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26 UNITED STATES DISTRICT COURT
27 CENTRAL DISTRICT OF CALIFORNIA

28 PARAMOUNT PICTURES
CORPORATION et al.,

Plaintiffs,

v.

REPLAYTV, INC. and
SONICBLUE, INC.,

Defendants.

Case No. 01-09358 FMC (Ex)

Hon. Florence-Marie Cooper

**THE COPYRIGHT OWNERS'
OPPOSITION TO THE NEWMARK
PLAINTIFFS' MOTION FOR LEAVE
TO AMEND; DECLARATION OF
SCOTT P. COOPER IN SUPPORT
THEREOF**

AND CONSOLIDATED ACTIONS.

DATE: January 12, 2004

TIME: 10:00 a.m.

PLACE: Courtroom 750

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1 **I. INTRODUCTION**

2 The Newmark Plaintiffs no longer have a claim in this case. Nonetheless,
3 they now seek to amend their complaint to add a new plaintiff who, they contend,
4 does have a claim, and, indeed, wants to turn this case into a class action. Their
5 motion should be denied for two reasons.

6 *First*, this Court no longer has any jurisdiction over the case. As the
7 Copyright Owners have shown in their Motion to Dismiss (scheduled for hearing
8 contemporaneously with this motion), the dismissal of the Copyright Owners’
9 claims against SONICblue ended the controversy that constituted the sole basis for
10 the Court’s previous ruling that it had subject matter jurisdiction over the Newmark
11 Plaintiffs’ claims. In addition, the Copyright Owners all have irrevocably
12 covenanted not to sue the Newmark Plaintiffs over their uses of their ReplayTV
13 devices as alleged in their complaint. Thus, the alleged fear of litigation that led the
14 Newmark Plaintiffs to seek declaratory relief has been completely eliminated, and
15 no case or controversy exists between the Newmark Plaintiffs and the Copyright
16 Owners. The absence of a case or controversy, of course, means that the Court lacks
17 jurisdiction.

18 With this case having come to an end, the Newmark Plaintiffs contend that
19 there are other ReplayTV DVR owners, not parties to this case, who have a
20 controversy with the Copyright Owners, and that the Newmark Plaintiffs’ complaint
21 should be amended to add the claims of those new parties. The possibility that there
22 might be a case or controversy between the Copyright Owners and a person who is
23 not now a party (which the Copyright Owners vigorously dispute) is no reason to
24 revive this case. There is no case or controversy between the existing parties to this
25 case, and therefore no jurisdiction. As we show below, where there is no “actual
26 controversy,” and therefore no jurisdiction, the law does not allow the manufacture
27 of jurisdiction by the addition of new parties. Thus, leave to amend must be denied.

28 *Second*, leave to amend should in any event be denied because it would be

1 futile. There is in fact no case or controversy between the Copyright Owners and
2 any of those who would become parties under the proposed amendment. The
3 Copyright Owners' two-year old allegations in the now-dismissed ReplayTV Action
4 cannot form the basis of an "actual controversy" between the proposed class of
5 ReplayTV DVR owners and the Copyright Owners. During the two years since the
6 commencement of the ReplayTV Action, the Copyright Owners have not sued or
7 threatened to sue – either directly or indirectly – any ReplayTV DVR owners for use
8 of their devices. Thus, neither the proposed additional plaintiff nor the proposed
9 class has, and indeed neither can have, the required objectively reasonable
10 apprehension of suit based on the Copyright Owners' actions.

11 The Newmark Plaintiffs and their counsel appear to believe that because the
12 Copyright Owners *believe* that use of the ReplayTV DVR features that were the
13 subject of their now-dismissed suit constitutes copyright infringement, whereas the
14 Newmark Plaintiffs do not, the intellectual disagreement constitutes an "actual
15 controversy." But mere disagreement does not establish a basis to sue for
16 declaratory relief. A declaratory relief plaintiff must have an objectively reasonable
17 fear of being sued, and ReplayTV DVR owners can point to no facts, and no actions
18 by the Copyright Owners, creating such a fear.

19 Moreover, the Newmark Plaintiffs are simply wrong to contend that denying
20 leave to amend will prejudice them in any way. They already have obtained,
21 through the covenant not to sue, the full equivalent of all the relief they demanded in
22 their complaint. They thus have no legally recognizable interest at all in whether
23 their proposed amendment is allowed or not. They certainly will not be harmed by
24 its denial.

25 Nor will the proposed class be prejudiced by denying the amendment. The
26 class, its new putative representative, and its members are not parties here; their
27 rights will not be affected.

28 To the contrary, it is *granting* leave to amend that is likely to prejudice the

1 interests of the class. The Newmark Plaintiffs previously have suggested to the
2 Court that discovery of the specifics of how the owner of a ReplayTV DVR uses the
3 device is invasive of legitimate privacy interests. Yet litigating the proposed class
4 claims would require discovery into how individual owners use their ReplayTV
5 DVRs. The Newmark Plaintiffs themselves, outside the putative class by virtue of
6 the Copyright Owners' covenants not to sue them, will not be the subjects of this
7 discovery. But all class members potentially will be, and it is the Newmark
8 Plaintiffs' proposed amendment that would subject them to this alleged invasion of
9 privacy.

10 The Court should not allow the Newmark Plaintiffs to entirely recast this
11 concluded litigation under the guise of an amendment "to add parties."

12 **II. FACTUAL AND PROCEDURAL BACKGROUND**

13 **A. The ReplayTV Action And The Newmark Declaratory Relief** 14 **Action**

15 These proceedings began in late 2001 when the Copyright Owners
16 commenced four consolidated actions against SONICblue (collectively, the
17 "ReplayTV Action") relating to its new DVR, the ReplayTV 4000 series. Based on
18 SONICblue's conduct, the Copyright Owners asserted claims against SONICblue
19 for, *inter alia*, direct, contributory, and vicarious copyright infringement.

20 In June 2002, just over seven months later, five individual owners of
21 ReplayTV 4000s, the Newmark Plaintiffs, brought a declaratory relief action against
22 the Copyright Owners and SONICblue, seeking a declaration that the five Newmark
23 Plaintiffs' personal uses of their ReplayTV 4000s were lawful (the "Newmark
24 Declaratory Relief Action"). The Newmark Declaratory Relief Action was
25 consolidated with the ReplayTV Action.

26 On March 24, 2003, following SONICblue's filing for bankruptcy protection,
27 this Court issued an order staying all proceedings in the ReplayTV Action and the
28

1 Newmark Declaratory Relief Action (the "Stay Order"). Hinze Decl., Exh. B.¹ On
2 April 25, 2003, with Bankruptcy Court approval, SONICblue sold its ReplayTV
3 assets to a third party, Digital Networks North America, Inc. ("DNNA"). As a result
4 of the sale, SONICblue no longer is in the business of manufacturing, selling or
5 supporting the ReplayTV DVRs at issue in the ReplayTV Action and the Newmark
6 Declaratory Relief Action. In June 2003, DNNA announced that its new DVR
7 model, the ReplayTV 5500 series, would not include two of the features that
8 prominently had been at issue in the ReplayTV Action: the Send Show and
9 Commercial Advance features. See Hinze Decl., Exh. H. The Copyright Owners
10 have not commenced any litigation against DNNA relating to any of DNNA's
11 ReplayTV DVRs.

12 **B. The Stipulation Of Dismissal As To SONICblue**

13 Following SONICblue's sale of its DVR business line, the Copyright Owners
14 and the Newmark Plaintiffs agreed voluntarily to dismiss all of their respective
15 claims against SONICblue, without prejudice, pursuant to Federal Rule of Civil
16 Procedure 41(a)(1)(ii) (the "Stipulation of Dismissal"). Cooper Decl., Exh. 1.² On
17 November 12, 2003, the Court granted the Copyright Owners' motion for a limited
18 lifting of the stay, and entered an order modifying the Stay Order to allow for the
19 filing with the Court of, among other things, the Stipulation of Dismissal. *Id.*,
20 Exh. 2. The Court entered the Stipulation of Dismissal on November 17, 2003. *Id.*,
21 Exh. 1.

22 Consequently, the only remaining claims pending in these five consolidated
23 actions are the five Newmark Plaintiffs' individual declaratory relief claims against
24 the Copyright Owners.

26 _____
27 ¹ "Hinze Decl." refers to the Declaration of Gwenith A. Hinze, dated November 24, 2003,
submitted in support of the Newmark Plaintiffs' motion for leave to amend ("Motion").

28 ² "Cooper Decl." refers to the annexed Declaration of Scott P. Cooper, dated December 9, 2003.

1 **C. The Copyright Owners' Motion To Dismiss**

2 On November 17, 2003, the Copyright Owners filed their Motion to Dismiss
3 the Newmark Plaintiffs' Complaint for lack of subject matter jurisdiction, seeking
4 dismissal of this remaining portion of the ReplayTV Action (the "Motion to
5 Dismiss"). The Motion to Dismiss demonstrates the absence of any actual
6 controversy between the Copyright Owners and the Newmark Plaintiffs in light of
7 the dismissal of all claims against SONICblue, which constituted the sole basis for
8 the Court's finding in August 2002 of an indirect threat of potential claims by the
9 Copyright Owners against the Newmark Plaintiffs. *See* Order Denying Copyright
10 Owners' Motion to Dismiss, dated August 15, 2002, Hinze Decl., Exh. A. In
11 addition, in July 2003, the Copyright Owners covenanted not to sue the Newmark
12 Plaintiffs for their use of their ReplayTV DVRs as alleged in their Complaint. *Id.*,
13 Exh. D. The lack of an "actual controversy" between the Newmark Plaintiffs and
14 the Copyright Owners means, as we show in the Motion to Dismiss, that the Court
15 no longer has jurisdiction and the case must be dismissed.³

16 **D. The Newmark Plaintiffs' Proposed Amendment Following Their**
17 **Solicitation Of Other ReplayTV DVR Owners**

18 EFF, counsel for the Newmark Plaintiffs, contends that it learned only
19 recently that 90 consumer owners of ReplayTV DVRs have "indicated interest" in
20 obtaining the same relief obtained by the Newmark Plaintiffs and that is why they
21 now seek to add class action allegations. *See* Motion at 1:23-25; 9:18-24; Hinze
22 Decl., ¶ 6. But it was EFF counsel themselves who drummed up the purported
23

24 ³ "Standing to sue . . . is an aspect of the case-or-controversy requirement." *Arizonans for*
25 *Official English v. Arizona*, 520 U.S. 43, 64 (1997); *Carroll v. Nakatani*, 342 F.3d 934, 940 (9th
26 Cir. 2003) ("Standing is an essential component of the case or controversy requirement of Article
27 III"); *Warren v. Fox Family Worldwide, Inc.*, 328 F.3d 1136, 1140 (9th Cir. 2003) ("[I]f
28 [plaintiff] lacks standing to assert his federal copyright claims, the district court did not have
subject matter jurisdiction and dismissal was appropriate."); *Scott v. Pasadena Unified Sch. Dist.*,
306 F.3d 646, 664 (9th Cir. 2002) ("By finding that [plaintiff] did not have standing to assert her
federal equal protection claim, we have determined that the district court lacked subject matter
jurisdiction."), *cert. denied*, 123 S. Ct. 2071 (2003).

1 “interest” by actively soliciting other ReplayTV DVR owners to contact them if they
2 were interested in obtaining the same relief obtained by the Newmark Plaintiffs.

3 After the Copyright Owners informed the Newmark Plaintiffs of their
4 intention to file the Motion to Dismiss and covenanted not to sue the Newmark
5 Plaintiffs as described above, EFF posted the following message in the August 28,
6 2003 issue of their on-line publication:

7 Calling All ReplayTV Commercial Skippers

8 As many readers know, EFF sued 28 Hollywood movie studios
9 last year on behalf of five owners of ReplayTV 4000 units in
10 response to studio claims that consumers who automatically
11 skip commercials are breaking the law. The lawsuit asked the
12 Court to rule that commercial skipping is fair use and NOT
13 copyright infringement. After months of litigation, EFF has
14 finally forced the studios to give up their threats and concede
15 that our five clients can skip all the commercials they want with
16 their ReplayTVs without fear of legal action.

17 So where do you come in? We've won the right to skip
18 commercials for five consumers; now we want to make it 500,
19 or if possible, 5,000 - the more the merrier. *If you own a*
20 *ReplayTV 4000 series unit or know anyone who does, contact*
21 *us immediately.* We are in the process of finalizing our
22 negotiations with the movie studios and would like to get
23 similar protection for everyone who has a ReplayTV and uses it
24 for automatic commercial skipping. Contact us at:
25 nocommercials@eff.org

18
19 Cooper Decl., Exh. 3 (emphasis added).

20 According to the Newmark Plaintiffs, they seek leave to “amend their
21 Complaint to add an additional individual plaintiff, as well as class allegations, to
22 convert this case into a class action on behalf of all consumer owners of certain
23 ReplayTV digital video recorders” Motion, at 1:2-5. Counsel for the
24 Newmark Plaintiffs contend that the “proposed amended complaint seeks the same
25 declaratory relief sought in the . . . original complaint . . . , [and] on the same legal
26 and factual basis” as the original complaint. *Id.*, at 1:5-7. In their original
27 complaint, the Newmark Plaintiffs repeatedly made reference to other owners of the
28 ReplayTV 4000, acknowledging their awareness of allegedly similarly situated

1 plaintiffs. *See, e.g.*, Cooper Decl., Exh. 4, at ¶¶ 5, 63. Despite their awareness of all
2 of the facts relating to their proposed amendment at the time of the filing of the
3 original complaint, the Newmark Plaintiffs chose not to attempt to assert their
4 claims in a representative capacity. Instead, they waited until this case effectively
5 was over, more than a year later, to solicit interest from other ReplayTV DVR
6 owners and raise the idea of a class action.

7 **III. ARGUMENT**

8 **A. The Newmark Declaratory Relief Action Is Over Because The**
9 **Existing Newmark Plaintiffs No Longer Have Standing; The**
10 **Proposed Amendment To Add Parties Constitutes An**
11 **Impermissible Attempt To Manufacture Subject Matter**
12 **Jurisdiction.**

13 For the reasons set forth in the Copyright Owners' Motion to Dismiss, there is
14 no longer an "actual controversy" between the five individual Newmark Plaintiffs
15 and the Copyright Owners. To avoid the dismissal required in the absence of an
16 "actual controversy," the Newmark Plaintiffs have attempted to create one by
17 seeking leave to amend their complaint to add a new named plaintiff and class
18 allegations. The proposed amendment, however, is inappropriate and prohibited
19 under federal law.

20 The proposed First Amended Complaint includes as named plaintiffs three of
21 the original five Newmark Plaintiffs, despite the fact that the Copyright Owners
22 already have covenanted not to sue them for their uses of their ReplayTV DVRs as
23 alleged in their complaint. *See* Hinze Decl., Exh. E, ¶ 3. The Newmark Plaintiffs
24 do not offer any explanation for their improper inclusion in the proposed pleading.
25 Presumably, the three individuals were included as named plaintiffs to create the
26 illusion of continuity between the case as it previously existed and the case as it
27 would be following amendment. In fact, however, the case as it was is now
28 completely over; the amendment seeks to import an alleged new case by a new party

1 that has no place here.

2 When existing plaintiffs lack standing to bring a lawsuit, they cannot amend
3 their complaint to add new parties to cure this fundamental jurisdictional defect.
4 *Lierboe v. State Farm Mutual Auto. Ins. Co.*, No. 02-35432, 2003 WL 22833019
5 (9th Cir. Dec. 1, 2003); *Summit Office Park, Inc. v. United States Steel Corp.*, 639
6 F.2d 1278, 1283 (5th Cir. 1981) (plaintiff does not have standing to amend the
7 complaint to substitute new plaintiffs when the original plaintiff lacks standing to
8 assert a claim against the defendants); *Lans v. Gateway 2000, Inc.*, 84 F. Supp. 2d
9 112, 116 (D.D.C. 1999) (same), *aff'd sub nom. Lans v. Digital Equip. Corp.*, 252
10 F.3d 1320 (Fed. Cir. 2001).

11 In *Lierboe*, the plaintiff filed a class action suit in which she appeared as the
12 only named plaintiff. The defendant moved to dismiss, arguing that the named
13 plaintiff lacked standing to pursue the class claims. *Lierboe*, 2003 WL 22833019, at
14 *1. Prior to a determination of whether the plaintiff had standing, the district court
15 certified the class and the plaintiff's counsel filed a motion to intervene on behalf of
16 new plaintiffs who were potential class representatives and whose claims allegedly
17 would be unaffected by the standing ruling. *Id.*, and *2 n.4. It was then held that
18 the plaintiff, the sole named plaintiff in the already certified class, did not have
19 standing to pursue the class claims. *Id.*, at *2.

20 The district court deferred decision on the motion to intervene pending the
21 Ninth Circuit's consideration of whether the class properly was certified in light of
22 the standing ruling. *Id.*, at *2 n.4. The Ninth Circuit vacated the district court's
23 class certification order, and remanded the case with instructions to dismiss. *Id.*, at
24 *1. Significantly, the Ninth Circuit also expressly decided that it would not allow
25 any further proceedings to determine whether the suit could proceed as a class
26 action with another representative. *Id.*, at *3. The Ninth Circuit reasoned that a
27 named plaintiff who lacks standing may not "seek relief on behalf of himself or any
28 other member of the class." *Id.* (quoting *O'Shea v. Littleton*, 414 U.S. 488, 494

1 (1974)). As the *Lierboe* court further explained, “standing is the threshold issue in
2 any suit. If the individual plaintiff lacks standing, the court need never reach the
3 class action issue.” *Id.* (quoting 3 Herbert B. Newberg on Class Actions § 3:19, at
4 400 (4th ed. 2002)).

5 Here, where the Newmark Plaintiffs also lack standing, they may not, in the
6 words of *O’Shea* as quoted in *Lierboe*, “seek [to amend] on behalf of [themselves]
7 or any other member of the class.” And in the words of Newberg, as quoted in
8 *Lierboe*, because “the individual plaintiff[s] lack[] standing, the court need never
9 reach the class action issue.”

10 We note that the *Lierboe* plaintiff never had standing, while this Court held
11 that the claims of the five individual Newmark Plaintiffs did present an “actual
12 controversy” sufficient to sustain the Court’s subject matter jurisdiction at the outset
13 of the Newmark Declaratory Relief Action. Had the Newmark Plaintiffs’ claims
14 been brought as a class action at the outset, and had the class been certified, it is
15 possible that any loss of standing by the Newmark Plaintiffs could have been cured
16 by adding parties with standing. *See Lierboe*, at *3 n.6. But the *Lierboe* principles
17 discussed above mean that the case the Newmark Plaintiffs did bring is over, and the
18 Newmark Plaintiffs and their counsel may not manufacture subject matter
19 jurisdiction by attempting to add new parties who allegedly can satisfy the Article
20 III standing requirement.

21 Cases in other jurisdictions are consistent with the Ninth Circuit’s ruling in
22 *Lierboe*. In *Summit Office Park*, the plaintiff sued steel companies for violating the
23 Sherman and Clayton Acts. When a subsequent Supreme Court decision established
24 the requirement that such suits be brought only by direct purchasers, it became
25 apparent that the plaintiff did not have standing. 639 F.2d at 1280. In an attempt to
26 keep the lawsuit alive, the plaintiff moved to replace the dismissed plaintiff with two
27 direct purchasers who would have standing to sue. *Id.* Although the district court
28 recognized that ordinarily amendments should be liberally granted under F.R.C. P.

1 15(a), it denied the motion for leave to amend. *Id.*, at 1281. The Fifth Circuit
2 affirmed, holding that “[s]ince [the plaintiff] had no standing to assert a claim, it was
3 without power to amend the complaint so as to initiate a new lawsuit with new
4 plaintiffs and a new cause of action.” *Id.*, at 1282.

5 Similarly, in *Lans*, the district court held that the plaintiff could not amend his
6 complaint to substitute a new plaintiff because there was no actual controversy
7 between the parties. 84 F. Supp. 2d at 116. In *Lans*, an inventor sued a computer
8 graphics company for patent infringement. During discovery, the defendant
9 determined that the plaintiff was not the patent holder and that, therefore, there was
10 no actual controversy between the parties to the case. *Id.*, at 113. As in *Lierboe*,
11 *Summit Office Park*, and this case, the plaintiff, seeking to maintain the lawsuit,
12 moved to amend the complaint to add the actual patent owner as a plaintiff. *Id.*, at
13 114. The court denied the inventor’s motion to amend the complaint. *Id.*, at 115.
14 Relying on 28 U.S.C. section 1653, the district court held that F.R.C.P. 15(a) did not
15 permit the original plaintiff to file an amended complaint because it was “not
16 intended to simply correct a defective jurisdictional allegation, [but rather sought] to
17 retroactively create jurisdiction.” *Id.*, at 115-16.

18 Subsequent events have ended any and all actual controversy between the five
19 individual Newmark Plaintiffs and the Copyright Owners. As a result, this Court no
20 longer has subject matter jurisdiction under Article III. Like the plaintiffs in
21 *Lierboe*, *Summit Office Park* and *Lans*, neither the Newmark Plaintiffs nor the new
22 proposed plaintiff can “reestablish” subject matter jurisdiction in this action where
23 none exists.

24 **B. The Proposed Amendment Is Futile Because The Proposed Claims**
25 **Do Not State An “Actual Controversy.”**

26 The Newmark Plaintiffs’ motion should be denied for a second reason. Leave
27 to amend should not be allowed if the proposed amendment is futile or would be
28 subject to dismissal. *Saul v. United States*, 928 F.2d 829, 843 (9th Cir. 1991)

1 (affirming denial of leave to amend where proposed amendments “could [not]
2 overcome the fundamental futility of the claims”); *Moore v. Kayport Package*
3 *Express, Inc.*, 885 F.2d 531, 538 (9th Cir. 1989) (“Leave to amend need not be
4 given if a complaint, as amended, is subject to dismissal.”); *Jones v. Community*
5 *Redevelopment Agency*, 733 F.2d 646, 650 (9th Cir. 1984) (“We will not . . . allow
6 ‘futile amendments.’”) (citation omitted).

