronically disable these features in the already-purchased
10 machines of existing ReplayTV owners; and finally, to help ensure that future devices with the
11 features can be built without the chilling effect of the threat of bankruptcy through copyright
12 litigation. In the interests of efficient administration of judicial resources, and given the numerosity
13 of the plaintiffs seeking the same relief, the Newmark Plaintiffs seek to amend their Complaint to
14 establish a class action.

15 While the Newmark Plaintiffs clearly meet the liberal standards for amendment of their
16 Complaint, the underlying context of the request is important. This Court allowed the Newmark
17 Plaintiffs to bring an action to declare their legal rights in August, 2002. After seven months of
18 intensive litigation, including motions by the Entertainment Company Defendants aimed at
19 undermining the ability of their legal counsel to adequately represent them and intransigence in
20 discovery that required a tremendous outpouring of resources by the Newmark Plaintiffs and their
21 pro bono counsel, the Entertainment Company Defendants are now seeking to use an unvarnished
22 procedural maneuver to prevent this Court from deciding the core question of whether the
23 Newmark Plaintiffs’ legal claims have merit. Specifically, they are attempting to “moot out” the
24 individual Newmark Plaintiffs by conveying a Covenant Not to Sue to the five current Newmark
25 Plaintiffs. At this stage in the litigation, such an attempt should be rejected when there are clearly
26 others who wish to join this action and who are similarly situated to the Newmark Plaintiffs and
27 based on the Entertainment Company Defendants’ conduct, have the same reasonable apprehension
28 of their potential liability, except that they have *not* received a Covenant Not to Sue.

1 **II. PROCEDURAL HISTORY**

2 The Entertainment Company Defendants brought four separate actions against the
3 manufacturers of the ReplayTV DVR units, SONICblue, Inc., consolidated under the name
4 *Paramount Pictures Corporation et al., v. ReplayTV, Inc. et al* (Case No. CV 01-9358 FMC (Ex))
5 (“the ReplayTV action”). In these actions, the Entertainment Company Defendants contended that
6 consumers who use ReplayTV DVRs thereby infringe copyrights in films and television programs
7 owned by the Entertainment Company Defendants, and that SONICblue was directly or
8 derivatively liable for these alleged consumer infringements. The Newmark Plaintiffs filed their
9 original Complaint for Declaratory Relief, *Newmark et al v. Turner Broadcasting System, Inc. et al*
10 (former Case No. CV 02-4445 FMC (Ex)) on June 6, 2002 (the “Newmark action”). The Newmark
11 action seeks a declaration that these uses of the ReplayTV DVRs are not copyright infringement.
12 The Newmark action was consolidated with the ReplayTV action by this Court’s Order of August
13 15, 2002, which also denied the Entertainment Company Defendants’ motion to dismiss the
14 Newmark action. A copy of the Order is attached as Exhibit A to the Declaration of Gwenith
15 Hinze, filed herewith (hereinafter “Hinze Decl.”).

16 On March 21, 2003, after seven months of intense procedural litigation but while discovery
17 was still in process, SONICblue filed for protection under Chapter 11 of the Bankruptcy Code.
18 Following the bankruptcy filings, this Court issued a stay of the consolidated proceedings by
19 Minute Order of March 24, 2003. Hinze Decl., Exh. B.

20 Subsequently, SONICblue sold the ReplayTV DVR technology at issue in this case to
21 DNNA. Because of SONICblue’s sale of its ReplayTV assets, all parties stipulated to the dismissal
22 of SONICblue from these consolidated actions. Hinze Decl., Exh. C. In the interim, by letter of
23 July 24, 2003, the Entertainment Company Defendants granted a covenant not to sue to the five
24 Newmark Plaintiffs for copyright infringement arising out of their past and future uses of their
25 ReplayTV DVRs. Hinze Decl., Exh. D.

26 In a telephone conversation on September 4, 2003, Newmark Plaintiffs’ counsel informed
27 Entertainment Company Defendants’ counsel of their intention to file a motion for leave to amend
28 to add further parties to the Newmark Plaintiffs’ Complaint. Hinze Decl. ¶8. That intention was

1 reiterated by letter of September 12, 2003 from Newmark Plaintiffs’ counsel to Mr. Cooper of the
2 Entertainment Company Defendants’ counsel (Hinze Decl, Exh. F) and an additional letter of
3 October 17, 2003. Hinze Decl., Exh. G. Newmark Plaintiffs’ counsel also requested the
4 Entertainment Company Defendants to provide a covenant not to sue to all owners of ReplayTVs
5 similarly situated to the Newmark Plaintiffs, but the Entertainment Company Defendants have
6 failed to do so. Hinze Decl. ¶10 and Exhibit G.

7 III. STATEMENT OF FACTS

8 The Newmark Plaintiffs’ case seeks a declaration that the Newmark Plaintiffs’ ownership
9 and use of the features of their ReplayTV DVRs are lawful, and not copyright infringement. The
10 original Newmark Plaintiffs and the plaintiffs in the proposed First Amended Complaint¹ (“the
11 Plaintiffs”), are each a consumer owner of a Digital Video Recorder in the 4000 or 5000 series
12 previously manufactured, sold and supported by SONICblue. (“ReplayTV DVRs”).

13 The ReplayTV DVRs resemble a video cassette recorder, but include certain features
14 specific to digital technology. The functionalities and features that the Entertainment Company
15 Defendants maintain are infringing are: (1) “Commercial Advance”, which allows ReplayTV DVR
16 owners to automatically move or “skip” through commercials on playback of television programs
17 recorded on the ReplayTV DVR for later viewing (otherwise known as “time-shifting”), (2) “space
18 shifting,” including both a feature called “Send Show” and one called “streaming,” both of which
19 allow ReplayTV DVR owners to transfer television programming to another device, usually either
20 a compatible ReplayTV DVR or a personal computer. “Send show” allows a recorded show to be
21 transferred to another DVR with known IP address via an Ethernet connection. “Streaming” allows
22 a live or recorded show to be played on another ReplayTV DVR within a network, (3) “librarying”
23 is the saving of programming on the ReplayTV DVR for an extended period of time or for multiple
24 viewings (hereinafter these three uses will be collectively referred to as the “Features”).

25 In the ReplayTV action, in the Entertainment Company Defendants’ responsive pleadings
26

27 ¹ The Plaintiffs in the First Amended Complaint include a new individual plaintiff, Thomas White,
28 who seeks to join in his individual capacity and as a class representative on behalf of a class of
similarly situated consumer owners of ReplayTV DVRs.

1 and statements in the Newmark action, and in numerous other public statements, the Entertainment
2 Company Defendants have accused the owners of ReplayTV DVRs of direct copyright
3 infringement. Obviously, this allegation was essential to their claim that SONICblue should be
4 found secondarily liable.

5 On August 15, 2002, this Court held that the Newmark Plaintiffs had satisfied the legal
6 standard for maintaining an action for declaratory relief based upon their reasonable apprehension
7 that they may be subject to liability arising out of their present and continuing use of the ReplayTV
8 Features. Hinze Decl, Exh. A. The parties thereafter engaged in seven months of intensive
9 procedural litigation and discovery, which was still ongoing in March 2003 when SONICblue and
10 ReplayTV filed for bankruptcy. At that point, this action was stayed for all purposes. Hinze Decl.,
11 ¶3 and Exh. B.

12 Over 90 consumer owners of ReplayTV DVRs have recently indicated that they wish to
13 join the Newmark action to obtain the same declaratory relief sought by the Newmark Plaintiffs in
14 their original Complaint. Hinze Decl. ¶6. Because of their numerosity, the class action vehicle is
15 the most appropriate way to add them. The additional plaintiffs and the proposed class members
16 are similarly situated to the Newmark Plaintiffs in all relevant respects. The additional plaintiffs
17 seek the same declaratory relief, arising out of the same factual conduct and based on the same
18 legal theory of fair use. Each additional plaintiff and proposed Class member owns a ReplayTV
19 DVR or DVRs with the Commercial Advance and Send Show features that are at issue in the
20 present case. Hinze Decl., Exh. E.²

21 The additional consumer plaintiffs use or wish to use their ReplayTV DVRs in a manner
22 similar to the Newmark Plaintiffs, including use of the Commercial Advance feature to
23 automatically skip through advertisements on playback of programs recorded for non-commercial
24 in-home viewing, the Send Show or streaming feature to send and receive television programs

25 _____
26 ² Some of the new plaintiffs own a series 4000 ReplayTV and some own a series 5000 ReplayTV.
27 Both the Series 4000 and Series 5000 ReplayTV DVRs have the Commercial Advance and Send
28 Show features at issue in this case. Those features have been disabled in the current model of
ReplayTV DVRs (the 5500 model, released by the ReplayTV technology purchaser, Digital
Networks North America, in August 2003).