7 Accordingly, it is well settled that leave to amend should be denied where the
8 court would lack subject matter jurisdiction over the proposed claims. *Pink v.*
9 *Modoc Indian Health Project, Inc.*, 157 F.3d 1185, 1189 (9th Cir. 1998) (leave
10 properly denied as futile “because the alleged facts, even if true, provided no basis
11 for subject matter jurisdiction”); *Tellez v. U.S. Immigration and Naturalization*
12 *Serv.*, 91 F. Supp. 2d 1356, 1363 (C.D. Cal. 2000) (denying leave to amend as futile
13 “because this Court lacks jurisdiction over the commencement of removal
14 proceedings”); *Konczak v. Manager, Internal Revenue Serv.*, No. CV 96-6544 WJR
15 (RNBx), 1997 WL 152000, at *4 (C.D. Cal. Jan. 2, 1997) (dismissing complaint
16 with prejudice because “the lack of subject matter jurisdiction” makes leave to
17 amend futile).

18 For the reasons discussed below, the Newmark Plaintiffs’ request for leave to
19 amend should be denied because the Court would lack subject matter jurisdiction
20 over the claims for declaratory relief asserted in the proposed First Amended
21 Complaint.

22 **1. The “Actual Controversy” Requirement.**

23 A federal court has subject matter jurisdiction over declaratory relief claims
24 *only* where there is an “actual controversy” between the parties. 28 U.S.C. §
25 2201(a); *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 272 (1941)
26 (“the District Court is without power to grant declaratory relief unless . . . a[n]
27 [‘actual] controversy[’] exists.”). A declaratory plaintiff can satisfy the “actual
28 controversy” requirement only by showing that the defendants’ actions created in

1 the plaintiff a real and objectively reasonable apprehension of imminent legal action.
2 See Hinze Decl., Exh. A, at 5 (“[C]ourts must focus on whether a declaratory
3 plaintiff has a ‘reasonable apprehension’ that he or she will be subjected to
4 liability.”) (citing *Societe de Conditionnement en Aluminium v. Hunter Eng’g Co.*,
5 655 F.2d 938, 944 (9th Cir. 1981)); *Hal Roach Studios, Inc. v. Feiner & Co.*, 896
6 F.2d 1542, 1556 (9th Cir. 1990) (the declaratory plaintiff’s reasonable apprehension
7 “must have been caused by the defendant’s actions”).

8 Significantly, the declaratory plaintiff’s apprehension of suit must be
9 objectively real and reasonable. See, e.g., *K-Lath, Div. of Tree Island Wire (USA),*
10 *Inc. v. Davis Wire Corp.*, 15 F. Supp. 2d 952, 958 (C.D. Cal. 1998) (“‘The test,
11 however, stated is objective’”) (citation omitted). Thus, the defendants’
12 uncommunicated, subjective state of mind is legally irrelevant. See *id.*, at 962 and
13 n.12 (finding that the objective words and actions of the defendant control whether
14 the declaratory plaintiff’s apprehension of suit is reasonable); *Orion Elec. Co. v.*
15 *Funai Elec. Co.*, No. 01 Civ. 3510 AGSJCF, 2001 WL 1506009, at *2 (S.D.N.Y.
16 Nov. 26, 2001) (declaratory defendant’s “unexpressed intent is irrelevant to the
17 justiciability issue”); *CellPro v. Baxter Int’l, Inc.*, No. C92-715D, 1992 WL 454839,
18 at *2 (W.D. Wash. Dec. 28, 1992) (“[D]efendants [sic] subjective intent, which was
19 not communicated to plaintiffs is not relevant to the determination [of plaintiff’s
20 reasonable apprehension].”).

21 None of the Copyright Owners’ actions alleged in the proposed First
22 Amended Complaint is sufficient to create in the proposed plaintiff, or the putative
23 class, the requisite real and objectively reasonable apprehension of suit.
24 Consequently, the proposed amendment is futile and should not be allowed.

1 2. **The Copyright Owners' Two Year Old Allegations In The**
2 **Now-Dismissed ReplayTV Action Cannot Satisfy The**
3 **“Actual Controversy” Requirement.**

4 Given the dismissal of the ReplayTV Action, the Copyright Owners'
5 allegations in that action cannot create an “actual controversy” between the
6 proposed new plaintiff, or the putative class of ReplayTV DVR owners, and the
7 Copyright Owners. In its August 15, 2002 Order (Exhibit A to the Hinze
8 Declaration), the Court concluded that the only basis on which the five individual
9 Newmark Plaintiffs had a “reasonable apprehension” of a possible claim against
10 them was the existence of the Copyright Owners' allegations against SONICblue in
11 the now-dismissed ReplayTV Action. The Court reasoned as follows:

12 When viewed from the perspective of the Newmark Plaintiffs,
13 the [Copyright Owners]' allegations *in the RePlayTV action* are
14 sufficient to raise a reasonable apprehension that they will be
15 subject to liability. The Complaints *in the RePlayTV action*
16 allege that the actions of the Newmark Plaintiffs (and other
17 RePlayTV DVR owners) constitute direct copyright
18 infringement. Of course, the [Copyright Owners] must allege
19 these facts to support their claims of contributory and vicarious
20 copyright infringement against RePlayTV. But the fact remains
21 that the [Copyright Owners] have, with a great deal of
22 specificity, accused the Newmark Plaintiffs (and other
23 RePlayTV DVR owners) of infringing the [Copyright Owners]'
24 copyrights, and have demonstrated the will to protect
25 copyrights through litigation. These facts raise a reasonable
26 apprehension on the part of the Newmark Plaintiffs.

27 Hinze Decl., Exh. A, at 7 (emphasis added). Similarly, the Court noted that “a
28 victory by the [Copyright Owners against SONICblue] *in the RePlayTV action* will
necessarily require a determination that the activities of the [ReplayTV DVR]
owners constitute direct copyright infringement” *Id.* (emphasis added).

 The voluntary dismissal of the ReplayTV Action, however, ended the active
controversy that constituted the sole basis for the Court's finding of an indirect
threat of potential claims by the Copyright Owners against the Newmark Plaintiffs.
In the absence of any pending allegations of infringing activity by ReplayTV DVR
owners asserted by the Copyright Owners in an ongoing lawsuit, or any resulting

1 risk of a finding of direct infringement by ReplayTV DVR owners in that lawsuit,
2 the proposed class can point to no actions by the Copyright Owners sufficient to
3 instill in any ReplayTV DVR owner an objectively real and “reasonable
4 apprehension” of liability. As a result, the new proposed plaintiff cannot meet his
5 burden of proving that the proposed claims for declaratory relief present an “actual
6 controversy.” *See Solaia Tech. LLC v. Jefferson Smurfit Corp.*, No. 01 X 6641,
7 2002 WL 31017654, at *2 (N.D. Ill. Sept. 9, 2002) (finding that plaintiff seeking a
8 declaration of non-infringement, invalidity and unenforceability of a patent cannot
9 show “reasonable apprehension” of liability where “no charge of patent
10 infringement now remains pending”).

11 In fact, the record demonstrates that the Copyright Owners have not made any
12 threats of suit – either direct or indirect – against any ReplayTV DVR owners. In
13 the almost two years since the Copyright Owners commenced the ReplayTV Action
14 against SONICblue in late 2001, the Copyright Owners have not filed or threatened
15 any legal action against any ReplayTV DVR owner concerning their uses of the
16 DVR. Even when the Newmark Plaintiffs filed the Newmark Declaratory Relief
17 Action against the Copyright Owners in June 2002, the Copyright Owners did not
18 assert counterclaims against the Newmark Plaintiffs, or commence any legal action
19 against any other ReplayTV DVR owner.

20 Moreover, neither the proposed additional plaintiff nor any member of the
21 proposed class can point to anything ever said or done by the Copyright Owners to
22 them that constitutes, or suggests, or even hints at, a threat of suit. Quite the
23 contrary, in addition to the recent dismissal of the ReplayTV Action that
24 precipitated the Newmark Plaintiffs’ filing of their declaratory relief complaint, the
25 Copyright Owners have covenanted not to sue the five individual Newmark
26 Plaintiffs for copyright infringement arising from the Newmark Plaintiffs’ uses of
27 their ReplayTV DVRs as alleged in their complaint.

28 In seeking to rely on the Copyright Owners’ former allegations in the

1 ReplayTV Action to sustain declaratory relief subject matter jurisdiction, the
2 Newmark Plaintiffs are attempting to transform a two-year old statement of a legal
3 position in a now-dismissed action against a third party into a threat of imminent
4 legal action against the proposed class of ReplayTV DVR owners. Putting aside
5 that this argument is contrary to well-established law regarding subject matter
6 jurisdiction, permitting this case to continue based solely on a party's prior
7 expression of a legal position in a withdrawn pleading is simply bad policy.

8 As the Court is well aware, there exists an active and important public debate
9 concerning the contours of the law of copyright in the digital arena. As providers of
10 copyrighted material, the Copyright Owners are an essential part of that debate, and
11 should be permitted, along with other participants, to engage in the discourse
12 without fear that they could be hauled into court by a stranger merely by expressing
13 their views on whether particular conduct constitutes copyright infringement. A rule
14 to the contrary would unfairly and unreasonably inhibit the Copyright Owners and
15 others expressing views by subjecting them to declaratory relief actions simply
16 because they express opinions on whether certain conduct is or should be illegal. In
17 the absence of a threat of imminent legal action, as the law requires, the Copyright
18 Owners (as well as ReplayTV DVR owners) should be free to express their views on
19 the law of copyright infringement without subjecting themselves to litigation.

20 In sum, in light of the Copyright Owners' conduct since their commencement
21 of the ReplayTV Action, the proposed class of ReplayTV DVR owners cannot have
22 an objectively reasonable apprehension of suit based on the Copyright Owners' two
23 year-old allegations in a now-dismissed action against a third party.⁴

24 ⁴ The proposed amended complaint asserts two other bases for subject matter jurisdiction –
25 alleged public statements made by the Copyright Owners about the use of ReplayTV DVRs, and
26 factual allegations about the Copyright Owners' purported efforts to discover the identities of
27 ReplayTV DVR owners in the ReplayTV Action. Hinze Exh. E, ¶¶ 59-63, and ¶¶ 65-68,
28 respectively. These allegations are similar (and in some instances, virtually identical) to
allegations in the Newmark Plaintiffs' original complaint. Cooper Decl., Exh. 4. In the July 2002
briefing on the Copyright Owners' motion to dismiss the Newmark Plaintiffs' original pleading,
the Copyright Owners demonstrated why neither set of allegations provides subject matter
jurisdiction. See Cooper Decl., Exh. 5, at 90-94. Specifically, the Copyright Owners showed that

1 3. **The Newmark Plaintiffs Cannot Create An “Actual**
2 **Controversy” Between The Parties Merely By Requesting A**
3 **Covenant Not To Sue.**

4 Unable to point to any actions by the Copyright Owners sufficient to instill in
5 any ReplayTV DVR owner a real and objectively reasonable apprehension of
6 imminent legal action, the Newmark Plaintiffs suggest that the Copyright Owners’
7 failure to covenant not to sue the entire proposed class itself creates an “actual
8 controversy.” *See, e.g.*, Motion, at 6:15-20. The Newmark Plaintiffs are wrong. As
9 demonstrated below, a declaratory relief plaintiff cannot manufacture a justiciable
10 dispute merely by noting a disagreement between the parties, seeking a prospective
11 waiver from the declaratory relief defendant, and then pointing to the absence of a
12 covenant not to sue as sufficient evidence of an “actual controversy” between the
13 parties. A contrary rule would eviscerate the fundamental requirement that the
14 declaratory relief plaintiff’s apprehension of suit must be objectively real and
15 reasonable and result from a threat of an action against him.

16 Due to the objective nature of the jurisdictional test, the mere fact that two
17 parties disagree on a point of law is itself insufficient to invoke declaratory
18 judgment jurisdiction. *K-Lath*, 15 F. Supp. 2d 952 at 960 (finding absence of actual
19 controversy even where defendants acknowledged that “a disagreement exists
20 between the parties regarding the validity of the . . . patent”). Rather, it is only when
21 a defendant manifests its disagreement by engaging in conduct that can be
22 objectively viewed as a threat of litigation that an actual controversy exists between
23

24 generic public statements about DVRs attributed to a representative of one the Copyright Owners
25 did not constitute the requisite threat of imminent legal action necessary to support subject matter
26 jurisdiction. *Id.*, at 92-94. The Copyright Owners also demonstrated that their efforts to discover
27 anonymous information about ReplayTV DVR use in the now-dismissed ReplayTV Action for the
28 purpose of prosecuting their former claims against SONICblue could not sustain declaratory relief
jurisdiction. *Id.*, at 90-92. After full briefing on these issues, the Court did not rely on any of
these allegations in its August 2002 order finding the existence of subject matter jurisdiction over
the five Newmark Plaintiffs’ claims. *See* Hinze Decl., Exh. A. There is no reason for the Court to
change its view now.

1 two parties. *Id.*, at 962.

2 Here, the Newmark Plaintiffs point only to the Copyright Owners' former
3 allegations against a third party, SONICblue, to establish that the prospective
4 plaintiffs and the Copyright Owners have different views concerning the legality of
5 certain conduct of ReplayTV DVR owners. *See* Motion, at 6:11-13 ("Although the
6 ReplayTV technology has been sold to DNNA, and the [Copyright Owners] have
7 signed a stipulated dismissal of SONICblue, they have not relented in their legal
8 position."). The Copyright Owners' beliefs as to whether ReplayTV DVR owners
9 may be engaged in copyright infringement, however, are irrelevant to the
10 jurisdictional inquiry in the absence of conduct by the Copyright Owners objectively
11 evidencing a threat of suit against any ReplayTV DVR owners. The Copyright
12 Owners have engaged in no such conduct. Thus, the Copyright Owners' subjective
13 views of the law, even if contrary to those of the proposed plaintiffs, cannot create
14 an actual controversy between the parties.

15 In the absence of a threat of suit, courts have found that a refusal to covenant
16 not to sue cannot create a reasonable apprehension sufficient to establish subject
17 matter jurisdiction. *See K-Lath*, 15 F. Supp. 2d 952 at 962. *See also BP Chemicals*
18 *Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 980 (Fed. Cir. 1993) (defendant's refusal
19 to promise that it would not enforce its patent against the plaintiffs did not support
20 declaratory relief subject matter jurisdiction). In *K-Lath*, the plaintiff sought a
21 declaratory judgment that a competitor's patent was invalid and that the plaintiff's
22 product did not infringe the patent. 15 F. Supp. 2d at 954. The plaintiff argued that
23 an actual controversy existed between the parties because the defendants insisted on
24 the validity of their patent, expressly reserved their rights to enforce the patent,
25 refused to inspect the plaintiff's product, and refused to provide the plaintiff with a
26 covenant not to sue. *Id.*, at 962. The court found there was no actual controversy
27 because the defendants did not engage in conduct sufficient to instill in the plaintiff
28 an objectively reasonable apprehension of suit. *Id.* ("No . . . threat [of suit] has

1 been made by Defendants regarding enforcement of the . . . patent, such that a
2 refusal to provide a covenant of non-suit creates an actual controversy between the
3 parties.”)

4 The *K-Lath* court found that defendants’ refusal to covenant not to sue the
5 plaintiff could not constitute the requisite threat of suit. *Id.*, at 961. Adopting the
6 Seventh Circuit’s view, the *K-Lath* court reasoned as follows:

7 [Plaintiff’s] argument would result in a requirement that a
8 patentee grant clearance to a competitor’s designs upon request
9 or, by its refusal to do so, create declaratory judgment
10 jurisdiction. A reasonable apprehension could thus be created
11 by a patentee’s refusal to act. That is not the law and we
12 decline to establish [this] rule. . . . It is clear that [plaintiff’s]
13 unsolicited demand that [defendant] admit noninfringement or
14 face suit coupled with [defendant’s] noncommittal response
15 could not have created a reasonable apprehension on [plaintiff’s]
16 part.

13 *Id.* (quoting *International Harvester Co. v. Deere & Co.*, 623 F.2d 1207, 1213 (7th
14 Cir. 1980)). Focusing on the objective nature of the test for jurisdiction, the *K-Lath*
15 court noted that “[w]hile [the plaintiff] may have subjectively feared suit from
16 Defendants, ‘a subjective apprehension is insufficient without objective substance.’”
17 15 F. Supp. 2d at 962 (citation omitted).

18 The *K-Lath* rule regarding patents is equally applicable in the copyright arena.
19 Here, as described above, the Copyright Owners have not engaged in any conduct
20 sufficient to instill in the proposed plaintiffs an objectively reasonable apprehension
21 of suit for copyright infringement. Thus, as in *K-Lath*, the Copyright Owners’
22 failure to covenant not to sue the proposed class of ReplayTV DVR owners cannot
23 sustain declaratory relief subject matter jurisdiction.

24 **4. The Newmark Plaintiffs’ Claims Of Prejudice Are**
25 **Misplaced.**

26 The Newmark Plaintiffs argue that the Court must consider the “injustice that
27 would result *to the moving party* from failure to permit amendment” Motion,
28 at 10:11-13 (emphasis added). Nowhere in their argument, however, do the five

1 individual Newmark Plaintiffs assert that the denial of leave to amend will prejudice
2 them in any way. Indeed, there is no prejudice to the Newmark Plaintiffs at all.
3 Through the irrevocable covenant not to sue, they have received the equivalent of all
4 the relief sought in their complaint. Denial of the proposed amendment will not
5 affect that in any way.

6 Nor will the proposed class be prejudiced by the denial of the amendment.
7 The members of the proposed class are not parties here and the Court's denial of the
8 amendment will not affect their rights, whatever those rights may be.

9 In fact, it is only the granting of the proposed amendment that could threaten
10 the interests of the proposed class. Allowing the proposed amendment, for example,
11 would conflict with statements EFF previously made to this Court regarding the
12 privacy interests of the proposed class members. If forced to litigate the proposed
13 class claims, the Copyright Owners would need to inquire into the details of how
14 individual ReplayTV DVR owners use their devices.⁵ By placing in issue the
15 legality of the uses of their ReplayTV DVRs by a purported class including all
16 ReplayTV DVR owners, the proponents of the class subject those owners to the
17 exact type of discovery EFF previously suggested they were hoping to avoid. For
18 example, in support of their July 2002 motion to consolidate the Newmark
19 Declaratory Relief Action with the ReplayTV Action, EFF argued that the very
20 genesis of the Newmark Declaratory Relief Action in part was the Newmark
21 Plaintiffs' "fear and consternation" concerning "their privacy rights." *See Cooper*
22 *Decl.*, Exh. 6, at 105:12-16.

23 In fact, in the absence of EFF's insistence that the parties litigate an entirely
24 new case simply to settle what they perceive as an important legal debate, there

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26 ⁵ For example, the purported new plaintiff has stated his intention to "move expeditiously" for
27 class certification if the proposed amendment is allowed. Motion, at 7:14-15. In opposing the
28 motion, the Copyright Owners will be forced to seek discovery concerning whether the purported
class representative's uses of his ReplayTV DVR is typical of those of the proposed class
members.

1 would be no lawsuit today. While pursuing this new proposed action may suit the
2 EFF lawyers' political agenda, it would be a perverse result if counsel for the
3 Newmark Plaintiffs are permitted to perpetuate a litigation that has ended between
4 the existing litigants and for which no current "actual controversy" exists.

5 We note that the Newmark Plaintiffs also try to find prejudice in DNNA's
6 unilateral decision not to include the Send Show and Commercial Advance features
7 in their latest ReplayTV DVR model. They argue that the proposed class members
8 are "threatened by the likely possibility that the [same two] features of their DVRs
9 will be remotely disabled by DNNA, at the behest of or under threat from the
10 [Copyright Owners]." Motion, at 6:19-7:6. This argument is unavailing for two
11 reasons. First, the Newmark Plaintiffs' sheer speculation as to what DNNA might
12 do in the future has nothing whatsoever to do with the objectively reasonable
13 apprehension of suit based on actions of the Copyright Owners, as is required to
14 sustain declaratory relief subject matter jurisdiction. Second, if, in the future,
15 DNNA decides to disable or modify features of ReplayTV DVRs, any dispute
16 resulting from DNNA's actions would be between the owners of the devices, on the
17 one hand, and DNNA, on the other hand. The hypothetical dispute would not
18 concern the Copyright Owners.

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1 **IV. CONCLUSION**

2 For the foregoing reasons, the Court should deny the Newmark Plaintiffs'
3 motion for leave to amend their Complaint.

4 Dated: December 9, 2003

5 Respectfully submitted,

6
7 By: 
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9
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20 Corporation, Disney Enterprises, Inc., National
21 Broadcasting Company, Inc., NBC Studios,
22 Inc., Showtime Networks Inc., UPN (formerly
23 the United Paramount Network), ABC, Inc.,
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25 Inc., and CBS Broadcasting, Inc.

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EXHIBIT 1

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CENTRAL DISTRICT OF CALIF.

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26 UNITED STATES DISTRICT COURT
27 CENTRAL DISTRICT OF CALIFORNIA

28 PARAMOUNT PICTURES
CORPORATION et al.,

Plaintiffs,

v.

REPLAYTV, INC. and
SONICBLUE, INC.,

Defendants.