1 recorded on a ReplayTV DVR and librarying. Like the Newmark Plaintiffs, the additional
2 consumer plaintiffs have a reasonable apprehension that they may be subject to liability by reason
3 of their past, present and continuing use of their ReplayTV DVRs in a manner that the
4 Entertainment Company Defendants claim constitutes copyright infringement.

5 **A. The Newmark Plaintiffs and the Other Consumer Owners Face the Same**
6 **Threat to the Continued Enjoyment and Use of Their ReplayTV DVRs.**

7 The quality and value of the Plaintiffs' ReplayTV units and their ability to enjoy and make
8 ongoing use of those units is threatened by the fact that the Entertainment Company Defendants
9 sought a court order in the ReplayTV action which would have compelled SONICblue and
10 ReplayTV to forcibly download software remotely to relevant model ReplayTV DVRs to disable
11 the Commercial Advance and Send Show features of all consumers' ReplayTV DVRs.³ Although
12 the ReplayTV technology has been sold to DNNA, and the Entertainment Company Defendants
13 have signed a stipulated dismissal of SONICblue, they have not relented in their legal position.

14 To the contrary, the Plaintiffs and proposed Class members have a continuing and
15 reasonable concern that their ongoing use of their ReplayTV DVRs will be impaired at the behest
16 of the Entertainment Company Defendants, a fear that has only increased with the Entertainment
17 Company Defendants' actions of late. First, the Entertainment Company Defendants have failed to
18 grant to the proposed class members the Covenant Not to Sue that they have offered the five
19 Newmark Plaintiffs, despite being expressly requested to do so. Hinze Decl. ¶ 11 and Exh. G. More
20 importantly, recent news reports indicate that television and motion picture copyright owners,
21 including the Entertainment Company Defendants, intend to bring lawsuits against consumer
22 copiers of the Entertainment Company Defendants' television programming. Hinze Decl. Exh. J. In
23 addition, the current owner of the ReplayTV DVR technology, DNNA, has disabled the
24 Commercial Advance and Send Show features in the current 5500 model of the ReplayTV DVR
25 that it sells and supports, expressly due to the "concerns" of the Entertainment Company

26
27 ³ This would be done through the daily Internet or telephone "call home" connection that a
28 ReplayTV DVR unit must make to the ReplayTV server to obtain the television programming
information required for the ReplayTV to record programs.

1 Defendants. Hinze Decl. Exh. H.⁴ DNNA has, thus far, not disabled the Commercial Advance and
2 Send Show features of the previous models of ReplayTV DVRs, including those owned by the
3 Plaintiffs and proposed Class members. However, the Plaintiffs’ and Class members’ ongoing
4 ability to enjoy and use the ReplayTV DVRs that they have purchased is threatened by the likely
5 possibility that the Commercial Advance and Send Show features of their DVRs will be remotely
6 disabled by DNNA, at the behest of or under threat from the Entertainment Company Defendants.

7 **B. Newmark Plaintiffs Seek Leave to Amend to Add Class Action Allegations.**

8 Given the number of potential additional plaintiffs seeking to be joined to the Newmark
9 Plaintiffs’ action, leave is sought to amend to allege a class action. Specifically, the Newmark
10 Plaintiffs seek leave to add the allegations set out in the First Amended Complaint providing for
11 maintenance of the action as a class action under Fed. R. Civ. Proc. 23 and Local Rule 23 and
12 expanding the claim for declaratory relief to include an additional named plaintiff and the class of
13 consumer owners of ReplayTV DVRs similarly situated to themselves. Hinze Decl., Exh. E.

14 If the Court grants leave to amend, the Newmark Plaintiffs intend to move expeditiously for
15 certification of this class of persons pursuant to Fed. R. Civ. Proc. 23(b) and Local Rule 23-3.

16 **IV. ARGUMENT**

17 **A. Amendment Is Proper.**

18 Rule 15(a) of the Federal Rules of Civil Procedure provides that a pleading may be
19 amended after a response has been filed, with leave of the court, and that “leave shall be freely
20 given when justice so requires.” The Supreme Court has instructed that courts should heed the
21 mandate of Rule 15(a) and that leave should be freely given. *Foman v. Davis*, 371 U.S. 178, 182
22 (1962).

23 The Ninth Circuit has repeatedly stated that the trial court’s discretion “must be guided by
24 the underlying purpose of Rule 15 – to facilitate decisions on the merits rather than on the
25 pleadings or technicalities.” *United States v. Webb*, 655 F.2d 977, 979 (9th Cir. 1981). Thus, Rule

26 _____
27 ⁴ The Entertainment Company Defendants have described their communications and agreements
28 with DNNA as “settlement” discussions, despite the fact that DNNA has never been a party to this
litigation. See the Entertainment Company Defendants’ Motion for Leave for Relief from Stay,
p.9:18-19.

1 15's policy of favoring amendments should be applied with "extreme liberality." *DCD Programs,*
2 *Ltd v. Leighton*, 833 F.2d 183, 186 (9th Cir. 1987), quoting *Webb*, 655 F.2d at 979.

3 "This liberality in granting leave to amend is not dependent on whether the
4 amendment will add causes of action or parties."

5 *DCD Programs, Ltd v. Leighton*, 833 F.2d at 186 (internal citations omitted).

6 This Court should grant the Newmark Plaintiffs leave to amend their Complaint so that the
7 important public policy questions of copyright law raised in this litigation can be fully and finally
8 resolved, and so that the large shadow cast by the Entertainment Company Defendants over the
9 rights of consumers owners of ReplayTV DVRs to use those devices for the purposes for which
10 they were purchased can be finally lifted.

11 As this Court has previously recognized, the Newmark Plaintiffs' action raises important
12 public policy issues, and it is in the public interest that it go forward. Hinze Decl, Exh. A at 9-11.
13 As the Court has further recognized, the apprehension of litigation created by the Entertainment
14 Company Defendants exists not just in the case of the individual Newmark Plaintiffs but in the case
15 of every consumer who owns a ReplayTV DVR: "[T]he fact remains that the Entertainment
16 Defendants have, with a great deal of specificity, accused the *Newmark* plaintiffs (*and other*
17 *RePlayTV DVR owners*) of infringing the Entertainment Defendants' copyrights, and have
18 demonstrated the will to protect copyrights through litigation." *Id.* at 7 (emphasis added).

19 As the recent and widely publicized copyright infringement lawsuits brought against
20 hundreds of individual consumers by numerous music recording companies under the auspices of
21 the Recording Industry Association of America demonstrates, the specter of mass lawsuits against
22 consumers by entertainment industry copyright holders is not a remote or hypothetical conjecture.
23 Hinze Decl., Exh. I. Indeed, recent news reports indicate that many of the Entertainment Company
24 Defendants are planning similar legal action with respect to consumer copying of movies and
25 television broadcasts. Hinze Decl. Exh. J. The example of those ever-multiplying lawsuits have
26 confirmed the wisdom of this Court's previous decision to deny the Entertainment Company
27 Defendants' motion to dismiss the Newmark Plaintiffs' declaratory relief action.

28 In addition, the drafters of the Federal Rules specifically anticipated that declaratory relief

1 class actions under Rule 23(b)(2) would be used to determine the scope of intellectual property
2 rights. See FRCP Rule 23(b)(2), Advisory Committee notes to 1966 Amendments (giving example
3 of use of FRCP Rule 23(b)(2) class action for declaratory relief by purchasers of patented machine
4 to determine scope of patent holder's rights). A class action here will facilitate judicial efficiency
5 and avoid duplicative litigation, by bringing all affected parties before the court in one suit, rather
6 than proceeding with dozens or hundreds of individual lawsuits by ReplayTV owners seeking
7 exactly the same relief.