Case No. ^{CV} 01-09358 FMC (Ex)
Hon. Florence-Marie Cooper

**STIPULATION OF DISMISSAL OF
EACH OF THE COPYRIGHT
ACTIONS IN ITS ENTIRETY AND
THE NEWMARK DECLARATORY
RELIEF ACTION AS TO
DEFENDANTS REPLAYTV, INC.
AND SONICBLUE INCORPORATED
PURSUANT TO FEDERAL RULE OF
CIVIL PROCEDURE 41(a)(1)(ii);
DECLARATION OF SCOTT P.
COOPER IN SUPPORT THEREOF**

AND CONSOLIDATED ACTIONS

ENTERED ON ICMS
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1 This Stipulation is made by and between all of the parties to these
2 consolidated actions, namely, Metro-Goldwyn-Mayer Studios Inc., Orion Pictures
3 Corporation, Twentieth Century Fox Film Corporation, Universal City Studios
4 Productions LLLP (formerly Universal City Studios Productions, Inc.), Fox
5 Broadcasting Company, Paramount Pictures Corporation, Disney Enterprises, Inc.,
6 National Broadcasting Company, Inc., NBC Studios, Inc., Showtime Networks Inc.,
7 UPN (formerly the United Paramount Network), ABC, Inc., Viacom International
8 Inc., CBS Worldwide Inc., CBS Broadcasting, Inc., Time Warner Entertainment
9 Company, L.P., Home Box Office, Warner Bros., Warner Bros. Television, Time
10 Warner Inc., Turner Broadcasting System, Inc., New Line Cinema Corporation,
11 Castle Rock Entertainment, The WB Television Network Partners L.P., Columbia
12 Pictures Industries, Inc., Columbia Pictures Television, Inc., Columbia TriStar
13 Television, Inc., and TriStar Television, Inc., plaintiffs in the Copyright Actions, as
14 defined below (collectively, "the Copyright Owners"), Defendants ReplayTV, Inc.
15 and SONICblue Incorporated, and Craig Newmark, Shawn Hughes, Keith Ogden,
16 Glenn Fleishman and Phil Wright, plaintiffs in the Newmark Declaratory Relief
17 Action, as defined below (collectively, the "Newmark Plaintiffs"), as follows:

18 **RECITALS**

19 WHEREAS, on March 21, 2003, Defendants ReplayTV, Inc. and SONICblue
20 Incorporated filed voluntary petitions in the United States Bankruptcy Court,
21 Northern District of California, San Jose Division, Case Nos. 03-51777(MM) and
22 03-51775 (MM), respectively;

23 WHEREAS, on August 21, 2003, upon stipulation of all of the parties hereto,
24 the United States Bankruptcy Court for the Northern District of California entered
25 an order, dated August 19, 2003 (a copy of which order is attached as Exhibit A to
26 the annexed Declaration of Scott P. Cooper), modifying the automatic stay
27 contained in Bankruptcy Code Section 362 to allow (1) the claims asserted by the
28 Copyright Owners against Defendants ReplayTV, Inc. and SONICblue Incorporated

1 to be dismissed without prejudice; (2) the counterclaim asserted by Defendant
2 ReplayTV, Inc. against Copyright Owners Turner Broadcasting System Inc. and
3 Time Warner Inc. to be dismissed without prejudice; and (3) the claims asserted by
4 the Newmark Plaintiffs against Defendants ReplayTV, Inc. and SONICblue
5 Incorporated to be dismissed without prejudice;

6 **STIPULATION FOR DISMISSAL**
7 **OF THE COPYRIGHT ACTIONS IN THEIR ENTIRETY**

8 THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and
9 between the Copyright Owners and Defendants ReplayTV, Inc. and SONICblue
10 Incorporated, through their undersigned counsel, that:

11 1. Each of the four actions pending between the Copyright Owners and
12 Defendants ReplayTV, Inc. and SONICblue Incorporated originally entitled
13 Paramount Pictures Corp., et al. v. ReplayTV, Inc., et al., Case No. CV 01-9358,
14 Time Warner Entertainment Company, L.P., et al. v. ReplayTV, Inc., et al., Former
15 Case No. CV 01-9693 (including the counterclaim asserted by Defendant
16 ReplayTV, Inc. against Copyright Owners Turner Broadcasting System Inc. and
17 Time Warner Inc.), Metro-Goldwyn-Mayer Studios Inc., et al. v. ReplayTV, Inc., et
18 al., Former Case No. CV 01-9801, and Columbia Pictures Industries, Inc., et al. v.
19 ReplayTV, Inc., et al., Former Case No. CV 01-10221 (collectively, the "Copyright
20 Actions"), which actions were consolidated under Case No. CV 01-9358 FMC(Ex)
21 by order of the Court dated December 13, 2001, is hereby dismissed in its entirety,
22 without prejudice, pursuant to Federal Rule of Civil Procedure 41(a)(1)(ii).

23 2. Each of the parties shall bear its own costs and attorneys' fees in
24 connection with the Copyright Actions.

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1 **STIPULATION FOR DISMISSAL OF THE NEWMARK DECLARATORY**
2 **RELIEF ACTION AS TO DEFENDANTS REPLAYTV, INC. AND**
3 **SONICBLUE INCORPORATED**

SCANNED

4 THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and
5 between the Newmark Plaintiffs, the Copyright Owners, and Defendants ReplayTV,
6 Inc. and SONICblue Incorporated, through their undersigned counsel, that:

7 3. The declaratory relief action pending between the Newmark Plaintiffs,
8 the Copyright Owners and SONICblue, originally entitled Craig Newmark, et al. v.
9 Turner Broadcasting System, Inc., et al., Former Case No. CV 02-4445 ("the
10 Newmark Declaratory Relief Action"), which action was consolidated with Case
11 No. CV 01-9358 for pretrial purposes by order of this Court dated August 21, 2002,
12 is hereby dismissed as to Defendants ReplayTV, Inc. and SONICblue Incorporated,
13 without prejudice, pursuant to Federal Rule of Civil Procedure 41(a)(1)(ii).

14 4. Each of the parties shall bear its own costs and attorneys' fees in
15 connection with the Newmark Declaratory Relief Action.

16 Dated: September 26, 2003

PROSKAUER/ROSE LLP

17
18 By: 
Scott P. Cooper

19 Attorneys for Metro-Goldwyn-Mayer
20 Studios Inc., Orion Pictures Corporation,
21 Twentieth Century Fox Film Corporation,
22 Universal City Studios Productions LLLP
(formerly Universal City Studios
23 Productions, Inc.), Fox Broadcasting
Company, Paramount Pictures Corporation,
24 Disney Enterprises, Inc., National
Broadcasting Company, Inc., NBC Studios,
25 Inc., Showtime Networks Inc., UPN
(formerly the United Paramount Network),
26 ABC, Inc., Viacom International Inc., CBS
Worldwide Inc., and CBS Broadcasting, Inc.

October 7th
Dated: September __, 2003

MCDERMOTT, WILL & EMERY

By: *Robert H. Rotstein*
Robert H. Rotstein

Attorneys for Columbia Pictures Industries, Inc., Columbia Pictures Television, Inc., Columbia TriStar Television, Inc., and TriStar Television, Inc.

CAMER

Dated: September __, 2003

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Dated: September __, 2003

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Dated: September __, 2003

ELECTRONIC FRONTIER FOUNDATION

By: _____
Gwenith A. Hinze

Attorneys for Craig Newmark, Shawn Hughes, Keith Ogden, Glenn Fleishman and Phil Wright

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Dated: September __, 2003

MCDERMOTT, WILL & EMERY

By: Robert H. Rotstein

Attorneys for Columbia Pictures Industries, Inc., Columbia Pictures Television, Inc., Columbia TriStar Television, Inc., and TriStar Television, Inc.

SCANNED

Dated: ~~September~~ 9, 2003
October

O'MELVENY & MYERS LLP

By: Robert M. Schwartz
Robert M. Schwartz

Signed w/
Permission
3SS

Attorneys for Time Warner Entertainment Company, L.P., Home Box Office, Warner Bros., Warner Bros. Television, Time Warner Inc., Turner Broadcasting System, Inc., New Line Cinema Corporation, Castle Rock Entertainment, and The WB Television Network Partners L.P

Dated: September __, 2003

FENWICK & WEST LLP

By: Emmett C. Stanton

Attorneys for ReplayTV, Inc. and SONICblue Incorporated

Dated: September __, 2003

ELECTRONIC FRONTIER FOUNDATION

By: Gwenith A. Hinze

Attorneys for Craig Newmark, Shawn Hughes, Keith Ogden, Glenn Fleishman and Phil Wright

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Dated: September __, 2003

MCDERMOTT, WILL & EMERY

By: _____
Robert H. Rotstein

Attorneys for Columbia Pictures Industries, Inc., Columbia Pictures Television, Inc., Columbia TriStar Television, Inc., and TriStar Television, Inc.

Dated: September __, 2003

O'MELVENY & MYERS LLP

By: _____
Robert M. Schwartz

Attorneys for Time Warner Entertainment Company, L.P., Home Box Office, Warner Bros., Warner Bros. Television, Time Warner Inc., Turner Broadcasting System, Inc., New Line Cinema Corporation, Castle Rock Entertainment, and The WB Television Network Partners L.P

October 8
Dated: September __, 2003

FENWICK & WEST LLP

By: *Emmett C. Stanton*
Emmett C. Stanton

Attorneys for ReplayTV, Inc. and SONICblue Incorporated

Dated: September __, 2003

ELECTRONIC FRONTIER FOUNDATION

By: _____
Gwenith A. Hinze

Attorneys for Craig Newmark, Shawn Hughes, Keith Ogden, Glenn Fleishman and Phil Wright

SCANNED

SCANNED

1 Dated: September __, 2003

MCDERMOTT, WILL & EMERY

2

By: Robert H. Rotstem

3

Attorneys for Columbia Pictures Industries, Inc., Columbia Pictures Television, Inc., Columbia TriStar Television, Inc., and TriStar Television, Inc.

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5

6

7 Dated: September __, 2003

O'MELVENY & MYERS LLP

8

9

By: Robert M. Schwartz

10

Attorneys for Time Warner Entertainment Company, L.P., Home Box Office, Warner Bros., Warner Bros. Television, Time Warner Inc., Turner Broadcasting System, Inc., New Line Cinema Corporation, Castle Rock Entertainment, and The WB Television Network Partners L.P

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16 Dated: September __, 2003

FENWICK & WEST LLP

16

17

By: Emmett C. Stanton

18

Attorneys for ReplayTV, Inc. and SONICblue Incorporated

19

20

21 Dated: ~~September~~ ^{October} 3, 2003

ELECTRONIC FRONTIER FOUNDATION

22

23

By: Gwenith A. Hinze

24

Attorneys for Craig Newmark, Shawn Hughes, Keith Ogden, Glenn Fleishman and Phil Wright

25

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28

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3 SUE J. HODGES #137808
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6 Costa Mesa, CA 92626-7122
7 Telephone: (714) 436-6800
8 Facsimile: (714) 436-2800

FILED

AUG 14 2003

CLEAK
United States Bankruptcy Court
San Jose, California

SCANNED

AUG 25 2003

6 Attorneys for Debtors and Debtors-In-Possession

8 UNITED STATES BANKRUPTCY COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN JOSE DIVISION

11 IN RE:

12 SONICBLUE INCORPORATED, a
13 Delaware corporation, DIAMOND
14 MULTIMEDIA SYSTEMS, INC., a
15 Delaware corporation, REPLAYTV, INC., a
16 Delaware corporation, and SENSORY
17 SCIENCE CORPORATION, a Delaware
18 corporation,

17 Debtors and Debtors-in-
18 Possession

Case Nos. 03-51775, 03-51776, 03-51777
and 03-51778 MM

CHAPTER 11 Cases, Jointly Administered

STIPULATION FOR RELIEF FROM THE
AUTOMATIC STAY TO ALLOW
DISMISSAL OF CERTAIN COPYRIGHT
LITIGATION; AND ORDER THEREON.

[No Hearing Required]

20 This Stipulation For Relief From The Automatic Stay ("Stipulation") is entered into
21 by and between SONICblue Incorporated and ReplayTV, Inc., two of the debtors and
22 debtors-in-possession in the above captioned cases (collectively, "Debtors"), the Official
23 Committee of Unsecured Creditors ("Committee"), Time Warner Entertainment Company,
24 L.P., Home Box Office, Warner Bros., Warner Bros. Television, Time Warner Inc., Turner
25 Broadcasting System, Inc., New Line Cinema Corporation, Castle Rock Entertainment, The
26 WB Television Network Partners L.P., Paramount Pictures Corporation, Disney
27 Enterprises, Inc., National Broadcasting Company, Inc., NBC Studios, Inc., Showtime
28

ORANGE_COUNTY_40145508v2 (2)

STIPULATION FOR RELIEF FROM STAY

EXHIBIT A
PAGE 7

EXHIBIT 1
PAGE 33

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1 Networks Inc., UPN (formerly, The United Paramount Network), ABC, Inc., Viacom
 2 International Inc., CBS Worldwide Inc., CBS Broadcasting, Inc., Metro-Goldwyn-Mayer
 3 Studios Inc., Orion Pictures Corporation, Twentieth Century Fox Film Corporation,
 4 Universal City Studios Productions LLLP (formerly, Universal City Studios Productions,
 5 Inc.), Fox Broadcasting Company, Columbia Pictures Industries, Inc., Columbia Pictures
 6 Television, Inc., Columbia TriStar Television, Inc., and TriStar Television, Inc.
 7 (collectively, the "Copyright Plaintiffs"), plaintiffs in the Copyright Litigation, as defined
 8 herein, and Craig Newmark, Shawn Hughes, Keith Ogden, Glenn Fleishman and Phil
 9 Wright (collectively, the "Newmark Plaintiffs"), plaintiffs in the Newmark Action, as
 10 defined herein, by and through their respective undersigned counsel. This Stipulation is
 11 made with respect to the following facts:

I.

RECITALS

14 A. On March 21, 2003 (the "Petition Date"), the Debtors commenced their
 15 Chapter 11 cases by filing voluntary petitions for relief under Chapter 11 of Title 11 of the
 16 United States Code (the "Bankruptcy Code"). Following the Petition Date, the Debtors
 17 have been operating their businesses and managing their affairs as debtors-in-possession
 18 pursuant to Bankruptcy Code Sections 1107(a) and 1108.

The Copyright Litigation

20 B. The Copyright Plaintiffs commenced litigation against the Debtors in late
 21 2001, which litigation is now consolidated in the litigation entitled Paramount Pictures
 22 Corporation, et al. v. ReplayTV, Inc., et al., Case No. CV 01-09358 FMC (Ex), in the
 23 United States District Court for the Central District of California (the "Copyright
 24 Litigation"). In the Copyright Litigation, Debtor ReplayTV, Inc., asserted a counterclaim
 25 against Copyright Plaintiffs Turner Broadcasting System, Inc., and Time Warner, Inc.

26 C. In the Copyright Litigation, the Copyright Plaintiffs seek injunctive and
 27 declaratory relief with respect to certain digital video recorder products formerly marketed
 28

EXHIBIT A
PAGE 8

1 and sold by the Debtors as part of the Debtors' ReplayTV product line ("ReplayTV Product
2 Line").

3 D. The Newmark Plaintiffs, five individual owners of the ReplayTV 4000, one
4 of the products within the ReplayTV Product Line, commenced a declaratory relief action
5 against the Copyright Plaintiffs and the Debtors in June 2002 entitled Newmark, et al. v.
6 Turner Broadcasting System, Inc., et al., Former Case No. CV-02-04445 FMC (Ex), in the
7 United States District Court for the Central District of California, which declaratory relief
8 action is now consolidated with the Copyright Litigation for pretrial purposes (the
9 "Newmark Action").

10 E. On April 25, 2003, the Bankruptcy Court entered its Orders approving the
11 sale of the ReplayTV Product Line to Digital Networks North America, Inc. The sale of the
12 ReplayTV Product Line closed on April 25, 2003.

13 F. The parties submit that relief from stay to allow the Copyright Plaintiffs to
14 dismiss the Copyright Litigation as to the Debtors without prejudice, to allow Debtor
15 ReplayTV, Inc., to dismiss its counterclaim against Copyright Plaintiffs Turner
16 Broadcasting System, Inc., and Time Warner, Inc., in the Copyright Litigation without
17 prejudice, and to allow the Newmark Plaintiffs to dismiss the Newmark Action as to the
18 Debtors without prejudice, is warranted in light of the sale of the ReplayTV Product Line
19 and the cessation of the business operations of the Debtors giving rise to the Copyright
20 Litigation.

21 II.

22 STIPULATION

23 NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, subject to
24 Bankruptcy Court approval, by and between the parties to this Stipulation, through their
25 undersigned counsel, that:

26 1. Relief From Automatic Stay. The automatic stay contained in Bankruptcy
27 Code Section 362 shall be modified upon entry of the Order approving this Stipulation, to
28 allow (1) the claims asserted by the Copyright Plaintiffs against the Debtors in the

SCANNED

1 Copyright Litigation to be dismissed without prejudice, (2) the counterclaim asserted by
 2 Debtor ReplayTV, Inc., against Copyright Plaintiffs Turner Broadcasting System, Inc., and
 3 Time Warner, Inc., in the Copyright Litigation to be dismissed without prejudice, and (3)
 4 the claims asserted by the Newmark Plaintiffs against the Debtors in the Newmark Action
 5 to be dismissed without prejudice.

6 2. Exclusive Jurisdiction. The Bankruptcy Court shall retain exclusive
 7 jurisdiction to resolve any disputes between the parties hereto regarding the interpretation
 8 of this Stipulation, and to enforce the rights and duties specified hereunder.

9 3. Successors and/or Assigns. The provisions of this Stipulation and the order
 10 approving it shall be binding upon and inure to the benefit of the parties hereto, and their
 11 respective successors and assigns.


12 4. Method of Execution. This Stipulation may be executed in original or by
 13 facsimile signature and in counterpart copies, and this Stipulation shall be deemed fully
 14 executed and effective when all parties have executed and possess a counterpart, even if no
 15 single counterpart contains all signatures.

16 WHEREFORE, the parties hereto request that this Court issue an Order approving
 17 this Stipulation.

18 IT IS SO STIPULATED.

19 DATED: August 6, 2003

PILLSBURY WINTHROP LLP

21 By: 
 22 Craig A. Barbarosh, Esq.
 23 Sue J. Hodges, Esq.
 24 Mark D. Houle, Esq.
 25 Attorneys for SONICblue Incorporated and
 26 ReplayTV, Inc.

27
 28 [Signatures continued on next page]

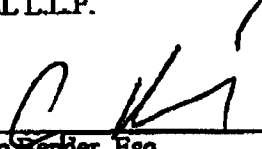
EXHIBIT A
 PAGE 10

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DATED: August 6, 2003

LEVENE, NEALE, BENDER, RANKIN & BRILL L.L.P.

By: 
 Ron Bender, Esq.
 Craig Rankin, Esq.
 Daniel Reiss, Esq.
 Attorneys for Official Committee of Unsecured Creditors

DATED August __, 2003

O'MELVENY & MEYERS, LLP

By: _____
 Robert M. Schwartz

Attorneys for Time Warner Entertainment Company, L.P., Home Box Office, Warner Bros., Warner Bros. Television, Time Warner Inc., Turner Broadcasting System, Inc., New Line Cinema Corporation, Castle Rock Entertainment, and The WB Television Network Partners L.P.

DATED: August __, 2003

PROSKAUER ROSE LLP

By: _____
 Scott P. Cooper, Esq.
 Martin S. Zohn, Esq.
 Attorneys for Paramount Pictures Corporation, Disney Enterprises, Inc., National Broadcasting Company, Inc., NBC Studios, Inc., Showtime Networks Inc., UPN (formerly, The United Paramount Network), ABC, Inc., Viacom International Inc., CBS Worldwide Inc., CBS Broadcasting, Inc., Metro-Goldwyn-Mayer Studios Inc., Orion Pictures Corporation, Twentieth Century Fox Film Corporation, Universal City Studios Productions LLLP (formerly, Universal City Studios Productions, Inc.), and Fox Broadcasting Company

[Signatures continued on next page]

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DATED: August __, 2003

LEVENE, NEALE, BENDER, RANKIN
& BRILL L.L.P.

By: _____
Ron Bender, Esq.
Craig Rankin, Esq.
Daniel Reiss, Esq.
Attorneys for Official Committee of
Unsecured Creditors

DATED August 7, 2003

O'MELVENY & MEYERS, LLP

By: Robert M. Schwartz
Robert M. Schwartz

Attorneys for Time Warner Entertainment
Company, L.P., Home Box Office, Warner
Bros., Warner Bros. Television, Time Warner
Inc., Turner Broadcasting System, Inc., New
Line Cinema Corporation, Castle Rock
Entertainment, and The WB Television
Network Partners L.P.

DATED: August __, 2003

PROSKAUER ROSE LLP

By: _____
Scott P. Cooper, Esq.
Martin S. Zohn, Esq.
Attorneys for Paramount Pictures Corporation,
Disney Enterprises, Inc., National
Broadcasting Company, Inc., NBC Studios,
Inc., Showtime Networks Inc., UPN (formerly,
The United Paramount Network), ABC, Inc.,
Viacom International Inc., CBS Worldwide
Inc., CBS Broadcasting, Inc., Metro-Goldwyn-
Mayer Studios Inc., Orion Pictures
Corporation, Twentieth Century Fox Film
Corporation, Universal City Studios
Productions L.L.P. (formerly, Universal City
Studios Productions, Inc.), and Fox
Broadcasting Company

[Signatures continued on next page]

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STIPULATION FOR RELIEF FROM STAY

TITRA P.02

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PAGE 12

EXHIBIT 1
PAGE 38

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DATED: August __, 2003

LEVENE, NEALE, BENDER, RANKIN & BRILL L.L.P.

By: _____
Ron Bender, Esq.
Craig Rankin, Esq.
Daniel Reiss, Esq.
Attorneys for Official Committee of Unsecured Creditors


DATED August __, 2003

O'MELVENY & MEYERS, LLP

By: _____
Robert M. Schwartz
Attorneys for Time Warner Entertainment Company, L.P., Home Box Office, Warner Bros., Warner Bros. Television, Time Warner Inc., Turner Broadcasting System, Inc., New Line Cinema Corporation, Castle Rock Entertainment, and The WB Television Network Partners L.P.

DATED: August __, 2003

PROSKAUER ROSE LLP

By: 
Scott F. Cooper, Esq.
Martin S. Zohn, Esq.
Attorneys for Paramount Pictures Corporation, Disney Enterprises, Inc., National Broadcasting Company, Inc., NBC Studios, Inc., Showtime Networks Inc., UPN (formerly, The United Paramount Network), ABC, Inc., Viacom International Inc., CBS Worldwide Inc., CBS Broadcasting, Inc., Metro-Goldwyn-Mayer Studios Inc., Orion Pictures Corporation, Twentieth Century Fox Film Corporation, Universal City Studios Productions LLLP (formerly, Universal City Studios Productions, Inc.), and Fox Broadcasting Company

[Signatures continued on next page]

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STIPULATION FOR RELIEF FROM STAY

EXHIBIT A
PAGE 13

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DATED: August __, 2003

MCDERMOTT, WILL & EMERY

By: _____
 Robert H. Rotstein, Esq.
 Roger M. Landan, Esq.
 Attorneys for Columbia Pictures Industries,
 Inc., Columbia Pictures Television, Inc.,
 Columbia TriStar Television, Inc., and TriStar
 Television, Inc.

DATED: August 7, 2003

ELECTRONIC FRONTIER FOUNDATION

By: Gwan Hinze
 Cindy A. Cohn, Esq.
 Fred von Lohmann, Esq.
 Gwanith A. Hinze, Esq.
 Attorneys for Craig Newmark, Shawn Hughes,
 Keith Ogden, Glenn Fleishman and Phil
 Wright

ORDER

THE ABOVE STIPULATION IS APPROVED AND IT IS SO ORDERED this
 _____ day of August, 2003.

THE HONORABLE MARILYN MORGAN
 UNITED STATES BANKRUPTCY JUDGE

STIPULATION FOR THE END FROM STAY

EXHIBIT A
 PAGE 14

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DATED: August 7th, 2003

MCDERMOTT, WILL & EMERY

By: *Robert H. Rotstein*
Robert H. Rotstein, Esq.
Roger M. Landau, Esq.
Attorneys for Columbia Pictures Industries, Inc., Columbia Pictures Television, Inc., Columbia TriStar Television, Inc., and TriStar Television, Inc.

DATED: August __, 2003

ELECTRONIC FRONTIER FOUNDATION

By: _____
Cindy A. Cohn, Esq.
Fred von Lohmann, Esq.
Gwenith A. Hinze, Esq.
Attorneys for Craig Newmark, Shawn Hughes, Keith Ogden, Glenn Fleishman and Phil Wright

ORDER

THE ABOVE STIPULATION IS APPROVED AND IT IS SO ORDERED this

19 day of August, 2003.

FILED

AUG 19 2003

CLERK
United States Bankruptcy Court
San Jose, California

MARILYN MORGAN
THE HONORABLE MARILYN MORGAN
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A
PAGE 15

PROOF OF SERVICE BY MAIL

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I declare that: I am employed in the County of Los Angeles, California. I am over the age of eighteen years and not a party to the within cause; my business address is 2049 Century Park East, Suite 3200, Los Angeles, California 90067-3206.

SCANNED

On November 14, 2003, I served the foregoing document described as:

STIPULATION OF DISMISSAL OF EACH OF THE COPYRIGHT ACTIONS IN ITS ENTIRETY AND THE NEWMARK DECLARATORY RELIEF ACTION AS TO DEFENDANTS REPLAYTV, INC. AND SONICBLUE INCORPORATED PURSUANT TO FEDERAL RULE OF CIVIL PROCEDURE 41(a)(1)(ii); DECLARATION OF SCOTT P. COOPER IN SUPPORT THEREOF

on the interested parties in this action:


(By Mail) By placing true copies thereof enclosed in sealed envelopes addressed as follows:

SEE ATTACHED SERVICE LIST

I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice, the envelopes would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at Los Angeles, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

(Federal) I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

Executed on November 14, 2003, at Los Angeles, California.


PATTY/J. HAYS

SERVICE LIST

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COUNSEL FOR REPLAY DEFENDANTS (all cases):

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Silicon Valley Center
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Mountain View, CA 94041-2008

LAURENCE F. PULGRAM
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San Francisco, CA 94111

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and TIME WARNER DEFENDANTS in Former Case No. CV 02-04445:

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O'MELVENY & MYERS LLP
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Los Angeles, CA 90067-6035

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and COLUMBIA DEFENDANTS in Former Case No. CV 02-04445 :

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San Rafael, CA 94903

CINDY A. COHN
ELECTRONIC FRONTIER FOUNDATION
454 Shotwell Street
San Francisco, CA 94110

RICHARD R. WIEBE
LAW OFFICES OF RICHARD R. WIEBE
425 California Street, Suite 2025
San Francisco, CA 94104

EXHIBIT 2

LOGGED

2003 OCT 14 AM 10:28

PROSKAUER ROSE LLP
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SIMON BLOCK (Bar No. 214999)
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Los Angeles, California 90067
(310) 557-2900 Telephone
(310) 557-2193 Facsimile
*Attorneys for the MGM, Fox, Universal,
Viacom, Disney & NBC Copyright Owners*

P-send
FILED
CLERK US DISTRICT COURT
NOV 10 2003
CENTRAL DISTRICT OF CALIFORNIA
BY DEPUTY

O'MELVENY AND MYERS LLP
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(310) 277-4730 Facsimile
Attorneys for the Columbia Copyright Owners

[Full counsel appearances on signature page]

ORIGINAL

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

PARAMOUNT PICTURES CORPORATION et al.,

Plaintiffs,

v.

REPLAYTV, INC. and SONICBLUE, INC.,

Defendants.

^{CV} Case No. 01-09358 FMC (Ex)

Hon. Florence-Marie Cooper

~~PROPOSED~~ ORDER MODIFYING THE COURT'S MARCH 24, 2003 STAY ORDER FOR LIMITED PURPOSES

AND CONSOLIDATED ACTIONS.

DATE: November 10, 2003
TIME: 10:00 a.m.
PLACE: Courtroom 550

ENTERED ON FCMS
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44554

1 Upon the Copyright Owners' Motion For Order Modifying The Court's
2 March 24, 2003 Stay Order For Limited Purposes, and all its supporting papers (the
3 "Motion"), any papers submitted in opposition to the Motion, any reply papers
4 submitted in support of the Motion, and any oral argument with respect to the
5 Motion, and good cause appearing;

SCANNING

6 IT IS HEREBY ORDERED that:

7 1. The Court's order dated March 24, 2003, staying all proceedings in
8 these consolidated actions (the "Stay Order"), is hereby modified to allow for the
9 filing with the Court of the Stipulation Of Dismissal Of Each Of The Copyright
10 Actions In Its Entirety And The Newmark Declaratory Relief Action As To
11 Defendants ReplayTV, Inc. and SONICblue Incorporated Pursuant To Federal Rule
12 Of Civil Procedure 41(a)(1)(ii), which stipulation is annexed as Exhibit C to the
13 Declaration of Scott P. Cooper, dated October 13, 2003 (the "Cooper Declaration"),
14 submitted in support of the Motion (the "Stipulation of Dismissal").

15 2. The Stay Order is hereby further modified to allow the Copyright
16 Owners to immediately file with the Court their motion to dismiss the Newmark
17 Plaintiffs' Complaint for Copyright Declaratory Relief, pursuant to Federal Rule of
18 Civil Procedure 12(h) and 28 U.S.C. § 2201, for lack of subject matter jurisdiction,
19 and supporting papers, which stipulation is annexed as Exhibit D to the Cooper
20 Declaration, submitted in support of the Motion (the "Motion to Dismiss"). The
21 parties also are permitted to file opposition and reply papers in connection therewith
22 in accordance with the Local Rules.


23 3. The Stay Order is hereby further modified to allow the Newmark
24 Plaintiffs to file with the Court an application for leave to serve discovery on the
25 Copyright Owners relating to the Motion to Dismiss, and a motion for leave to
26 amend their Complaint to add new plaintiffs. The parties also are permitted to file
27 opposition and reply papers in connection therewith in accordance with the Local
28 Rules.

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4. The Copyright Owners shall promptly file with the Court the Stipulation of Dismissal and the Motion to Dismiss.

5. Except as expressly modified herein, the Stay Order shall remain in effect.

Dated: ~~October~~ ^{11/}10, 2003


Hon. Florence-Marie Cooper
United States District Judge

SCANNED

EXHIBIT 3



EFFector Vol. 16, No. 22 August 28, 2003

A Publication of the Electronic Frontier Foundation ISSN 1062-9424

In the 261st Issue of EFFector:

- [Action Alert: Linux Users Unite to Stop SCO!](#)
- [California Supreme Court Upholds Free Speech in DVD Case](#)
- [Calling All ReplayTV Commercial Skippers](#)
- [EFF Members: Renew Your Membership Today!](#)
- [Deep Links \(14\): The Quiet War Over Open-Source](#)
- [Staff Calendar: 8.29.03 Kevin Bankston at DragonCon](#)
- [Administrivia](#)

Action Alert: Linux Users Unite to Stop SCO!

The SCO Group, Inc. recently announced that it plans to sue individual Linux users if they refuse to pay the company a \$700 licensing fee. This is an effort designed by SCO to bolster its licensing claims against IBM and Red Hat by beating up on people who can't afford a multimillion-dollar defense. SCO hasn't proven that it has a right to collect this money at all, so its attempt to hold end-users liable is a terrible misuse of the legal system. Tell Congress that SCO's tactics are unacceptable!

Links:

- [Tell Congress to stop SCO](#)
- [Become an EFF Member today](#)

California Supreme Court Upholds Free Speech in DVD Case

Sets High Standard for Publishing DVD Decoding Information

San Francisco - On August 25 the California Supreme Court ruled that publication of information regarding the decoding of DVDs merits a strong level of protection as free speech and sent a key case back to a lower court for a decision on whether a court can prevent Andrew Bunner from publishing this information, whether on the Internet, on a T-shirt, or elsewhere.

In the case, DVD Copy Control Association (DVD-CCA) v. Bunner, California resident Andrew Bunner was one of thousands of people worldwide who republished DVD-decryption software called DeCSS.

DVD-CCA, the company that licenses the use of the DVD encryption code, convinced a trial court to issue an order barring publication of DeCSS pending a final decision in the case, claiming that DeCSS contained its trade secrets. The Court of Appeal ruled that the ban on publication was unconstitutional. The Supreme Court required the Court of Appeal to reexamine the evidence.

"The appeals court can now examine the movie industry's fiction that DeCSS is still a secret and that a publication ban is necessary to keep the information secret," said Electronic Frontier Foundation (EFF) Legal Director Cindy Cohn. "DeCSS is obviously not a trade secret since it's available on thousands of websites, T-shirts, neckties, and other media worldwide." EFF serves as co-counsel on the case.

In issuing its ruling, the California Supreme Court found that publication of the DeCSS code is an activity that requires the court to apply strong First Amendment principles. DVD-CCA had claimed originally that the courts need not consider any First Amendment issues.

"We are heartened that the court acknowledged that trade secret injunctions must be subject to a high level of First Amendment scrutiny," said David Greene, Executive Director of the First Amendment Project who argued the case on behalf of Bunner. "We are confident that, having looked at the facts, the Court of Appeal will remove the restriction on Bunner's right to republish publicly available information.

DVD-CCA is a consortium of the major motion picture studios and major consumer electronics manufacturers that licenses DVD encryption technology. DVD-CCA originally filed suit in December 1999, three months after the DeCSS code became available on the Internet.

DVD-CCA obtained the preliminary anti-publication order shortly thereafter. DVD-CCA named hundreds of people in the lawsuit, including those who printed DeCSS on T-shirts. DVD-CCA contends that those who republish DeCSS improperly disclose its trade secrets, despite the fact that those people didn't create the DeCSS software which is widely available on the Internet.

DVD-CCA doesn't claim that Bunner created DeCSS or stole any trade secrets. Instead, DVD-CCA is attempting to stretch trade secret law to include Bunner, a member of the public who had no inside information or contractual arrangement with DVD-CCA, but who instead found the program on a public website and decided to republish it.

Bunner is a defendant in one of several lawsuits the entertainment industry has launched since the publication of DeCSS to mixed results.

Another branch of the case, DVD-CCA v. Pavlovich, ended this spring when the U.S. Supreme Court decided not to rule in favor of DVD-CCA after the California Supreme Court decided that it was improper to force Matthew Pavlovich, another alleged republisher of DeCSS, to come to California to defend the trade secret claim.

In other DeCSS-related litigation, the original publisher of the program, Norwegian teenager Jon Johansen, was acquitted of all criminal charges. The Norwegian government has appealed that decision, and the case is currently scheduled for re-trial in December 2003.

In another case, a coalition of movie studios prevented further publication of DeCSS by 2600 Magazine using the federal anti-circumvention provisions of the Digital Millennium Copyright Act.

Links:

- [California Supreme Court decision in DVD-CCA v. Bunner](#)
- [DVD-CCA v. Bunner and Pavlovich case archive](#)
- [6th Appellate Court decision overturning Bunner injunction](#)
- [Jon Johansen case archive](#)
- [2600 Case archive](#)
- [EFF Board member and Boalt Hall School of Law Professor Pam Samuelson's new paper on trade secrets and the First Amendment](#)

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Calling All ReplayTV Commercial Skippers

As many readers know, EFF sued 28 Hollywood movie studios last year on behalf of five owners of ReplayTV 4000 units in response to studio claims that consumers who automatically skip commercials are breaking the law. The lawsuit asked the Court to rule that commercial skipping is fair use and NOT copyright infringement. After months of litigation, EFF has finally forced the studios to give up their threats and concede that our five clients can skip all the commercials they want with their ReplayTVs without fear of legal action.

So where do you come in? We've won the right to skip commercials for five consumers; now we want to make it 500, or if possible, 5,000 - the more the merrier. If you own a ReplayTV 4000 series unit or know anyone who does, contact us immediately. We are in the process of finalizing our negotiations with the movie studios and would like to get similar protection for everyone who has a ReplayTV and uses it for automatic commercial skipping. Contact us at:

nocommercials@eff.org

- [For more information on the case, please see our ReplayTV archive](#)

P.S. If you use some other technology to skip commercials other than a ReplayTV 4000 series unit, drop us a line as well. While you may be outside the scope of the current case, we will be looking to bring similar cases in the future to guarantee the fair use rights of all consumers, no matter what technology you may use to enjoy them.

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EFF Members: Renew Your Membership Today!

Already an EFF member? If you value EFF's work, help us keep it up by renewing your membership this month. Your financial help will allow us to focus on the things that matter to you. Like defending the Internet against the RIAA, helping Linux users tell the government that SCO is full of hot air and getting the word out on DirecTV's extortion-like tactics. We're also going back to court to fight for the future of file-sharing in the Morpheus case, defending reverse-engineering in the BnetD case and playing a wide range of roles in other important litigation. If that's not enough, we've also got a new silver "Proud Member" sticker and a metal EFF- branded Bill of Rights. How cool is that?

Links:

- [Renew your membership today at](#)

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Deep Links

Deep Links features noteworthy news items from around the Internet.

- [The Quiet War Over Open-Source](#)
Behind the scenes and outside the courts, open-source is struggling to get on the world's intellectual property agenda.
- [BBC Announces Enormous Free Archive](#)
The world's premier public broadcaster is using Creative Commons licenses, putting its content where its charter is.
- [Filesharers Turn Tables on Music Industry](#)
Grokster President Wayne Rosso reports the music industry to the UK's Office of Fair Trading for operating as a cartel.
- [Ashcroft's Summer Tour](#)
Flash humor from Marke Fiore. Johnny Ashcroft has some *moves!*
- [Free as the Airwaves to Common Use](#)
In other words, not very free. Norman Ornstein and Michael Calabrese on why private airwaves are a bad idea.
- [Tampa Bags Face-Recognition Cameras](#)
City police make it clear that the decision to pull the cameras was based on their ineffectiveness (no positive identifications or arrests after two years), not privacy concerns. Gosh, that makes us feel **much** better.
- [Will the Blaster Worm Make Windows Updates Mandatory?](#)
Ed Foster with a troubling hypothetical.
- [The Unpatriotic Act](#)
The New York Times on Ashcroft's attempts to spin the Patriot Act into something other than a craven power-grab that disregards basic civil liberties.
- [Net Gains: Observations on Internet-Enabled Activism](#)
EFF's Cory Doctorow on where we are and where we're headed.
- [Gillette Cuts RFIDs from Retail Plans](#)
Public outrage wins a privacy battle as the razor-maker drops plans to install tiny, remotely-trackable radio chips to their products.
- [AOL Sued for Alleged Email-Overblocking](#)
A hosting company claims that AOL has illegitimately branded it as a spam source.
- [RIAA to Subpoena M.I.T. in Boston](#)
A Boston judge rejected RIAA subpoenas filed in D.C. so they're heading north. We hope those plane tickets are expensive.
- [Software Customer Bill of Rights](#)
Cem Kaner has a wonderful list rights that ought to be protected.
- [Biometrics at the Border](#)
British citizens and asylum-seekers alike will be providing more biometric information - fingerprints, iris-scans, and face-recognition profiles - for their next set of documents.

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Staff Calendar

For a complete listing of EFF speaking engagements (with locations and times), please visit our [online calendar](#).

- Friday, August 29 - Kevin Bankston at DragonCon 2003, Atlanta - (All day event)
- Tuesday, September 2 - Wendy Seltzer at WSIS, Denmark - (10:00 AM - 11:00 AM)
- Sunday, September 7 - Cindy Cohn at Ars Electronica, Linz Austria (11:30 AM)

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Administrivia

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

17 CRAIG NEWMARK, SHAWN HUGHES,
18 KEITH OGDEN, GLENN FLEISHMAN and
19 PHIL WRIGHT,

20 Plaintiffs,

21 v.

22 TURNER BROADCASTING SYSTEM, INC.;
23 DISNEY ENTERPRISES, INC.; PARAMOUNT
24 PICTURES CORPORATION; NATIONAL
25 BROADCASTING COMPANY, INC.; NBC
26 STUDIOS, INC.; SHOWTIME NETWORKS
27 INC.; THE UNITED PARAMOUNT NETWORK;
28 ABC, INC.; VIACOM INTERNATIONAL INC.;
CBS WORLDWIDE INC.; CBS
BROADCASTING INC.; TIME WARNER
ENTERTAINMENT COMPANY, L.P.; HOME

CASE NO.

**COMPLAINT FOR
COPYRIGHT
DECLARATORY RELIEF**

1 BOX OFFICE; WARNER BROS.; WARNER
2 BROS. TELEVISION; TIME WARNER INC.;
3 NEW LINE CINEMA CORPORATION;
4 CASTLE ROCK ENTERTAINMENT; THE WB
5 TELEVISION NETWORK PARTNERS, L.P.;
6 METRO-GOLDWYN-MAYER STUDIOS;
7 ORION PICTURES CORPORATION;
8 TWENTIETH CENTURY FOX FILM
9 CORPORATION; UNIVERSAL CITY STUDIOS
10 PRODUCTIONS, INC.; FOX BROADCASTING
11 COMPANY; COLUMBIA PICTURES
12 INDUSTRIES, INC.; COLUMBIA PICTURES
13 TELEVISION, INC.; COLUMBIA TRISTAR
14 TELEVISION, INC.; TRISTAR TELEVISION,
15 INC.; REPLAYTV, INC.; and SONICBLUE, INC.

Defendants.

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1 name "Paramount Pictures Corporation *et. al.*, Plaintiffs, v. ReplayTV, Inc., *et. al.*,"
2 Case No. CV 01-9358 FMC (Ex) ("ReplayTV case"), against Replay TV based upon
3 the allegation that Plaintiffs and others similarly situated are infringing their
4 copyrights. That action seeks injunctive relief that would directly and materially
5 injure Plaintiffs in their use and enjoyment of their ReplayTV 4000 units, since it
6 would prevent ReplayTV from providing support to the units and from "permit[ting]
7 users" from sharing shows.

8 5. The Entertainment Oligopoly defendants' case against ReplayTV is
9 predominantly based on secondary theories of liability (namely contributory
10 infringement and vicarious liability). In order to prevail on these theories, the
11 Entertainment Oligopoly defendants must prove that the activities of ReplayTV
12 4000 owners constitute direct copyright infringement, since there can be no
13 secondary liability in the absence of direct infringement. Accordingly, a victory by
14 the Entertainment Oligopoly defendants in the ReplayTV case will necessarily
15 require a determination that the activities of ReplayTV 4000 owners constitute direct
16 copyright infringement. Plaintiffs are informed, believe and thereon allege that the
17 ReplayTV case is intended by the Entertainment Oligopoly defendants in part to
18 secure a legal precedent that can be used against the Plaintiffs and other similarly
19 situated ReplayTV 4000 owners.

20 6. Further, the Entertainment Oligopoly defendants have accused Plaintiffs
21 and others similarly situated, in newspapers, magazines, radio, television, court
22 complaints, and discovery motions, of "stealing" and "theft" for using the
23 commercial advance feature to avoid commercials while watching television shows,
24 for space-shifting television shows, and time-shifting television shows. These
25 accusations chill Plaintiffs' fair use rights and adversely impact their First
26 Amendment rights. The Entertainment Oligopoly defendants have sought to use the
27 Courts to get the names and contact information of Plaintiffs and other owners of the
28

1 ReplayTV 4000 and have attempted to track their use in an effort to gather evidence
2 of copyright infringement and damages.

3 7. Plaintiffs, having learned of the Entertainment Oligopolies' accusations of
4 theft and copyright infringement against them in the press and in official court
5 filings in the ReplayTV case, having learned of the attempt to track and record their
6 personal viewing habits, and having learned of the attempt to learn the specific
7 identities and addresses of ReplayTV 4000 users, have a reasonable apprehension
8 that the Entertainment Oligopoly defendants intend to sue owners of the ReplayTV
9 4000 units for copyright infringement and "theft" of television shows. As a result of
10 these public claims against them, Plaintiffs have been chilled in their ongoing use of
11 their ReplayTV 4000 units and fear imminent loss of use of their ReplayTV 4000
12 units and exposure to litigation.