8 All of these reasons counsel this Court to permit the Newmark Plaintiffs to amend their
9 complaint to add additional named plaintiffs and class allegations.

10 **B. There Are No Countervailing Reasons, and No Undue Prejudice to the**
11 **Entertainment Company Defendants, that Would Weigh against Granting**
12 **Leave to Amend.**

13 Denial of leave to amend is an extraordinary result, done only rarely. A party opposing
14 amendment has the burden of showing prejudice. *DCD Programs, Ltd v. Leighton*, 833 F.2d at
15 187; *Beeck v. Aqua-slide 'N' Dive Corp.*, 562 F.2d 537, 540 (8th Cir. 1977). Here, there is no such
16 prejudice to the Entertainment Company Defendants.

17 The proposed amendments to the Complaint do not add any new or different claims, and
18 will not require any different or greater discovery on the merits than would have otherwise
19 occurred in these consolidated actions. Nor has there been any undue delay in seeking leave to
20 amend. This action has been stayed since March 2003. All of the events that have triggered the
21 proposed amendment of the Newmark Plaintiffs' Complaint—the dismissal of SONICblue and
22 ReplayTV, the Entertainment Company Defendants' tender of a covenant not to sue the five
23 individual Newmark Plaintiffs, and the additional ReplayTV owners now desiring to be plaintiffs
24 so that their rights may be protected and determined—have occurred since the Court ordered the
25 action stayed.

26 Although stayed for the last seven months, and subject to intense preliminary litigation
27 about protective orders, this case is at a relatively early stage of proceedings; in particular,
28 discovery was ongoing at the time the case was stayed – there were many outstanding discovery
disputes and the Newmark Plaintiffs had not yet been deposed. Hinze Decl. ¶3.

1 Since learning of the existence of the other consumer ReplayTV owners, Newmark
2 Plaintiffs' counsel have engaged in a lengthy meet and confer process with the Entertainment
3 Company Defendants and sought to obtain from them a covenant not to sue all other consumer
4 ReplayTV owners, in similar terms to that given by them to the five Newmark Plaintiffs. The
5 Entertainment Company Defendants have failed to grant such a covenant. Hinze Decl, ¶10 and
6 Exh. G.

7 The Newmark Plaintiffs seek to file this motion for leave to amend at the first appropriate
8 opportunity to do so. Thus, there has been no earlier opportunity or reason for the Newmark
9 Plaintiffs to seek leave to amend. In any event, "delay, by itself, is insufficient to justify denial of
10 leave to amend." *U.S. v. Webb*, 655 F.2d at 980; *DCD Programs, Ltd v. Leighton*, at 186.

11 Before a court may deny leave to amend, it must weigh the injustice that would result to the
12 moving party from failure to permit amendment against any potential prejudice to the opposing
13 party resulting from amendment. *United States v. Pend Orielle Public Util. Dist. No.1*, 926 F.2d
14 1502, 1511 (9th Cir. 1991); *Bell v. Allstate Life Ins. Co.*, 160 F.3d 452, 454 (8th Cir. 1998). Failure
15 to grant leave to file the First Amended Complaint would cause grave injustice because it would
16 preclude the named additional plaintiff and the members of the proposed Class of consumer owners
17 of ReplayTV DVRs, each of whom has a reasonable apprehension of liability resulting from their
18 use of their ReplayTV DVRs, from obtaining in this action declaratory relief which would provide
19 them with certainty and predictability about the legality of their ownership and use of the costly
20 equipment that they have purchased. In addition, in the case of the additional proposed named
21 plaintiff, failure to grant leave to amend would work a double injustice because it would expose
22 him to a higher risk of being sued by the Entertainment Company Defendants (as a result of his
23 identification as a ReplayTV DVR user who uses the Commerce Advance and Send Show features)
24 without the countervailing potential benefit of a judicial determination as to the legality of his use.