13 8. Moreover, having learned of the Entertainment Oligopolies prayer for
14 broad injunctive relief in the ReplayTV case, Plaintiffs believe that the outcome of
15 the ReplayTV case presents a realistic danger of creating a direct injury to them in
16 their ongoing use and enjoyment of their ReplayTV 4000 units.

17 9. Accordingly, Plaintiffs bring this Complaint and declaratory action to
18 clarify their rights, to ascertain which of their activities and functions of the
19 ReplayTV 4000 unit are lawful under the Copyright Act and the First Amendment,
20 to ascertain which activities and functions cannot serve as a basis for liability and
21 damages against them, and to prevent Defendants from interfering with Plaintiffs'
22 ongoing enjoyment and use of their ReplayTV 4000 units through, or as a result of,
23 injunctive relief in the ReplayTV case. Plaintiffs reserve the right to amend the
24 Complaint to enjoin the ReplayTV defendants from materially discontinuing support
25 without restitution and notice to Plaintiffs and impacted consumers for features of
26 the ReplayTV 4000 unit that were material inducements for purchases of the units
27 by Plaintiffs and other owners and that were prominently displayed in past and
28 continuing advertising as reasons to purchase the ReplayTV 4000 unit.

PARTIES

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2 10. Plaintiff CRAIG NEWMARK is a resident of the State of California and
3 the founder of the popular San Francisco Bay Area "craigslist.org" community
4 website. Plaintiff Newmark uses his ReplayTV 4000 unit for viewing television
5 programs at times other than when originally broadcast ("time-shifting") and wants
6 to use the advertised features that would allow him to view recorded programs on his
7 laptop computer while traveling and to utilize "commercial advance" to avoid
8 watching commercials. He has tested the use of his ReplayTV 4000 to send shows
9 between devices within his home and intends to use the send show feature to move
10 programs to his laptop computer for his viewing while traveling. Notwithstanding
11 the allegations of the Entertainment Oligopoly defendants in the ReplayTV case,
12 plaintiff Newmark has not used the ReplayTV 4000 unit to violate Section 553 of
13 the Communications Act by unauthorized interception or receipt of cable service or
14 by assisting in unauthorized interception or receipt of cable service. All uses by
15 plaintiff Newmark of the ReplayTV 4000 unit are intended to be lawful and plaintiff
16 Newmark has not violated Section 605 of the Communications Act by unauthorized
17 publication or use of encrypted communications transmitted over wire or by radio.

18 11. Plaintiff SHAWN HUGHES is a resident of the State of Georgia and the
19 owner of an electrical contracting company. Plaintiff Hughes uses his ReplayTV
20 4000 units to record educational and entertainment programs for his children and to
21 control the advertising they are exposed to. He also uses them to send shows
22 between his two units and between his units and his laptop computer for viewing
23 outside his home. Notwithstanding the allegations of the Entertainment Oligopoly
24 defendants in the ReplayTV case, plaintiff Hughes has not used the ReplayTV 4000
25 unit to violate Section 553 of the Communications Act by unauthorized interception
26 or receipt of cable service or by assisting in unauthorized interception or receipt of
27 cable service. All uses by plaintiff Hughes of the ReplayTV 4000 unit are intended
28 to be lawful and plaintiff Hughes has not violated Section 605 of the

1 Communications Act by unauthorized publication or use of encrypted
2 communications transmitted over wire or by radio.

3 12. Plaintiff KEITH OGDEN is a resident of the State of California, the
4 recipient of an MBA degree from Stanford University and a self-employed securities
5 broker dealer in the San Francisco Bay Area. Plaintiff Ogden uses his ReplayTV
6 4000 unit for purposes of time-shifting and avoidance of commercials.
7 Notwithstanding the allegations of the Entertainment Oligopoly defendants in the
8 ReplayTV case, plaintiff Ogden has not used the ReplayTV 4000 unit to violate
9 Section 553 of the Communications Act by unauthorized interception or receipt of
10 cable service or by assisting in unauthorized interception or receipt of cable service.
11 All uses by plaintiff Ogden of the ReplayTV 4000 unit are intended to be lawful and
12 plaintiff Ogden has not violated Section 605 of the Communications Act by
13 unauthorized publication or use of encrypted communications transmitted over wire
14 or by radio.

15 13. Plaintiff GLENN FLEISHMAN is a resident of the State of Washington
16 and a freelance journalist whose work has appeared in the *New York Times*, *Wired*
17 *Magazine* and publications in the Seattle area. Plaintiff Fleishman uses his
18 ReplayTV 4000 unit for purposes of time-shifting and avoidance of commercials.
19 Notwithstanding the allegations of the Entertainment Oligopoly defendants in the
20 ReplayTV case, plaintiff Fleishman has not used the ReplayTV 4000 unit to violate
21 Section 553 of the Communications Act by unauthorized interception or receipt of
22 cable service or by assisting in unauthorized interception or receipt of cable service.
23 All uses by plaintiff Fleishman of the ReplayTV 4000 unit are intended to be lawful
24 and plaintiff Fleishman has not violated Section 605 of the Communications Act by
25 unauthorized publication or use of encrypted communications transmitted over wire
26 or by radio.

27 14. Plaintiff PHIL WRIGHT is a resident of the State of California employed
28 in the video editing technology industry. Plaintiff Wright uses his ReplayTV 4000

1 unit for purposes of time-shifting and avoidance of commercials. Notwithstanding
2 the allegations of the Entertainment Oligopoly defendants in the ReplayTV case,
3 plaintiff Wright has not used the ReplayTV 4000 unit to violate Section 553 of the
4 Communications Act by unauthorized interception or receipt of cable service or by
5 assisting in unauthorized interception or receipt of cable service. All uses by
6 plaintiff Wright of the ReplayTV 4000 unit are intended to be lawful and plaintiff
7 Wright has not violated Section 605 of the Communications Act by unauthorized
8 publication or use of encrypted communications transmitted over wire or by radio.

9 15. Each Plaintiff has a personal stake in the issues involved in this litigation
10 and has a reasonable apprehension of being sued by the Entertainment Oligopoly
11 defendants for copyright infringement and "theft" of television shows. Each
12 Plaintiff is participating in this litigation to protect his own interests, and to protect
13 the interests of other owners of ReplayTV 4000 units who are threatened by the
14 actions of the Entertainment Oligopoly defendants.

15 16. Each Plaintiff faces the direct risk of the loss of beneficial use of his
16 personal property, the ReplayTV 4000, if the injunctive relief prayed for by the
17 Entertainment Oligopoly defendants in the ReplayTV case is granted.

18 17. Plaintiffs are informed, believe and thereon allege that defendant
19 TURNER BROADCASTING SYSTEM, INC. is a Georgia corporation with its
20 principal place of business in Atlanta, Georgia and that defendant TURNER
21 BROADCASTING SYSTEM, INC. engages in substantial business in this judicial
22 district and maintains substantial contacts within this judicial district.

23 18. Plaintiffs are informed, believe and thereon allege that defendant DISNEY
24 ENTERPRISES, INC. is a Delaware corporation with its principal place of business
25 in Burbank, California.

26 19. Plaintiffs are informed, believe and thereon allege that defendant
27 PARAMOUNT PICTURES CORPORATION is a Delaware corporation with a
28 principal place of business in Los Angeles, California.

1 20. Plaintiffs are informed, believe and thereon allege that defendant
2 NATIONAL BROADCASTING COMPANY, INC. is a Delaware corporation with
3 studio facilities in Burbank, California.

4 21. Plaintiffs are informed, believe and thereon allege that defendant NBC
5 STUDIOS, INC. is a New York corporation with its principal place of business in
6 Burbank, California.

7 22. Plaintiffs are informed, believe and thereon allege that defendant
8 SHOWTIME NETWORKS INC. is a Delaware corporation with a principal place of
9 business in New York, New York and that said defendant engages in substantial
10 business in this judicial district and maintains substantial contacts within this judicial
11 district.

12 23. Plaintiffs are informed, believe and thereon allege that defendant THE
13 UNITED PARAMOUNT NETWORK is a Delaware corporation with a principal
14 place of business in Los Angeles, California.

15 24. Plaintiffs are informed, believe and thereon allege that defendant ABC,
16 INC. is a New York Corporation with a principal place of business in New York,
17 New York and that said defendant engages in substantial business in this judicial
18 district and maintains substantial contacts within this judicial district.

19 25. Plaintiffs are informed, believe and thereon allege that defendant
20 VIACOM INTERNATIONAL INC. is a Delaware Corporation with a principal
21 place of business in New York, New York and that said defendant engages in
22 substantial business in this judicial district and maintains substantial contacts within
23 this judicial district.

24 26. Plaintiffs are informed, believe and thereon allege that defendant CBS
25 WORLDWIDE INC. is a Delaware Corporation with a principal place of business in
26 New York, New York and that said defendant engages in substantial business in this
27 judicial district and maintains substantial contacts within this judicial district.

28 27. Plaintiffs are informed, believe and thereon allege that defendant CBS

1 BROADCASTING INC. is a New York Corporation with a principal place of
2 business in New York, New York and that said defendant engages in substantial
3 business in this judicial district and maintains substantial contacts within this judicial
4 district.

5 28. Plaintiffs are informed, believe and thereon allege that defendant TIME
6 WARNER ENTERTAINMENT COMPANY, L.P. is a Delaware limited partnership
7 with a principal place of business in New York, New York and that said defendant
8 engages in substantial business in this judicial district and maintains substantial
9 contacts within this judicial district.

10 29. Plaintiffs are informed, believe and thereon allege that defendant HOME
11 BOX OFFICE is a division of defendant TIME WARNER ENTERTAINMENT
12 COMPANY and that defendant HOME BOX OFFICE engages in substantial
13 business in this judicial district and maintains substantial contacts within this judicial
14 district.

15 30. Plaintiffs are informed, believe and thereon allege that defendant
16 WARNER BROS. is a division of defendant TIME WARNER ENTERTAINMENT
17 COMPANY and that defendant WARNER BROS. engages in substantial business in
18 this judicial district and maintains substantial contacts within this judicial district.

19 31. Plaintiffs are informed, believe and thereon allege that defendant
20 WARNER BROS. TELEVISION is a division of defendant TIME WARNER
21 ENTERTAINMENT COMPANY and that defendant WARNER BROS.
22 TELEVISION engages in substantial business in this judicial district and maintains
23 substantial contacts within this judicial district.

24 32. Plaintiffs are informed, believe and thereon allege that defendant TIME
25 WARNER INC. is a Delaware corporation with its principal place of business in
26 New York, New York, an affiliate of defendant TIME WARNER
27 ENTERTAINMENT COMPANY and that defendant TIME WARNER INC.
28 engages in substantial business in this judicial district and maintains substantial

1 contacts within this judicial district.

2 33. Plaintiffs are informed, believe and thereon allege that defendant NEW
3 LINE CINEMA CORPORATION is a Delaware corporation with its principal place
4 of business in Los Angeles, California.

5 34. Plaintiffs are informed, believe and thereon allege that defendant CASTLE
6 ROCK ENTERTAINMENT is a California general partnership with its principal
7 place of business in Beverly Hills, California.

8 35. Plaintiffs are informed, believe and thereon allege that defendant THE WB
9 TELEVISION NETWORK PARTNERS, L.P. is a California limited partnership
10 d/b/a The WB Television Network and that defendant THE WB TELEVISION
11 NETWORK PARTNERS, L.P. engages in substantial business in this judicial
12 district and maintains substantial contacts within this judicial district.

13 36. Plaintiffs are informed, believe and thereon allege that defendant METRO-
14 GOLDWYN-MAYER STUDIOS is a Delaware corporation with its principal place
15 of business in Santa Monica, California.

16 37. Plaintiffs are informed, believe and thereon allege that defendant ORION
17 PICTURES CORPORATION is a Delaware corporation with its principal place of
18 business in Santa Monica, California.

19 38. Plaintiffs are informed, believe and thereon allege that defendant
20 TWENTIETH CENTURY FOX FILM CORPORATION is a Delaware corporation
21 with its principal place of business in Los Angeles, California.

22 39. Plaintiffs are informed, believe and thereon allege that defendant
23 UNIVERSAL CITY STUDIOS PRODUCTIONS, INC. is a Delaware corporation
24 with its principal place of business in Universal City, California.

25 40. Plaintiffs are informed, believe and thereon allege that defendant FOX
26 BROADCASTING COMPANY is a Delaware corporation with its principal place
27 of business in Los Angeles, California.

28 41. Plaintiffs are informed, believe and thereon allege that defendant

1 COLUMBIA PICTURES INDUSTRIES, INC. is a Delaware corporation with its
2 principal place of business in Culver City, California.

3 42. Plaintiffs are informed, believe and thereon allege that defendant
4 COLUMBIA PICTURES TELEVISION, INC. is a Delaware corporation with its
5 principal place of business in Culver City, California.

6 43. Plaintiffs are informed, believe and thereon allege that defendant
7 COLUMBIA TRISTAR TELEVISION, INC. is a Delaware corporation with its
8 principal place of business in Culver City, California.

9 44. Plaintiffs are informed, believe and thereon allege that defendant
10 TRISTAR TELEVISION, INC. is a Delaware corporation with its principal place of
11 business in Culver City, California.

12 45. Defendants TURNER BROADCASTING SYSTEM, INC.; DISNEY
13 ENTERPRISES, INC.; PARAMOUNT PICTURES CORPORATION; NATIONAL
14 BROADCASTING COMPANY, INC.; NBC STUDIOS, INC.; SHOWTIME
15 NETWORKS INC; THE UNITED PARAMOUNT NETWORK; ABC, INC.;
16 VIACOM INTERNATIONAL INC.; CBS WORLDWIDE INC.; CBS
17 BROADCASTING INC.; TIME WARNER ENTERTAINMENT COMPANY, L.P.;
18 HOME BOX OFFICE; WARNER BROS.; WARNER BROS. TELEVISION; TIME
19 WARNER INC.; NEW LINE CINEMA CORPORATION; CASTLE ROCK
20 ENTERTAINMENT; THE WB TELEVISION NETWORK PARTNERS, L.P.;
21 METRO-GOLDWYN-MAYER STUDIOS; ORION PICTURES CORPORATION;
22 TWENTIETH CENTURY FOX FILM CORPORATION; UNIVERSAL CITY
23 STUDIOS PRODUCTIONS, INC.; FOX BROADCASTING COMPANY;
24 COLUMBIA PICTURES INDUSTRIES, INC.; COLUMBIA PICTURES
25 TELEVISION, INC.; COLUMBIA TRISTAR TELEVISION, INC. and TRISTAR
26 TELEVISION, INC. are collectively identified as "the Entertainment Oligopoly
27 defendants" herein.

28 46. Plaintiffs are informed, believe and thereon allege that defendant

1 REPLAYTV, INC. is a Delaware corporation with its principal place of business in
2 Mountain View, California. Plaintiffs are informed, believe and thereon allege that
3 defendant REPLAYTV, INC. is a wholly-owned subsidiary of defendant
4 SONICBLUE, INC.

5 47. Plaintiffs are informed, believe and thereon allege that defendant
6 SONICBLUE, INC. is a Delaware corporation with its principal place of business in
7 Santa Clara, California. Plaintiffs are informed, believe and thereon allege that
8 defendant SONICBLUE, INC. is the parent company of defendant REPLAYTV,
9 INC.

10 48. Plaintiffs are informed, believe and thereon allege that the Entertainment
11 Oligopoly defendants, and each of them, is a plaintiff in one or more of the actions
12 in this judicial district that have been consolidated under the name "Paramount
13 Pictures Corporation *et. al.*, Plaintiffs, v. ReplayTV, Inc., *et. al.*," Case No. CV 01-
14 9358 FMC (Ex), in which said plaintiffs allege that the ReplayTV has, through
15 manufacture, sale, distribution and support of the ReplayTV 4000 unit, infringed
16 copyrights held by plaintiffs and/or committed contributory copyright infringement
17 and/or vicarious copyright infringement and/or violated Sections 553 and/or 605 of
18 the Communications Act and/or engaged in Unfair Business Practices prohibited by
19 California Business and Professions Code §§ 17200 *et seq.*

20 49. In the ReplayTV case complaints on file made available to the public and
21 Plaintiffs herein, the Entertainment Oligopoly defendants accuse Plaintiffs of
22 Copyright Infringement.

23 a. For example, it is alleged in the ReplayTV case that the Auto-Skip
24 feature of the ReplayTV defendant's ReplayTV 4000 unit "enables
25 and induces their customers to make **unauthorized** digital copies of
26 plaintiffs' copyrighted television programming for the purpose of, at
27 the touch of a button, viewing the programming with all commercial
28 advertising automatically deleted." *Paramount Pictures Corp., et al.*

1 v. *ReplayTV, Inc. and SonicBlue, Inc.*, CV 01-09358-FMC (Ex).
2 (amended complaint dated Nov. 21, 2001) (hereinafter the “Amended
3 Paramount Complaint”), at 3, lines 6-13 (emphasis added).

4 b. In paragraph 4 of the Amended Paramount Complaint, it is further
5 alleged that “the ‘Send Show’ feature of the ReplayTV defendant’s
6 ReplayTV 4000 unit makes it “a breeze” to make perfect digital
7 copies of plaintiffs’ copyrighted programs, including entire
8 theatrical motion pictures, and distribute them to other people --
9 even many other people -- through high-speed Internet connections.
10 This **unlawful activity** likewise deprives plaintiffs of the means of
11 payment for, and diminishes the value of, their copyrighted works.”
12 *Id.* at lines 14-21 (emphasis added).

13 c. Likewise, paragraph 5 of the original complaint states “[ReplayTV]
14 assure[s] **their customers that using the ReplayTV 4000 to**
15 **infringe copyrights** will be effortless: “[W]ith its broadband
16 connectivity, sending and receiving programs [with the ReplayTV
17 4000] is a breeze.” *Paramount Pictures Corp., et al. v. ReplayTV,*
18 *Inc. and SonicBlue, Inc.*, CV 01-09358-FMC (Ex) (complaint dated
19 Oct. 31, 2001), at 8, lines 23-25 (emphasis added).

20 50. In section 2, page 6, of “Plaintiffs’ Supplemental Memorandum of Law in
21 Support of Their Motion to Compel” in the ReplayTV case, the Entertainment
22 Oligopoly defendants represented that there is a small community of approximately
23 5,000 ReplayTV 4000 users who tend to communicate with each other. The
24 Entertainment Oligopoly defendants further admitted and acknowledged the
25 apprehension and fear that they have injected into the hearts and minds of ReplayTV
26 4000 owners, declaring that “...given the widespread publicity about this lawsuit,
27 customers might fear that candid answers [about their ReplayTV 4000 use] might
28 lead to personal liability for them—and thus decline to give such answers.”

1 51. Additionally, the relief sought in the ReplayTV case will materially
2 affect the Plaintiffs herein in their use and enjoyment of their ReplayTV 4000s.
3 Plaintiffs are informed and believe, and based upon such information and belief
4 allege, that ReplayTV can technically impair Plaintiffs' ability to continue to use the
5 "commercial advance" and "send show" features of their ReplayTV 4000 units. In
6 the ReplayTV complaint the Entertainment Oligopoly defendants seek injunctive
7 relief to:

8 a. Prevent ReplayTV from engaging in "any provision, use, or **support**
9 **of the 'AutoSkip' or 'Send Show' functions or any similar**
10 **functions**, or from licensing any other person to do the same."

11 *Paramount Pictures Corp., et al. v. ReplayTV, Inc. and SonicBlue, Inc.,*
12 CV 01-09358-FMC (Ex) (amended complaint dated Nov. 21, 2001), at
13 31, lines 1-13.

14 b. Preventing ReplayTV from "encourag[ing] or **permit[ting] users** to
15 transmit copies of such programming to other persons." *Id.* at lines 14-
16 19.

17 c. Plaintiffs further reasonably fear that as part of an injunction granted
18 (or settlement reached) in the ReplayTV case, the Entertainment
19 Oligopoly defendants will require ReplayTV to "push down" a
20 software "downgrade" onto their ReplayTV 4000 units, thus
21 disabling the commercial advance and send show features on their
22 units.

23 52. Plaintiffs are informed, believe and thereon allege that each of the
24 Entertainment Oligopoly defendants has agreed with each other such defendant to
25 perform the acts herein alleged to have been carried out by the Entertainment
26 Oligopoly defendants or any of them. Plaintiffs are informed, believe and thereon
27 allege that each of the Entertainment Oligopoly defendants, as a principal,
28 authorized each other such defendant to act as an agent on behalf of said principal

1 and each such agent so acted pursuant to such authorization. Plaintiffs are informed,
2 believe and thereon allege that each Entertainment Oligopoly defendant ratified the
3 acts of each of the other Entertainment Oligopoly defendants. Plaintiffs are
4 informed, believe and thereon allege that each of the Entertainment Oligopoly
5 defendants provided substantial assistance to each of the other Entertainment
6 Oligopoly defendants in performing the acts herein alleged with knowledge thereof.

7 8 GENERAL ALLEGATIONS

9 53. Article 1, § 8 of the United States Constitution provides that "The
10 Congress shall have Power ... To promote the Progress of Sciences and useful Arts,
11 by securing for limited Times to Authors and Inventors the exclusive Right to their
12 respective Writings and Discoveries." Pursuant thereto, Congress has enacted the
13 Copyright Act of the United States of America, set forth in Title 17 of the United
14 States Code, and the Courts of the United States of America have rendered decisions
15 interpreting said Constitutional provision and said Copyright Act.

16 54. In the landmark decision *Sony Corporation of America v. Universal City*
17 *Studios*, 464 U.S. 417, 429-430, 104 S.Ct. 774 (1984), the Supreme Court declared
18 that "[t]he monopoly privileges that Congress may authorize are neither unlimited
19 nor primarily designed to provide a special private benefit. Rather, the limited grant
20 is a means by which an important public purpose may be achieved. ... From its
21 beginning, the law of copyright has developed in response to significant changes in
22 technology." Quoting from prior authority, the court reiterated the principle that
23 "[t]he limited scope of the copyright holder's statutory monopoly ... must ultimately
24 serve the cause of promoting the broad public availability of literature, music, and
25 the other arts." (464 U.S. at 431.) In the *Sony* case, the Court held that owners of
26 copyrights on television programs could not halt the manufacture and sale of a home
27 videotape recorder ("VTR") on the strength of an argument that such recorders could
28 be used to infringe copyrights. One reason for the Court's decision was that the

1 VTR was used to shift the time for viewing from the time of original broadcast to a
2 time more convenient to the consumer, that "time-shifting merely enables a viewer
3 to see such work which he has been invited to witness in its entirety free of charge"
4 and that time-shifting was a "substantial noninfringing use" that could not be
5 prohibited as an incident of the copyright owner's monopoly. (464 U.S. at 447-56.)

6 55. "Space shifting"—the practice of reproducing copyrighted works that have
7 been lawfully acquired in order to experience them in other locations—also properly
8 falls outside of the copyright monopoly so long as such activity falls within the
9 scope of the "fair use" doctrine set out in 17 U.S.C. 107. Plaintiffs' use of the "send
10 show" features of their ReplayTV 4000s for space-shifting of televised programming
11 fall squarely within the scope of the fair use doctrine.

12 56. The ReplayTV 4000 duplicates the substantial noninfringing uses of the
13 VTRs that were the subject of the *Sony* decision. Since the *Sony* decision, VTR
14 manufacturers have developed and marketed commercial-skipping features. VTRs
15 have, in addition, always facilitated "space-shifting" insofar as VTR users are able to
16 record a tape in one unit and play it back in any other compatible VTR. Unlike a
17 VTR, however, the ReplayTV 4000 records television signals in digitized form on a
18 "hard drive" similar to that found on personal computers. The digital storage
19 provides consumers with greater flexibility and control over the viewing of televised
20 programs. In addition, a ReplayTV 4000 unit is Internet-accessible so as to provide
21 a consumer automatically with functionally useful information transmitted over the
22 Internet and a means to operate the ReplayTV 4000 unit from a place distant from
23 the unit itself.

24 57. Plaintiffs are informed and believe, and based upon such information and
25 belief allege, that the presently-configured ReplayTV 4000 unit allows an owner—
26 as it relates to Entertainment Oligopoly defendants' television programs—to: (1)
27 use a "Commercial Advance" feature to automatically avoid most of the
28 commercials appearing in a television program and to manually avoid commercials

1 with the push of a button similar to an analog VCR; (2) view or transfer recorded
2 programs over the consumer's networked personal computers or other ReplayTV
3 4000 units via an "Ethernet" connection typically found on computers with
4 broadband connections to the Internet and thus enjoy "space-shifting" without
5 having to physically move recorded media (the "Ethernet features"). The
6 Entertainment Oligopoly defendants have requested that further distribution of the
7 ReplayTV 4000 be enjoined and that all support currently rendered to ReplayTV
8 4000 owners, including Plaintiffs, also be enjoined. They have declared that
9 ReplayTV 4000 owners who utilize its commercial advance and "send show"
10 features violate the Copyright Act.

11 58. Plaintiffs are informed, believe and thereon allege that officers for the
12 Entertainment Oligopoly defendants have declared that viewing a recorded television
13 program by means of a ReplayTV 4000 unit without viewing the commercials is
14 theft. For example, Plaintiffs are informed, believe and thereon allege that Jamie
15 Kellner, the Chief Executive Officer of defendant Turner Broadcasting System, Inc.,
16 recently stated in an interview in *Cableworld* magazine that avoiding advertisements
17 in programs amounts to "theft" and "stealing." Specifically, Kellner is reported to
18 have declared: "the ad skips.... It's theft.... Any time you skip a commercial or watch
19 the button you're actually stealing the programming." *Cableworld*, Monday, April 29,
20 2002. See
21 <http://www.inside.com/product/product.asp?entity=CableWorld&pf_ID=7A2ACA71
22 -FAAD-41FC-A100-0B8A11C30373>.

23 59. Mr. Kellner's assertions that ReplayTV users are engaging in "theft" and
24 "stealing" have been widely circulated in the mainstream and internet press:
25 a. http://forbesbest.com/home_europe/2002/05/03/0503sonicblue.html
26 b. http://news.bbc.co.uk/hi/english/sci/tech/newsid_1986000/1986616.st
27 m

28 60. In an article published by *Time* magazine (part of the AOL Time Warner

1 conglomerate that includes the Time Warner defendants), owners of the ReplayTV
2 4000 unit have been identified as "Pirates of Prime Time."

3 <<http://www.time.com/time/business/article/0,8599,203498,00.html>>.

4 61. In the ReplayTV case, the Entertainment Oligopoly defendants obtained an
5 order requiring the ReplayTV defendant to collect and provide to the Entertainment
6 Oligopoly defendants information about consumers who access ReplayTV websites,
7 that may include, Plaintiffs are informed, believe and thereon allege, personally
8 identifying information, as well as so-called "anonymous information" (which may
9 be later linked to personally identifying information) collected by ReplayTV
10 website(s).

11 62. Plaintiffs are further informed, believe, and thereon allege that the
12 Entertainment Oligopoly defendants have in the ReplayTV case alleged that
13 watching a time-shifted television program more than once, or storing such a show
14 for any extended period of time, constitutes prohibited "librarying" that violates the
15 Copyright Act.

16 63. Plaintiffs and other owners of the ReplayTV 4000 have been placed in
17 realistic danger of sustaining a direct injury as a result of being named as defendants
18 in lawsuits filed by the Entertainment Oligopoly defendants, including lawsuits
19 alleging copyright infringement and/or violations of the Communications Act.
20 Plaintiffs do not agree with the Entertainment Oligopoly defendants that a condition
21 of watching time-shifted television shows is a requirement that Plaintiffs must also
22 watch all included commercials and that violation of this condition results in
23 copyright infringement liability. Plaintiffs similarly disagree with the Entertainment
24 Oligopoly defendants who claim that consumers have no right to time-shift, space-
25 shift, or communicate using the ReplayTV 4000 in their homes. Plaintiffs further
26 disagree with the Entertainment Oligopoly defendants that watching a time-shifted
27 program more than once, or storing it for more than a brief time, constitutes
28 infringing "librarying."

1 64. Plaintiffs are seeking a remedy from such fear and apprehension and relief
2 from the uncertainty, insecurity, and controversy that gives rise to this proceeding.
3 Plaintiffs are in apprehension and fear of being sued by the Entertainment Oligopoly
4 defendants since such litigation will likely cause financial ruin in attorneys' fees
5 alone. And given the onerous nature of statutory damages, Plaintiffs cannot afford
6 to guess incorrectly about where the fair use-infringement line is drawn, should they
7 be named as defendants.

8 65. Until the parties' respective legal rights, duties, and responsibilities are
9 determined by this Court, Plaintiffs and other ReplayTV 4000 customers will be
10 chilled in the exercise and enjoyment of their fair use rights—which rights are
11 intimately intertwined with First Amendment rights—as they attempt to avoid the
12 unknown line of when fair use becomes infringement.

13 66. Plaintiffs further face a realistic danger of sustaining a direct injury,
14 including full or partial monetary loss, should injunctive relief be granted to the
15 Entertainment Oligopoly defendants in the ReplayTV case. Plaintiffs and other
16 consumers paid in excess of \$500 dollars for each ReplayTV 4000 device with the
17 reasonable expectation that certain material functions at issue would be operational.
18 To the extent injunctive relief in the ReplayTV case resulted in ReplayTV
19 suspending support for ReplayTV 4000 features, or in Court-mandated modification
20 of Plaintiffs' ReplayTV 4000 units by ReplayTV, such relief would materially
21 impair Plaintiffs' enjoyment of their ReplayTV 4000 units.

22
23 **FIRST CLAIM FOR RELIEF**
24 **(Request for Declaratory Judgment)**

25 67. Plaintiffs repeat and incorporate herein by reference the allegations in the
26 preceding paragraphs of this complaint.

27 68. Plaintiffs seek a declaratory judgment pursuant to 28 U.S.C. § 2201 and
28 Federal Rule of Civil Procedure 57 for the purpose of determining and adjudicating
questions of actual controversy between the parties.

1 69. Plaintiffs contend as it relates to the Entertainment Oligopoly defendants
2 and their television programs that, consistent with the Copyright Act of the United
3 States of America, including those laws prohibiting direct, contributory or vicarious
4 infringement, the Communications Act, laws protecting fair use and the First
5 Amendment to the United States Constitution, and judicial decisions construing such
6 laws, doctrines, and provisions:

- 7 a. Each Plaintiff's ownership of a ReplayTV 4000 unit is lawful;
8 b. Each Plaintiff, as an owner of a ReplayTV 4000 unit, can lawfully
9 record television programs broadcast free or paid for by a member
10 of the Plaintiff's household for later viewing by the Plaintiff and
11 members of Plaintiff's household;
12 c. Each Plaintiff, as an owner of a ReplayTV 4000 unit, can lawfully
13 utilize the commercial advance features provided with the unit;
14 d. Each Plaintiff, as an owner of a ReplayTV 4000 unit, can lawfully
15 use the Ethernet features provided with the device for purposes of
16 viewing by the Plaintiff or members of the Plaintiff's household of
17 any television program broadcast free or paid for by a member of the
18 Plaintiff's household no matter where the viewer is located; and
19 e. Each Plaintiff, as an owner of a ReplayTV 4000 unit, can lawfully
20 use the Ethernet features provided with the device for the purpose of
21 facilitating the viewing by one or more specific individuals of any
22 television program broadcast free so long as said Plaintiff does not
23 receive any compensation or direct commercial benefit thereby.

24 70. Plaintiffs are informed, believe and thereon allege that the Entertainment
25 Oligopoly defendants contend the contrary of each of above-stated propositions (a)
26 through (e).

27 71. Wherefore, Plaintiffs request that the court determine and adjudge that
28 each and every of the above-stated propositions states the law applicable to the facts

1 involved in this action.

2 WHEREFORE, Plaintiffs pray for judgment as follows:

- 3
- 4 1. A declaration that as it relates to the Entertainment Oligopoly defendants
- 5 and their television programs that:
- 6 a. Each Plaintiff's ownership of a ReplayTV 4000 unit is lawful;
- 7 b. Each Plaintiff, as an owner of a ReplayTV 4000 unit, can lawfully
- 8 record television programs broadcast free or paid for by a member of
- 9 the Plaintiff's household for later viewing by the Plaintiff and members
- 10 of Plaintiff's household;
- 11 c. Each Plaintiff, as an owner of a ReplayTV 4000 unit, can lawfully
- 12 utilize the commercial advance features provided with the unit;
- 13 d. Each Plaintiff, as an owner of a ReplayTV 4000 unit, can lawfully use
- 14 the Ethernet features provided with the unit for purposes of viewing by
- 15 the Plaintiff or members of the Plaintiff's household of any television
- 16 program broadcast free or paid for by a member of the Plaintiff's
- 17 household;
- 18 e. Each Plaintiff, as an owner of a ReplayTV 4000 unit, can lawfully use
- 19 the Ethernet features provided with the unit for the purpose of
- 20 facilitating the viewing by one or more specific individuals of any
- 21 television program broadcast free so long as said Plaintiff does not
- 22 receive any compensation or direct commercial benefit thereby;
- 23 2. Attorney fees pursuant to the Copyright Act, Private Attorney General
- 24 basis, or otherwise as allowed by law;
- 25 3. Plaintiffs' costs and disbursements within; and
- 26 4. Such other and further relief as the court shall find just and proper.
- 27 Plaintiffs hereby request a jury trial for all issues triable by jury including, but
- 28 not limited to, those issues found in any amended complaint or consolidated
- action.

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Dated: June 6, 2002

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[Full counsel appearances on signature page]

18. UNITED STATES DISTRICT COURT
19. CENTRAL DISTRICT OF CALIFORNIA

20. CRAIG NEWMARK, SHAWN
21. HUGHES, KEITH OGDEN, GLENN
22. FLEISHMAN and PHIL WRIGHT,

23. Plaintiffs,

24. v.

25. TURNER BROADCASTING
26. SYSTEM, INC.; DISNEY
27. ENTERPRISES, INC.; PARAMOUNT
28. PICTURES CORPORATION;
NATIONAL BROADCASTING
COMPANY, INC.; NBC STUDIOS,
INC.; SHOWTIME NETWORKS
INC.; THE UNITED PARAMOUNT
NETWORK; ABC, INC.; VIACOM

CASE NO. 02-04445 FMC (Ex)

**NOTICE OF MOTION AND
MOTION TO DISMISS
COMPLAINT OR,
ALTERNATIVELY, TO STAY
PROCEEDINGS; MEMORANDUM
OF POINTS AND AUTHORITIES
AND DECLARATION OF KIM
WOROBEC IN SUPPORT
THEREOF**

[Fed. R. Civ. P. 12(b)(1) and 12(b)(6);
28 U.S.C. § 2201]

1 INTERNATIONAL INC.; CBS
2 WORLDWIDE INC.; CBS
3 BROADCASTING INC.; TIME
4 WARNER ENTERTAINMENT
5 COMPANY, L.P.; HOME BOX
6 OFFICE; WARNER BROS.;
7 WARNER BROS. TELEVISION;
8 TIME WARNER INC.; NEW LINE
9 CINEMA CORPORATION; CASTLE
10 ROCK ENTERTAINMENT; THE WB
11 TELEVISION NETWORK
12 PARTNERS, L.P.; METRO-
13 GOLDWYN-MAYER STUDIOS
14 INC.; ORION PICTURES
15 CORPORATION; TWENTIETH
16 CENTURY FOX FILM
17 CORPORATION; UNIVERSAL CITY
18 STUDIOS PRODUCTIONS, INC.;
19 FOX BROADCASTING COMPANY;
20 COLUMBIA PICTURES
21 INDUSTRIES, INC.; COLUMBIA
22 PICTURES TELEVISION, INC.;
23 COLUMBIA TRISTAR
24 TELEVISION, INC.; TRISTAR
25 TELEVISION, INC.; REPLAYTV,
26 INC.; and SONICBLUE, INC.,
27
28

Defendants.

DATE: August 12, 2002
TIME: 10:00 a.m.
PLACE: 750
JUDGE: Hon. Florence-Marie Cooper

1 TO ALL PARTIES AND TO THEIR ATTORNEYS OF RECORD:

2 PLEASE TAKE NOTICE that on August 12, 2002 at 10:00 a.m., or as soon
3 thereafter as the matter may be heard, in the Courtroom of the Honorable Florence-
4 Marie Cooper, United States District Court Judge, located at 255 East Temple
5 Street, Los Angeles, California 90012, defendants Turner Broadcasting System,
6 Inc., Disney Enterprises, Inc., Paramount Pictures Corporation, National
7 Broadcasting Company, Inc., NBC Studios, Inc., Showtime Networks Inc., The
8 United Paramount Network, ABC, Inc., Viacom International Inc., CBS Worldwide
9 Inc., CBS Broadcasting Inc., Time Warner Entertainment Company, L.P., Home
10 Box Office, Warner Bros., Warner Bros. Television, Time Warner Inc., New Line
11 Cinema Corporation, Castle Rock Entertainment, The WB Television Network
12 Partners, L.P., Metro-Goldwyn-Mayer Studios Inc., Orion Pictures Corporation,
13 Twentieth Century Fox Film Corporation, Universal City Studios Productions, Inc.,
14 Fox Broadcasting Company, Columbia Pictures Industries, Inc., Columbia Pictures
15 Television, Inc., Columbia Tristar Television, Inc., and Tristar Television, Inc. (the
16 "Copyright Owner Defendants") will, and do hereby, move, pursuant to Federal
17 Rules of Civil Procedure 12(b)(1) and 12(b)(6) and 28 U.S.C. § 2201 for an order
18 dismissing Plaintiffs' Complaint. In the alternative, the Copyright Owner
19 Defendants move this Court for an Order staying the Complaint pending resolution
20 or termination of the ongoing, previously filed litigation between the Copyright
21 Owner Defendants and ReplayTV, Inc. and SONICblue Inc. in the action entitled
22 *Paramount Pictures, et al. v. ReplayTV, Inc.*, CV 01-9358 FMC (Ex) ("ReplayTV
23 Litigation").

24 This Notice of Motion and Motion is, and will be, based on the following
25 grounds:

26 (1) Plaintiffs' Complaint is non-justiciable for lack of an "actual
27 controversy" under Article III of the Constitution of the United States because
28 Plaintiffs fail to plead facts sufficient to establish a real and objectively reasonable

LAS99 1241117-3.051240.0038

1 apprehension of imminent legal action by Defendants against Plaintiffs; and
2 (2) The Court in the exercise of its discretion under the Declaratory
3 Judgement Act should dismiss or, in the alternative, stay Plaintiffs' Complaint
4 pending resolution of the ReplayTV Litigation because the ReplayTV Litigation
5 will resolve the issues presented by the present action and Plaintiffs' "interests" in
6 that action are more than adequately represented by ReplayTV and SONICblue; the
7 addition of this action and the individual Plaintiffs will serve only to add to the cost,
8 effort and complexity of litigating the claims; the filing of this suit as a separate
9 action, coupled with a notice of related cases and request for consolidation, appears
10 to be an attempt to circumvent the requirements for intervention, which the claims
11 and circumstances present here would not satisfy; and Plaintiffs will suffer no harm
12 in awaiting the outcome of the ReplayTV Litigation.

13 This Motion is, and will be, based upon this Notice of Motion and Motion,
14 the Memorandum of Points and Authorities and Declaration of Kim Worobec,
15 attached hereto, the concurrently filed Request for Judicial Notice, all of the papers,
16 pleadings and records on file in the above-captioned proceeding, and such oral
17 argument as may be presented at the hearing on this Motion.

18 This Motion is made following the conference of counsel pursuant to Local
19 Rule 7-3 which took place on July 10, 2002.

20 Dated: July 17, 2002

McDERMOTT, WILL & EMERY
ROBERT H. ROTSTEIN
LISA E. STONE
ELIZABETH L. HISSERICH
KIM WOROBEK

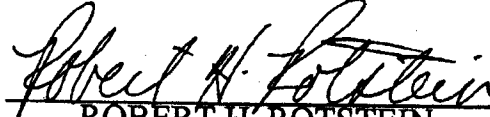
21
22
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24 By: 
25 ROBERT H. ROTSTEIN
26 Attorneys for Defendants COLUMBIA
27 PICTURES INDUSTRIES, INC.,
28 COLUMBIA PICTURES TELEVISION,
INC., COLUMBIA TRISTAR
TELEVISION, INC. and TRISTAR
TELEVISION, INC.

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1 MEMORANDUM OF POINTS AND AUTHORITIES

2 I. INTRODUCTION

3 Plaintiff owners of the ReplayTV 4000 and their counsel at the Electronic
4 Frontier Foundation ("EFF") have brought this action not to pursue a legitimate
5 claim, but to exploit the judicial system for their public relations and political
6 objectives. This Court need not tolerate these tactics, because Plaintiffs have failed
7 to plead the essential prerequisite for Declaratory Relief: the existence of a "case or
8 controversy."

9 Plaintiffs allege that they belong in this Court because they are in "realistic
10 danger" (Complaint, 63) of being sued for copyright infringement by the Copyright
11 Owner Defendants¹ for using their ReplayTV devices. Nothing could be further
12 from the truth: until the five Plaintiffs filed this suit, the Copyright Owner
13 Defendants did not even know that they existed, let alone that they owned
14 ReplayTV 4000s and used the functions of those devices as set forth in their
15 Complaint. And, the Copyright Owner Defendants had no interest in learning --
16 and no realistic way ever to learn -- the identities of these five people, especially
17 after this Court's discovery rulings. Moreover, even now after learning Plaintiffs'
18 identities, the Copyright Owner Defendants have not expressed any intention of
19 pursuing a claim against them or other ReplayTV 4000 users. Plaintiffs therefore
20 cannot come close to establishing that they have a real and objectively reasonable
21 apprehension of imminent legal action.²

22 ¹ The "Copyright Owner Defendants" are defendants Turner Broadcasting
23 System, Inc., Disney Enterprises, Inc., Paramount Pictures Corporation, National
24 Broadcasting Company, Inc., NBC Studios, Inc., Showtime Networks Inc., The
25 United Paramount Network, ABC, Inc., Viacom International Inc., CBS Worldwide
26 Inc., CBS Broadcasting Inc., Time Warner Entertainment Company, L.P., Home
27 Box Office, Warner Bros., Warner Bros. Television, Time Warner Inc., New Line
28 Cinema Corporation, Castle Rock Entertainment, The WB Television Network
Partners, L.P., Metro-Goldwyn-Mayer Studios Inc., Orion Pictures Corporation,
Twentieth Century Fox Film Corporation, Universal City Studios Productions, Inc.,
Fox Broadcasting Company, Columbia Pictures Industries, Inc., Columbia Pictures
Television, Inc., Columbia Tristar Television, Inc., and Tristar Television, Inc.
² See *Chesebrough-Pond's, Inc. v. Faberge, Inc.*, 666 F.2d 393, 396 (9th Cir.
1982); *Societe de Conditionnement en Aluminium v. Hunter Engineering Co.*, 655

1 Article III of the United States Constitution prohibits federal courts from
2 deciding disputes absent an "actual controversy" between the parties. Plaintiffs
3 cannot satisfy this standard by proclaiming that the Copyright Owner Defendants'
4 public statements of concern about the ReplayTV 4000 are really coded threats of
5 suit against these five individuals -- particularly since, until these people identified
6 themselves by filing this case, they were completely unknown to the Copyright
7 Owner Defendants. Put bluntly, this case is no "case" at all, because the only
8 "controversy" between the parties has been concocted by Plaintiffs so that they can
9 intrude into *Paramount Pictures, et al. v. ReplayTV, Inc., et al.* (the "ReplayTV
10 Litigation"). Under the circumstances, this Court lacks subject matter jurisdiction,
11 and the Complaint should be dismissed under Federal Rules of Civil Procedure
12 12(b)(1) and 12(b)(6).