25 The amendments seek only to add new plaintiffs, and do not change the nature of the claims
26 in issue or the legal theory of the case. The new named plaintiff and the consumer owner class
27 members are similarly situated to the Newmark Plaintiffs in all relevant respects. Their claims stem
28 from the same factual conduct in issue in the current Newmark action, namely the same statements

1 and conduct of the Entertainment Company Defendants and Plaintiffs' ownership and use of
2 ReplayTV DVRs with the Commercial Advance and Send Show features and librarying
3 functionality that are at issue in the present case. Like the Newmark Plaintiffs, the proposed
4 additional plaintiff and class members have a reasonable apprehension of liability based on their
5 use of their ReplayTV DVRs in a manner that the Entertainment Company Defendants claim
6 constitutes copyright infringement. Finally, the proposed First Amended Complaint seeks the same
7 declaratory relief as the original Newmark Plaintiffs' Complaint although for a larger group of
8 factually similar plaintiffs. Hinze Decl., Exh. E.

9 The fact that the Entertainment Company Defendants may seek discovery against the new
10 named plaintiff and in respect of the members of the proposed class of consumer ReplayTV
11 owners, does not constitute undue prejudice warranting denial of leave. The proposed new plaintiff
12 and members of the proposed class are all individual consumers, and have only a few documents of
13 relevance to the issues of the case, (as the Entertainment Company Defendants would be aware,
14 from the documents produced by the Newmark Plaintiffs in response to the Entertainment
15 Company Defendants' prior discovery requests). And the Entertainment Company Defendants
16 have not sought to depose any of the Newmark Plaintiffs, notwithstanding several offers by
17 counsel for the Newmark Plaintiffs to make them available. Accordingly, there would be very little
18 burden to the Entertainment Company Defendants from any additional discovery sought in
19 response to the proposed amendments.

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V. CONCLUSION

Based upon the foregoing, the Newmark Plaintiffs respectfully request that the Motion for Leave to File a First Amended Complaint be granted.

DATED: November 24, 2003

ELECTRONIC FRONTIER FOUNDATION

By _____
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CRAIG NEWMARK, SHAWN HUGHES, KEITH
OGDEN, GLENN FLEISHMAN and PHIL WRIGHT
(NEWMARK PLAINTIFFS)

1 **DECLARATION OF GWENITH A. HINZE IN SUPPORT OF NEWMARK PLAINTIFFS'**
2 **MOTION FOR LEAVE TO FILE A FIRST AMENDED COMPLAINT**

3 I, Gwenith A. Hinze, declare as follows:

4 1. I am an attorney at law duly admitted to practice before this Court. I am a staff attorney
5 at the Electronic Frontier Foundation, counsel of record for the Newmark Plaintiffs herein. I submit
6 this declaration in support of the attached Newmark Plaintiffs' Motion for Leave to File A First
7 Amended Complaint. The facts stated here are known to me of my own personal knowledge,
8 except where otherwise stated. If called upon to testify thereto I could and would competently do
9 so.

10 2. Attached hereto as Exhibit A is a true and correct copy of the Court's Order of August
11 15, 2002, denying the Defendants' Motion to Dismiss and ordering consolidation of the lawsuit
12 brought by the five consumer plaintiffs against the Entertainment Company Defendants and
13 SONICblue, Inc. and ReplayTV, Inc., with the Entertainment Company Defendants' consolidated
14 lawsuit against SONICblue, Inc. and ReplayTV, Inc.

15 3. Following the August 15, 2002 Order, the parties engaged in 7 months of intensive
16 litigation including an attempt by the Entertainment Company Defendants to effectively disqualify
17 some of Plaintiffs' counsel and multiple discovery battles. Yet discovery was ongoing and the
18 Newmark Plaintiffs had not yet been deposed when SONICblue filed for bankruptcy and this Court
19 stayed the proceedings. Attached hereto as Exhibit B is a true and correct copy of the Court's
20 Minute Order dated March 24, 2003, staying all proceedings in the above-captioned consolidated
21 proceedings.

22 4. Attached hereto as Exhibit C is a true and correct copy of the stipulated dismissal of
23 SONICblue, Inc. and ReplayTV, Inc. from the Newmark Plaintiffs' action and the Entertainment
24 Company Defendants' consolidated action against ReplayTV, Inc. and SONICblue, Inc.