13 In the alternative, the Court should exercise its discretion under the
14 Declaratory Judgment Act either to dismiss this case or to stay it pending resolution
15 of the ReplayTV Litigation. Allowing Plaintiffs to proceed would bring substantial
16 additional costs, effort, and complexity without providing the Court any assistance
17 in resolving the issues surrounding the ReplayTV 4000. Plaintiffs' "interests" are
18 being vigorously defended by ReplayTV and SONICblue in the ReplayTV
19 Litigation. That lawsuit will resolve any legitimate issue regarding their ReplayTV
20 4000s that Plaintiffs could raise in this separate action. Allowing these Plaintiffs
21 and their counsel to participate in the ReplayTV Litigation will wreak havoc on the
22 orderly progress of that lawsuit, and thereby satisfy the hidden agenda of these
23 Plaintiffs and the EFF.

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28 F.2d 938, 945 (9th Cir. 1981).

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1 **II. FACTUAL AND PROCEDURAL BACKGROUND**

2 The first of the Copyright Owner Defendants' complaints in the ReplayTV
3 Litigation was filed on October 31, 2001, several weeks before ReplayTV and
4 SONICblue began distributing the ReplayTV 4000 to the public. The ReplayTV
5 Litigation immediately received a substantial amount of press coverage, including
6 articles in newspapers and magazines such as the *Los Angeles Times*, *The San*
7 *Francisco Chronicle*, *San Jose Mercury News*, *The Hollywood Reporter*, and *Daily*
8 *Variety*. Declaration of Kim Worobec ("Worobec Decl."), Exs. 1-5.³

9 In addition, ReplayTV included in its advertisements for the purchase of the
10 ReplayTV 4000 a specific disclaimer notifying prospective purchasers that some of
11 the existing features might later be modified or eliminated. *See, e.g.*, Worobec
12 Decl., Exs. 6-8. Plaintiffs purchased their ReplayTV 4000s despite the existence of
13 the ReplayTV Litigation -- and attendant press coverage -- challenging certain of
14 the ReplayTV 4000 features and with express knowledge that those features might
15 change. Moreover, Plaintiffs waited over seven months -- until June 6, 2002 -- to
16 file their action. Even then, though Plaintiffs' attorneys held a multimedia press
17 conference within moments of filing the complaint, they did not bother to serve the
18 complaint until fully three weeks later (on June 27, 2002) -- eight months after the
19 ReplayTV Litigation had commenced. Worobec Decl., ¶¶ 5 and 6.

20 Plaintiffs contend that they filed their complaint because certain press reports
21 and allegations in the ReplayTV Litigation have caused them "fear and
22 apprehension" that the Copyright Owner Defendants will sue them for copyright
23 infringement. Newmark Complaint, pp. 4-5, ¶¶ 6-7. They also allege that the
24 outcome of the ReplayTV Litigation might result in a decrease in the economic

25 ³ In considering motions to dismiss that challenge the subject matter
26 jurisdiction of the Court pursuant to Federal Rule of Civil Procedure 12(b)(1), the
27 Court is not restricted to the face of the pleadings, but may review any evidence,
28 such as declarations and testimony, to resolve any factual disputes concerning the
existence of jurisdiction. *K-Lath, Division of Tree Island Wire (ISA), Inc. v. Davis*
Wire Corp., 15 F. Supp. 2d 952, 958 (C.D. Cal. 1998).

1 value of their ReplayTV units. *Id.*, p. 20, ¶ 66. Plaintiffs seek a judgment declaring
2 that, “consistent with the Copyright Act of the United States of America, . . . the
3 Communications Act, laws protecting fair use and the First Amendment to the
4 United States Constitution,” each Plaintiff’s ownership and use of the ReplayTV
5 4000 is lawful. *Id.*, p. 21, ¶ 69.

6 **III. PLAINTIFFS FAIL TO SATISFY THE “ACTUAL CONTROVERSY”**
7 **REQUIREMENT NECESSARY TO ESTABLISH SUBJECT MATTER**
8 **JURISDICTION AND TO STATE A CLAIM FOR RELIEF**

9 **A. *The Law Bars A Declaratory Judgment Action Against A Copyright***
10 ***Holder Absent A Showing Of An “Actual Controversy”***

11 Federal Courts may not adjudicate issues on an advisory basis. As the Ninth
12 Circuit has recognized, “[o]ur role is neither to issue advisory opinions nor to
13 declare rights in hypothetical cases, but to adjudicate live cases or controversies
14 consistent with the powers granted the judiciary in Article III of the Constitution.”
15 *Thomas v. Anchorage Equal Rights Commission*, 220 F.3d 1134, 1138 (9th Cir.
16 2000); *see also Securities Exchange Commission v. Medical Committee for Human*
17 *Rights*, 404 U.S. 403, 407, 92 S. Ct. 577, 30 L. Ed. 2d 560 (1972). In addition, the
18 Declaratory Judgment Act specifically provides that a federal court may grant
19 declaratory relief only where there is an “actual controversy.” 28 U.S.C.S. §
20 2201(a) (2002); *see also Societe de Conditionnement*, 655 F.2d at 942; *Western*
21 *Mining Council v. Watt*, 643 F.2d 618, 623-624 (9th Cir. 1981). The “actual
22 controversy” requirement is the same as the “case and controversy” requirement
23 under Article III of the Constitution. *See Societe de Conditionnement*, 655 F.2d at
24 942 (citing *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 277, 239-40 (1937)).

25 To establish that a particular declaratory action presents
26 an actual case or controversy, a party is required to show
27 that, under all the circumstances of the case, there is a
28 substantial controversy between the parties having

1 adverse legal interests, and the controversy is of sufficient
2 immediacy and reality to warrant declaratory relief.

3 *Hal Roach Studios v. Richard Feiner and Co., Inc.*, 896 F.2d 1542, 1555 (9th Cir.
4 1989) (citing *Societe de Conditionnement*, 655 F.2d at 942).

5 Courts often apply that doctrine in intellectual property cases, to protect
6 rights holders from purposeless claims by those with whom they have no real
7 dispute. “[T]he Declaratory Judgment Act was intended to protect threatened
8 parties, not to drag a non-threatening [intellectual property owner] into court.”
9 *Shell Oil Co. v. Amoco Corp.*, 970 F.2d 885, 889 n. 10 (Fed. Cir. 1993); *see also*
10 *Kobre v. Photal Corp.*, 100 F. Supp. 56, 58 (S.D.N.Y. 1951) (“Certainly no
11 [intellectual property owner] should be exposed to a sort of reverse-harassment, i.e.
12 -- be forced to defend against a spurious suit where there is no likelihood of damage
13 to the plaintiff by affirmative acts of the patent-holder.”). The purpose of the
14 “actual controversy” requirement of the Declaratory Judgment Act “is to avoid
15 harassment and vexatious lawsuits by infringers or colorable infringers against
16 [intellectual property owners].” *Societe de Conditionnement*, 655 F.2d at 944.

17 The “actual controversy” requirement must therefore be met for the Court to
18 have subject matter jurisdiction over Plaintiffs’ claims and for Plaintiffs to state a
19 claim for relief under the Declaratory Judgment Act. *K-Lath*, 15 F. Supp. 2d at
20 958; *International Harvester Co. v. Deere & Co.*, 623 F.2d 1207, 1210 (7th Cir.
21 1980); *Hal-Roach Studios*, 896 F.2d at 1444-45. Neither of Plaintiffs’ claimed
22 excuses for their action -- fear of suit by the Copyright Owner Defendants, or the
23 claimed decrease in the economic value of their ReplayTV devices -- comes close
24 to meeting this jurisdictional prerequisite.

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1 623 F.2d at 1211-1215; *Premo Pharmaceutical Laboratories v. Pfizer*
2 *Pharmaceuticals, Inc.*, 465 F. Supp. 1281, 1283 (S.D.N.Y. 1979). All four of these
3 factors require dismissal in this case.

4 C. *Plaintiffs Have Not Pled, And Cannot Demonstrate, The Existence*
5 *Of An Actual Controversy*

6 As best we know, Ninth Circuit has never found an actual controversy absent
7 a direct threat of suit. Plaintiffs' complaint does not and cannot allege that the
8 Copyright Owner Defendants communicated any direct threat of legal action
9 against the Plaintiffs. In fact, Plaintiffs do not cite *any* direct communication by
10 any Copyright Owner Defendant to any Plaintiff. *See* Newmark Complaint, *en*
11 *passim*. Moreover, Plaintiffs do not, and cannot, allege that the Copyright Owner
12 Defendants even knew the Plaintiffs' identities until after Plaintiffs filed suit in the
13 present case. Plaintiffs therefore cannot show an objectively reasonable
14 apprehension of suit on the basis of any direct communication to them.

15 Rather, Plaintiffs try to establish a threat of imminent litigation by relying on
16 statements in the ReplayTV Litigation and in the news media. None of these
17 allegations -- taken either separately or together -- satisfies the "actual claim or
18 controversy" requirement.

19 Plaintiffs argue that language in the complaints in the ReplayTV Litigation
20 stating that owners of the ReplayTV 4000 infringe the Copyright Owner
21 Defendants' copyrights gives rise to a reasonable apprehension of litigation. *See*
22 Newmark Complaint, ¶ 49.a. Plaintiffs are wrong. First, the allegations do *not*
23 imply an intention to sue ReplayTV users generally, much less specifically threaten
24 these Plaintiffs or any other individual. *See* Request for Judicial Notice ("RJN"),
25 Exs. A-E (ReplayTV Litigation Complaints). Second, as the record reflects, the
26 Copyright Owner Defendants have never attempted to name, by Doe designation or
27 any other means, Plaintiffs or other consumers. *Id.* Third, the allegations in the
28 complaints in the ReplayTV Litigation about consumer use exist to satisfy the

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1 requirements for pleading vicarious liability and contributory infringement against
2 Replay TV and SONICblue, and not to “threaten” third parties:

3 Contributory infringement . . . plainly does not lie without
4 primary infringement. This, of course, does not mean that
5 the primary infringer must be a co-defendant in the case;
6 there may be many reasons why a party may not be held
7 accountable for its conduct in court. What is important is
8 that contributory infringement be hinged upon an act of
9 primary infringement, even if the primary infringer for
10 [some] reason escapes judicial scrutiny.

11 *Danjaq SA v. MGM/UA Communications Co.*, 773 F. Supp. 194, 201 (C.D. Cal.
12 1991). Copyright plaintiffs often sue vicarious infringers without ever suing others.
13 *See, e.g., A&M Records v. Napster, Inc.*, 114 F. Supp. 2d 896 (N.D. Cal. 2001),
14 *aff'd*, 284 F.3d 1091 (9th Cir. 2002); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d
15 259 (9th Cir. 1996); *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59 (3d
16 Cir. 1986); *Danjaq*, 773 F. Supp. 194 (C.D. Cal. 1991). Indeed, had Plaintiffs
17 concluded from the complaints that they were being threatened with suit, their delay
18 until now in taking action on that threat would be both inexplicable and
19 inexcusable. The fact is that Plaintiffs can have no reasonable apprehension of suit
20 by virtue of the allegations of the complaints in the ReplayTV Litigation.

21 The complete lack of basis for Plaintiffs’ suit is nowhere more obvious than
22 in their inaccurate allegations regarding purported attempts to discover consumers’
23 identities. Plaintiffs allege that they have a reasonable apprehension that the
24 Copyright Owner Defendants intend to sue Plaintiffs because the Copyright Owner
25 Defendants have obtained an order requiring ReplayTV to collect and divulge
26 consumers’ names and contact information. Newmark Complaint, pp. 6-7, ¶ 61.
27 Plaintiffs further allege that the Copyright Owner Defendants have attempted to
28 track consumers’ use of the ReplayTV 4000 to gather evidence of copyright

1 infringement and damages. *Id.* Both allegations are patently, and very publicly,
2 false. In connection with the discovery motions, the Copyright Owner Defendants
3 specifically disclaimed any interest in obtaining the names and contact information
4 for individual ReplayTV 4000 users, seeking only anonymous user information and
5 only for the purposes of the case against ReplayTV and SONICblue. *See* RJN, Ex.
6 F (Plaintiffs' Supplemental Memorandum of Law in Support of their Motion to
7 Compel, p. 5) ("As Plaintiffs painstakingly explained, they do not want to contact
8 or interview Defendants' customers; anonymous electronic data-gathering will be
9 far more complete and accurate and much less intrusive."). The Magistrate Judge
10 merely ordered ReplayTV and SONICblue to produce *anonymous* user data, and
11 this Court reversed that order before Plaintiffs ever filed this action. *Id.*, Exs. G
12 (Magistrate Judge's Order re: Plaintiffs' Motion to Compel, April 26, 2002) and H
13 (Order on Parties' Motions for Review of Magistrate Judge's Order of April 26,
14 2002). The Copyright Owner Defendants never had information identifying the
15 ReplayTV users.⁵ Even if that fact somehow escaped the attention of Plaintiffs

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17 ⁵ Plaintiffs also contend that, based on a statement in the Copyright Owner
18 Defendants' Supplemental Memorandum, the Copyright Owner Defendants have
19 "admitted and acknowledged the apprehension and fear that they have injected into
20 the hearts and minds of ReplayTV 4000 owners." Newmark Complaint, p. 14, ¶
21 50. The statement to which Plaintiffs refer does no such thing. Specifically, the
22 Copyright Owners stated:

23 [ReplayTV and SONICblue's] suggestion . . . that a
24 telephone survey would provide *better* data is
25 nonsensical. *First*, electronically gathering *complete* and
26 *objective* data about what users do . . . is far superior to
27 collecting incomplete and subjective recollections from
28 harried users over the telephone. *Second*, since there are
currently only 5,000 ReplayTV 4000 owners, there is a
grave risk of bias if users in this small community contact
each other about the survey and urge others to give the
"right answers" to "help" [ReplayTV and SONICblue]
. . . . *Third*, given the widespread publicity about this
lawsuit, customers might fear that candid answers might
lead to personal liability for them – and thus decline to
give such answers. *Fourth*, it is almost impossible for
adversaries to agree on a joint survey (as [ReplayTV and
SONICblue] insist be done) and expensive to conduct *any*
survey.

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1 despite the wide publicity it received, their counsel, the EFF, represented *amici*
2 *curiae* in connection with the appeal of the Magistrate Judge's Order and obviously
3 knew of the ruling. Furthermore, because this Court's order in the Replay
4 Litigation reversed the Magistrate Judge's Order, the alleged threat did not continue
5 throughout all stages of the litigation, and therefore eliminates Plaintiffs' claim for
6 this additional reason. *See Hal Roach Studios*, 896 F.2d at 1556, n.22 (stating that
7 the "actual controversy" test is applied to the facts as they existed at the time the
8 complaint was filed, and the threat must continue throughout all stages of the
9 litigation).

10 Finally -- and frivolously -- Plaintiffs contend that a *Cableworld* magazine
11 report of a statement by Jamie Kellner, CEO of Defendant TBS, and a *Time*
12 magazine article headline, "Pirates of Primetime," support a "real and reasonable"
13 apprehension of imminent legal action. *Newmark* Complaint, pp. 18-19, ¶¶ 58 and
14 60. No one could possibly interpret those media reports as an indication that a
15 process server will soon be at the door.

16 Plaintiffs note that Mr. Kellner is quoted in *Cableworld* as having stated that
17 commercial skipping is "theft," and ask this Court to conclude that, as a result, they
18 were in imminent danger of being sued for copyright infringement. Plaintiffs'
19 position could not possibly be offered in good faith. The *Cableworld* article had
20 nothing to do with legal actions against individual consumers; it concerned how
21

22 RJN, Ex. F at 4:18-5:7 (citations omitted) (emphasis in original). This statement to
23 the Court (not to Plaintiffs or any other ReplayTV 4000 owner) addresses the
24 potential evidentiary value of a hypothetical telephone survey of Replay consumers
25 suggested by ReplayTV and SONICblue as compared with collecting data
26 reflecting consumers' actual use of the device. Most significantly, the statement
27 makes clear that the Copyright Owner Defendants did *not* want consumers to feel
28 threatened by the ReplayTV Litigation. Thus, this statement cannot support a claim
of reasonable apprehension of litigation by Plaintiffs. *See cf., Crown Drug*, 703
F.2d at 243 (finding that statements of defendant's lawyer regarding whether
plaintiff's product infringed defendant's patent did not constitute a direct or indirect
threat of imminent legal action because the language used was "a carefully hedged,
abstract discussion of a legal issue in a purely hypothetical fashion.").

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1 DVRs might change the entertainment industry. The full text of the remarks
2 attributed to Mr. Kellner is footnoted below.⁶ Nothing in those reported remarks
3 even hints at any plan to file a lawsuit against anyone, much less any of the
4 Plaintiffs here. Worobec Decl., Ex. 9. Hyperbolic use of the term "theft" to make a
5 point about the impact of commercial avoidance technology on the entire television
6 industry is miles away from the type of statement that might conceivably give an
7 individual owner of a particular home entertainment system a reasonable
8 apprehension that he was about to be sued for copyright infringement. The
9

10 ⁶ The full text of the remarks attributed to Mr. Kellner is as follows:
11 Question ("Q"): [What are your plans for providing content through digital
12 technology?] Offering alternative product for the digital tier? Making it possible to
13 move material to digital from analog?
14 Kellner ("JK"): I don't think you want to move your product from analog to digital
15 unless you have very narrow networks that are supportable on a digital tier. Most of
16 ours are much broader networks than that. What is the programming model going to
17 be in digital? What can you afford to produce and do with a high enough quality
18 level to satisfy viewers on digital? There's probably going to be a lot of
19 multiplexing and time shifting and things like that that provide a lot of convenience
20 like HBO provides to its subscribers.... Taking our networks TBS and TNT,
21 multiplexing them, taking the sports out, putting the movies in prime time--there's
22 ways you can repackage our networks that would add a lot of convenience for
23 people as well.

24 Q: How do you do that without destabilizing the current model?

25 JK: How would that destabilize it? We'd be running the exact same spots. It would
26 all be incremental viewership. That's just one idea. I'm a big believer we have to
27 make television more convenient or we will drive the penetration of PVRs and
28 things like that, which I'm not sure is good for the cable industry or the broadcast
industry or the networks.

Q: Why not?

JK: Because of the ad skips.... It's theft. Your contract with the network when you
get the show is you're going to watch the spots. Otherwise you couldn't get the
show on an ad-supported basis. Any time you skip a commercial or watch the
button you're actually stealing the programming.

Q: What if you have to go to the bathroom or get up to get a Coke?

JK: I guess there's a certain amount of tolerance for going to the bathroom. But if
you formalize it and you create a device that skips certain second increments,
you've got that only for one reason, unless you go to the bathroom for 30 seconds.
They've done that just to make it easy for someone to skip a commercial.

Q: What if I'm using my PVR to rewind a story on CNN or pause during
Moneyline With Lou Dobbs? That's good for you, isn't it, if I can keep watching
the network when I might otherwise miss the shows?

JK: Is it good for me? It's good to make it easier for consumers to watch the
programs they want to watch. I'm not opposed to consumers getting a program
without commercials in it. But they have to create a new model that charges them
for that programming the way HBO charges them.

Worobec Decl., Ex. 9.

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1 statement cannot possibly supply the "actual controversy" necessary to justify
2 Plaintiffs' declaratory relief action. *See Crown Drug*, 703 F.2d at 245 (finding that
3 the statements made by the defendant's attorney in an "armchair discussion" about
4 the declaratory plaintiff's potentially infringing product did not constitute an
5 explicit or implied threat of litigation, and thus did not create a reasonable
6 apprehension).

7 Neither could *Time* magazine's decision to title an article the "Pirates of
8 Primetime" (*see* Worobec Decl., Ex. 10) create in Plaintiffs a real and reasonable
9 apprehension of imminent legal action. The article was written by a reporter, and
10 the headline cannot be attributed to the Copyright Owner Defendants; the article is
11 not specific to users of the ReplayTV 4000, but rather discusses video-file-sharing
12 services generally, including Morpheus, Grokster and Kazaa; and the article does
13 not "threaten" anyone, much less Plaintiffs.

14 Furthermore, Plaintiffs' allegations of potential economic loss cannot satisfy
15 the "actual controversy" requirement of the Declaratory Judgment Act. Plaintiffs
16 claim that they face "the direct risk of loss of beneficial use of [their] personal
17 property, the ReplayTV 4000, if the injunctive relief prayed for [in the ReplayTV
18 Litigation] is granted." Newmark Complaint, p. 8, ¶ 16. However, actual or
19 potential economic harm by itself does not establish the existence of an actual
20 controversy under the Declaratory Judgment Act. *See International Harvester*, 623
21 F.2d at 1215-16 (finding no "actual controversy" even though the declaratory relief
22 plaintiff had expended \$900,000 in developing potentially infringing product prior
23 to filing suit because the defendant's actions had not created a "reasonable
24 apprehension" of suit); *Premo Pharmaceutical Laboratories*, 465 F. Supp. at 1282-
25 1284 (finding no "actual controversy" in an action for declaratory judgment where
26 the defendant's actions did not create a "reasonable apprehension" of suit even
27 though the declaratory relief plaintiff alleged it would lose sales and customers);
28 *Xerox Corp. v. Apple Computer, Inc.*, 734 F. Supp. 1542, 1545 (N.D. Cal. 1990)

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1 (same). *Cf. Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner*
2 *& Smith, Inc.*, 564 F. Supp. 1358, 1372-73 (D. Del. 1983) (finding no “actual
3 controversy” in a patent infringement action where there was no threat of an
4 infringement action, even though the potential intervenor suing for declaratory
5 relief alleged loss of customers if the third party patents were found to be valid).