25 5. Attached hereto as Exhibit D is a true and correct copy of the letter from Scott Cooper
26 of Proskauer Rose, counsel for the MGM Parties, to me dated July 24, 2003, conveying the
27 Entertainment Company Defendants' covenant not to sue the five current Newmark Plaintiffs,
28 Craig Newmark, Glenn Fleishman, Keith Ogden, Phil Wright and Shawn Hughes, and advising

1 that the Entertainment Company Defendants intended to file a Motion to Dismiss the Newmark
2 Plaintiffs' Complaint pursuant to 28. U.S.C. § 2201 and Rule 12(h) of the Federal Rules of Civil
3 Procedure.

4 6. In recent months, over 90 consumer owners of ReplayTV DVRs have expressed interest
5 in joining the Newmark Plaintiffs' Complaint to obtain the same declaratory relief being sought by
6 the Newmark Plaintiffs.

7 7. Attached hereto as Exhibit E is a true and correct copy of the Newmark Plaintiffs'
8 proposed First Amended Complaint. The Plaintiffs in the First Amended Complaint include three
9 of the original Newmark Plaintiffs and one new individual plaintiff, each of whom seeks relief both
10 in their individual capacity and as a class representative.

11 8. On September 4, 2003, Ira Rothken, co-counsel for the Newmark Plaintiffs, and I
12 telephoned Mr. Cooper, counsel for the MGM Parties, who was leading discussions on behalf of
13 the Entertainment Company Defendants. In that conversation, Newmark Plaintiffs' counsel advised
14 that the Newmark Plaintiffs would be seeking leave of the Court to amend the Newmark Plaintiffs'
15 Complaint to add new parties.

16 9. On September 12, 2003 and again on October 17, 2003, I sent letters to Mr. Cooper
17 confirming Newmark Plaintiffs' intention to file a Motion for Leave to Amend the Newmark
18 Plaintiffs' Complaint to add additional parties. Attached hereto as Exhibits F and G are true and
19 correct copies of my letters to Mr. Cooper of September 12, 2003 and October 17, 2003,
20 respectively.

21 10. On September 16, 2003, Ira Rothken and I telephoned Mr. Cooper. In that conversation,
22 we discussed the Newmark Plaintiffs' proposed Motion for Leave to Amend to add additional
23 parties to the Complaint, and Mr. Rothken expressly asked Mr. Cooper whether the Entertainment
24 Company Defendants would be prepared to give a covenant not to sue on the same terms as the one
25 given to the five Newmark Plaintiffs, to the other consumer owners of ReplayTV devices with
26 Commercial Advance and Send Show features. To date, the Entertainment Company Defendants
27 have failed to grant that covenant. My letter of October 17, 2003, attached as Exhibit G, confirms
28 the proposal and the Entertainment Company Defendants' failure to provide the requested

1 covenant.

2 11. On June 10, 2003, the purchaser of the ReplayTV assets and service, Digital Networks
3 North America, Inc. issued a press release stating that in order to accommodate the concerns of
4 television and motion picture copyright owners, it was disabling the Commercial Advance and
5 Send Show features on the new 5500 model ReplayTV which was to be released in August 2003.
6 The press release stated that:

7 “ReplayTV also announced that it would address concerns of content copyright
8 holders by removing the Send Show feature in the new ReplayTV 5500. The
9 company is also removing the Automatic Commercial Advance® feature in the new
10 ReplayTV 5500.”

11 Attached as Exhibit H hereto is a true and correct copy of a print out of that press release from the
12 website of SONICblue.com at <http://www.sonicblue.com/company/press.asp?ID=595ReplayTV>.

13 12. Attached hereto as Exhibit I are three recent news stories reporting on the hundreds of
14 direct copyright infringement lawsuits recently brought by the recording industry against individual
15 consumers for using technologies that the Entertainment Company Defendants maintain constitutes
16 infringement.

17 13. Attached hereto as Exhibit J is a news report from the Los Angeles Times from
18 November 9, 2003, stating that owners of copyright in motion pictures and television
19 programming, including the Entertainment Company Defendants, plan to take similar legal action
20 against consumers who use technologies to copy the Entertainment Company Defendants’
21 television programming in a way that the Entertainment Companies claim constitutes copyright
22 infringement.

23 I declare under penalty of perjury under the laws of the State of California that the
24 foregoing is true and correct and that this document was executed in San Francisco, California.

25 Respectfully submitted,

26 DATED: November 24, 2003

27 By _____
28 Gwenith A. Hinze