6 In any event, any claim that Plaintiffs might have based on the purported
7 diminution of the value of their ReplayTV 4000s if the Copyright Owner
8 Defendants prevail in the ReplayTV Litigation -- if such a claim exists at all --
9 would only be against ReplayTV and SONICblue for breach of warranty or breach
10 of contract for distributing a device with infringing features. In fact, however,
11 Plaintiffs could not establish any cognizable loss. The Copyright Owner
12 Defendants initiated the ReplayTV Litigation *before* the ReplayTV 4000 was
13 available for sale to the general public. By the time Plaintiffs purchased the
14 ReplayTV 4000, they had, as a result of the substantial press surrounding the
15 lawsuit from its inception, actual or constructive knowledge of the ReplayTV
16 Litigation and the likelihood of subsequent injunctive relief. Moreover, ReplayTV
17 and SONICblue’s advertisements and website specifically disclaim that
18 “SONICblue reserves the right to automatically add, modify, or disable any features
19 in the operating software when your ReplayTV 4000 connects to our server.”⁷ *See*
20 *Worobec Decl.*, Exs. 6 and 7; *see also* *ReplayTV4500, Technical Specifications*, at
21 http://www.replay.com/video/replaytv/replaytv_4000_tech.asp (last visited July
22 16, 2002) (containing same disclaimer for the ReplayTV 4500 model). Thus,
23 Plaintiffs’ contention of economic harm is a red herring. Plaintiffs cannot establish
24 a real and objectively reasonable apprehension of imminent legal action for
25 copyright infringement, and no “actual controversy” exists.

26
27 ⁷ Similarly, the owner’s manual that accompanies each ReplayTV device states
28 that, “You acknowledge and agree that SONICblue may periodically update,
modify or enhance the Software remotely through the [ReplayTV Service]. . . .”
Worobec Decl., Ex. 8.

1 Finally, Plaintiffs cannot establish that the "totality of the circumstances"
2 gives rise to a reasonable apprehension of liability. As noted above, none of the
3 purported grounds for apprehension has any merit whatsoever. The Copyright
4 Owner Defendants never made direct legal threats against Plaintiffs; there is no
5 history of litigation between Plaintiffs and the Copyright Owner Defendants; the
6 Copyright Owner Defendants have never expressed any intention of suing
7 Plaintiffs; and Plaintiffs first initiated contact with the Copyright Owner
8 Defendants, and not *vice versa*. Under these circumstances, the totality of the
9 circumstances shows, as a matter of law, that Plaintiffs cannot establish a real or
10 objectively reasonable apprehension of imminent legal action. *See State of Texas*,
11 882 F.2d at 176; *K-Lath*, 15 F. Supp. 2d at 961; *Crown Drug*, 703 F.2d at 244;
12 *International Harvester*, 623 F.2d 1207; *Premo Pharmaceutical Laboratories*, 465
13 F. Supp. at 1282-1284.

14 It follows that the Court has no jurisdiction over this claim, and Plaintiffs
15 have failed to state a claim upon which relief can be granted. The Copyright
16 Owners' motion to dismiss should be granted under Rules 12(b)(1) and 12(b)(6).

17 **IV. IN THE ALTERNATIVE, THE COURT SHOULD DECLINE TO**
18 **EXERCISE JURISDICTION UNDER THE DECLARATORY**
19 **JUDGMENT ACT, OR STAY THE PROCEEDINGS**

20 The Declaratory Judgment Act provides that: "In a case of actual
21 controversy within its jurisdiction . . . any court of the United States . . . *may*
22 declare the rights and other legal relations of any interested party seeking such
23 declaration." 28 U.S.C.S. §2201(a) (emphasis added). Thus, even if the "actual
24 controversy" requirement is met, a court is not required to exercise jurisdiction.
25 *Id.*; *see Brillhart v. Excess Ins. Co.*, 316 U.S. 491, 494, 62 S. Ct. 1173, 86 L. Ed.
26 1620 (1942).

27 The Court has the discretion to dismiss -- or to stay -- a declaratory action
28 where another pending action makes resolution of the issues presented by the

1 declaratory action unnecessary. *Brillhart*, 316 U.S. at 495; *Wilton v. Seven Falls*
2 *Co.*, 515 U.S. 277, 288, n.2, 115 S. Ct. 2137, 132 L. Ed. 2d 214 (1995);
3 *International Harvester*, 623 F.2d at 1218. As the court stated in *Yellow Cab Co. v.*
4 *City of Chicago*, 186 F.2d 946, 950-951 (7th Cir. 1951):

5 It is well settled . . . that a declaratory judgment may be
6 refused where it would serve no useful purpose . . . or
7 would not finally determine the rights of the parties . . . or
8 where it is being sought merely to determine issues which
9 are involved in a case already pending and can properly
10 be disposed of therein. . . . Nor should declaratory relief
11 be granted where it would result in piecemeal trials of the
12 various controversies presented or in the trial of a
13 particular issue without resolving the entire controversy.

14 Furthermore, the Court may consider “whether the declaratory remedy is being
15 used merely for the purpose of ‘procedural fencing’ or ‘to provide an arena for a
16 race to res judicata.’” *Qwest Communs. Int’l v. Thomas*, 52 F. Supp. 2d 1200, 1207
17 (D. Colo. 1999) (quoting *St. Paul Fire and Marine Ins. Co. v. Runyon*, 53 F.3d
18 1167, 1169 (10th Cir. 1995). Factors courts consider in deciding whether to
19 exercise its discretionary jurisdiction include: the lack of actual harm to the
20 declaratory plaintiff; the public interest in resolution of the claim; and the plaintiff’s
21 need for the requested relief. *International Harvester*, 623 F.2d at 1218.

22 Even assuming *arguendo* (and contrary to fact) that the Court were to
23 determine that the Plaintiffs could satisfy the “actual controversy” requirement for
24 subject matter jurisdiction to exist, the Court should exercise its discretion and
25 decline jurisdiction over, or at least stay, this action pending final resolution of the
26 ReplayTV Litigation. Plaintiffs’ declaratory action is entirely unnecessary, will
27 greatly complicate and delay the ReplayTV Litigation, and is obviously intended to
28 create mischief rather than to achieve any legitimate purpose. In *International*

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1 *Harvester*, 623 F.2 at 1218, the Seventh Circuit held that the district court could
2 decline to exercise its discretionary jurisdiction over the plaintiff's patent-based
3 declaratory action where other litigation over the same patent might make the
4 action unnecessary. Even though the plaintiff there needed to resolve the issue
5 before it could develop and market its potentially infringing product, the court
6 found that the "[plaintiff's] need for declaratory relief does not outweigh the
7 interests in judicial expediency and in avoiding unnecessary federal court
8 decisions." *Id.*

9 Here, the ReplayTV Litigation will resolve efficiently all issues regarding the
10 Copyright Owner Defendants' copyrights and the ReplayTV 4000. ReplayTV and
11 SONICblue, the defendants in that action, have every incentive to argue what
12 Plaintiffs here argue, that they do not infringe anyone's copyright when they use the
13 ReplayTV 4000. To permit this action to proceed, therefore, would only add to the
14 cost, effort, and time necessary to resolve the issues raised in the ReplayTV
15 Litigation without adding to the substance of the debate. Thus, in the interest of
16 judicial efficiency, the Court should refuse to exercise its discretionary jurisdiction
17 over Plaintiffs' declaratory action, or at the very least, stay the proceedings pending
18 a result in the ReplayTV Litigation.

19 Moreover the Court should dismiss or stay Plaintiffs' declaratory action
20 because it constitutes "procedural fencing." *See Qwest*, 52 F. Supp. 2d at 1207.
21 Plaintiffs' real goal is to intervene in the ReplayTV Litigation, through the two step
22 process of filing this case and seeking consolidation. They should not be allowed
23 to do so. Under Federal Rule of Civil Procedure 24(a), a party may intervene as a
24 matter of right where it has an interest that might be impaired by disposition of the
25 pending action, and that interest is not adequately represented by existing parties.
26 *Schwarzer, Fed. Proc. Before Trial, Cal. Prac. Guide*, 7:177. Here, the interests of
27 ReplayTV 4000 users are adequately represented by ReplayTV and SONICblue,
28 and thus, Plaintiffs could not intervene as a matter of right. Under Federal Rule of

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1 Civil Procedure 24(b), intervention may be allowed in the court's discretion when
2 "[a]llowing intervention 'will not unduly delay or prejudice the adjudication of the
3 rights of the original parties.'" *Id.*, 7:178 (quoting Fed. R. Civ. Proc. 24(b)). Here,
4 allowing participation by Plaintiffs in the ReplayTV Litigation would greatly
5 complicate and slow down that action by adding numerous additional parties;
6 would result in needless discovery disputes regarding Plaintiffs' right to highly
7 proprietary documents to which they are not, in fact, entitled; and would be
8 unnecessary, since ReplayTV and SONICblue are already motivated and fully
9 qualified to pursue every defense Plaintiffs could assert.

10 Significantly, moreover, as discussed in Section III, *supra*, Plaintiffs here can
11 suffer no harm in awaiting the outcome of the ReplayTV Litigation. In contrast, in
12 *International Harvester*, the Court declined to exercise jurisdiction even though the
13 plaintiff's significant business plans -- including \$900,000 of expenditures for
14 product development -- awaited the resolution of the case. *International Harvester*,
15 623 F.2d at 1215-16, 1218.

16 **V. CONCLUSION**

17 For the foregoing reasons, the Court should dismiss Plaintiffs' complaint
18 under Federal Rules of Civil Procedure 12(b)(1) and (b)(6), or alternatively,
19 exercise its discretion to dismiss or stay the action.

20 Dated: July 17, 2002

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25
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28 [Full counsel appearances on next page]

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 11 Fleishman and Phil Wright in CASE NO. 02-04445 FMC (Ex)

12 **UNITED STATES DISTRICT COURT**
 13 **CENTRAL DISTRICT OF CALIFORNIA**

14
 15 PARAMOUNT PICTURES CORPORATION;
 16 *et. al.,*

17 Plaintiffs,

18 v.

19 REPLAYTV, INC.; and SONICBLUE, INC.

20 Defendants.

CASE NO. CV 01-09358 FMC (Ex)
 CASE NO. CV 02-04445 FMC (Ex)

AMENDED MEMORANDUM OF
 POINTS AND AUTHORITIES IN
 SUPPORT OF MOTION TO
 CONSOLIDATE

21 AND ACTIONS CONSOLIDATED THEREIN

Hearing Date: August 5, 2002

Hearing Time: 10:00 a.m.

Courtroom: 750

Judge: Hon. Florence-Marie Cooper

22
 23
 24 CRAIG NEWMARK, *et. al.,*

25 Plaintiffs,

26 v.

27 TURNER BROADCASTING SYSTEM, INC.,
 28 *et. al.,*

Defendants.

1

2 **I. INTRODUCTION**

3 Plaintiffs in Case No. 02-04445 FMC (Ex) (hereinafter "Newmark") ask the
4 court, pursuant to Rule 42(a) of the Federal Rule of Civil Procedure, to consolidate
5 that case with the consolidated actions proceeding under Case No. CV 01-09358 (Ex)
6 (hereinafter "Paramount").

7 Because the prima facie case for the Plaintiffs in Paramount requires proof that
8 the actions of the Newmark plaintiffs and other ReplayTV owners in utilizing the
9 "commercial advance" and "send show" features of the ReplayTV constitute copyright
10 infringement and because it is exactly the legality of the use of these two features that
11 is at issue in the Newmark lawsuit (which has named all of the parties in the
12 Paramount case as Defendants), the two cases necessarily involve common questions
13 of both fact and law. Moreover, the requested injunctive relief in the Paramount case
14 will directly impact the property interests in the Newmark plaintiffs in their ReplayTV
15 units, since it requires Replay to prevent "users" (i.e. owners) of the ReplayTV units
16 from using the two disputed features.

17 Thus whether because of the intertwined nature of the facts and the law or
18 because the rights of the Newmark plaintiffs in their property are directly at issue in
19 the Paramount case, judicial economy, the interests of justice and fairness and the
20 litigation efficiency all support the consolidation of the two cases.

21 **II. SUMMARY OF THE TWO CASES**22 **A. How the Cases Intertwine Factually**

23 On or about October 31, 2001, the Paramount Plaintiffs filed their complaints
24 against ReplayTV, Inc. and SONICblue, Inc. (the "ReplayTV defendants") The
25 Paramount Plaintiffs collectively constitute all, or nearly all, of the major producers
26 and distributors of television programs in the United States and have an intense
27 network of relationships that unite them in interest. The ReplayTV defendants
28 manufacture, market and support video recorders that, in contrast to those previously

1 manufactured that record analog signals on tape, record television programs in a
2 digital format on a computer-like hard drive. Both litigations involve a particular
3 model of video recorder manufactured by the ReplayTV defendants known as the
4 "ReplayTV 4000 Digital Video Recorder" or, simply, the "ReplayTV 4000." The
5 Newmark Plaintiffs are all owners of ReplayTV 4000s.

6 Like all video recorders, the ReplayTV 4000 enables an owner to record a
7 television program "off the air" for later viewing, a feature identified as "time shifting"
8 in the landmark decision *Sony Corporation of America v. Universal City Studios*, 464
9 U.S. 417, 104 S.Ct. 774 (1984) (copyright owners could not enjoin the manufacture
10 and sale of the Sony Betamax video tape recorder). In addition, the ReplayTV 4000
11 has features that are at issue in both cases: (1) "commercial advance" features that
12 enable owners to *automatically* skip over most commercials (some video tape
13 recorders have a similar feature and others require the owner to operate "fast forward"
14 controls); and (2) "send show" or "space-shifting" features that enable owners of the
15 ReplayTV 4000 to transfer recorded programs *by signals carried over wires* (such as
16 Ethernet cables over a home local area network) to other ReplayTV 4000 devices for
17 viewing. Video tape recorders also facilitate space shifting since they allow programs
18 to be recorded on portable tapes that can then be easily physically transported and
19 used in another device..

20 B. How the Cases Intertwine Legally

21 In Paramount, the Plaintiffs directly allege that the Newmark Plaintiffs (along
22 with all other ReplayTV owners) have engaged in copyright infringement. The
23 Paramount Amended Complaint alleges that the ReplayTV 4000 "enables and induces
24 [ReplayTV 4000 owners] to make **unauthorized** digital copies of plaintiffs'
25 copyrighted television programming for the purpose of, at the touch of a button,
26 viewing the programming with all commercial advertising deleted." (Paramount
27 Amended Complaint at 3:6-13 quoted with emphasis added in the Complaint in the
28 Newmark Complaint at 13:23-14:3.) The Paramount Plaintiffs further allege that

1 owners of the ReplayTV 4000 use the "send show" features to engage in "**unlawful**
2 **activity**" and "**to infringe copyrights.**" (Paramount's Amended Complaint at 3:14-21
3 and 8:23-25 quoted with emphasis added in the Newmark Complaint at 14:4-19.)

4 The Paramount Plaintiffs also seek injunctive relief that will, in effect, give
5 the Paramount Plaintiffs a remedy against the Newmark Plaintiffs. ReplayTV
6 corporation's continuing support is necessary for the Newmark Plaintiffs to continue
7 to use the "commercial advance" and "send show" features of their ReplayTV 4000s.
8 The Paramount First Amended Complaint seeks injunctive relief to:

- 9 a. Prevent ReplayTV from engaging in to "any provision, use, or
10 **support of the AutoSkip or 'Send Show' functions or any similar**
11 **functions**, and from licensing any other person to do the same.
12 Paramount Complaint prayer (b) and (d) (emphasis added).
13 b. Prevent ReplayTV from "**permit[ting] users** to transmit copies of
14 such programming to other persons." ReplayTV Complaint prayer (e)
15 (emphasis added).
16

17 The Newmark Plaintiffs are all "users" of ReplayTV and all rely on the continuing
18 "support" of ReplayTV for the AutoSkip and Send Show functions of their units.
19 Thus, if the Paramount Plaintiffs win the injunction they seek, the injunction would
20 require ReplayTV to prevent the Newmark Plaintiffs from using those features on the
21 ReplayTV units that they own. The most likely way that injunction would be enforced
22 is through requiring the ReplayTV Defendants to "push down" a software downgrade
23 to the Newmark Plaintiffs ReplayTV units that would disable or limit the AutoSkip
24 and 'Send Show' functions on their ReplayTV units. Such a downgrade would
25 dramatically reduce the market value and use of the devices owned by the Newmark
26 Plaintiffs. It would also effectively give the Paramount Plaintiffs an injunctive remedy
27 for the primary infringement they allege occurs by the Newmark Plaintiffs without
28 having to actually sue the Newmark Plaintiffs (or other ReplayTV users) or giving the

1 users any voice whatsoever in the decision about damaging or limiting the usefulness
2 of their own property.

3 Even if the Paramount Amended Complaint did not directly accuse the
4 ReplayTV users of copyright infringement, the legal claims made against the
5 ReplayTV defendants require that the Paramount Plaintiffs, as a prima facie element,
6 to prove that the Newmark Plaintiffs and other ReplayTV owners are copyright
7 infringers. This is because the claims made in Paramount are for secondary liability:
8 contributory and vicarious copyright infringement. That is, the ReplayTV defendants
9 are allegedly liable for the infringing activities of the Newmark Plaintiffs because they
10 manufacture and support the devices. Similarly, allegations about violations by the
11 ReplayTV defendants of the Communications Act are based on prohibitions against
12 "assisting" alleged primary perpetrators, again, the Newmark Plaintiffs and other
13 owners of the ReplayTV 4000.

14 Thus, the legal showings required for the Paramount Plaintiffs to succeed in
15 their case against the ReplayTV defendants will, inexorably, establish primary
16 copyright liability on the part of the Newmark Plaintiffs. This obviously raises
17 reasonable concerns by the Newmark Plaintiffs of their own potential liability. Their
18 concerns have been amplified by the aggressive attempts by the Paramount Plaintiffs
19 to use the discovery process to gather information about the identities and usage habits
20 of ReplayTV owners.¹

21 In fact, the Paramount Plaintiffs have admitted that ReplayTV owners would
22 reasonably identify their own potential liability arising from the Paramount lawsuit. In
23 section 2, page 6, of "Plaintiffs' Supplemental Memorandum of Law in Support of
24 Their Motion to Compel Discovery," the Paramount Plaintiffs, as plaintiffs in
25

26
27 ¹ As described further below, a portion of this attempt, a requirement that ReplayTV Defendants
28 affirmatively create software that would spy on its customers and report the information to the
Paramount Plaintiffs was rejected by this Court. Yet seems clear that other, allowed discovery will
identify ReplayTV users and give the Paramount Plaintiffs significant information about them that
would assist in a later case for copyright infringement.

1 Paramount, declare that ReplayTV should be forced to spy on its customers and give
 2 the data to the Paramount Plaintiffs because "...given the widespread publicity about
 3 this lawsuit, customers might fear that candid answers [about their Replay 4000 use]
 4 might lead to personal liability for them — and thus decline to give ... answers" to
 5 questions propounded to them. Thus, the Paramount Plaintiffs are well aware (and we
 6 submit intend) that the Paramount case intimidate owners of the ReplayTV 4000 and
 7 to cause potential purchasers to shun the product.

8 **C. Genesis of the Newmark Case**

9 As this Court is aware, on or about April 26, 2002, Magistrate Judge Eick
 10 ordered the ReplayTV defendants to develop and implement software operating on the
 11 ReplayTV websites to create and collect data regarding owners' television viewing
 12 habits obtainable from ReplayTV 4000 devices operating in the owners' homes. This
 13 order, on top of the preceding publicity about allegations and declarations of the
 14 Paramount Plaintiffs, generated fear and consternation on the part of the Newmark
 15 Plaintiffs, along with many other ReplayTV 4000 owners, about their privacy rights,
 16 their enjoyment of expensive electronic devices they had purchased.. Although
 17 Magistrate Judge Eick's order was later modified by this Court, the owners remain
 18 vitally concerned and have enormous apprehension and fear of liability exposure and
 19 the reduction in value and usability of their ReplayTV 4000 devices due to the
 20 Paramount case.

21 Accordingly, on June 6, 2002, five owners of the ReplayTV 4000, as de facto
 22 volunteer representatives of all such owners, and in an effort to gain predictability on
 23 their rights, obligations, and duties and to reduce their apprehension and fear, filed
 24 their complaint Newmark seeking a declaration that their use of the ReplayTV 4000
 25 was and is lawful and that the device can be used for specific, noninfringing purposes.
 26 The Newmark case names as Defendants all of the parties, both plaintiff and
 27 defendant, in the Paramount case.

28 The close connection between the Newmark case and the Paramount case was

1 identified in the Civil Cover Sheet and in a Notice of Related Case filed in both cases.
 2 On June 26, 2002, the Court, pursuant to General order 224, ordered Newmark to be
 3 transferred to Judge Cooper, who had previously been assigned Paramount.

4 **D. Meet and Confer Process Leading to this Motion**

5 Since shortly after the Newmark case was filed, counsel for the Newmark
 6 Plaintiffs has been conferring with counsel for the Paramount Plaintiffs and counsel
 7 for ReplayTV about consolidation. As set forth in the accompanying declaration of Ira
 8 P. Rothken, the ReplayTV defendants agree that consolidation is appropriate but the
 9 Paramount Plaintiffs are resisting consolidation. The Paramount Plaintiffs are
 10 apparently seeking to delay consolidation while pressing forward on discovery issues
 11 in Paramount. The Newmark Plaintiffs want to participate fully in discovery now
 12 beginning in Paramount and are prepared to provide initial disclosures and an early
 13 meeting on an expedited basis to bring the two proceedings into parallel postures. The
 14 Newmark Plaintiffs will need nearly identical discovery from the Paramount Plaintiffs
 15 that will be provided in connection with Paramount.

16
 17 **II. NEWMARK SHOULD BE CONSOLIDATED WITH PARAMOUNT.**

18 Federal Rule of Civil Procedure 42(a) provides:

19 (a) **Consolidation.** When actions involving a common question of law or
 20 fact are pending before the court, it may order a joint hearing or trial of
 21 any and all matters in issue in the actions; it may order all the actions
 consolidated; and it may make such order considering proceedings
 therein as may tend to avoid unnecessary costs or delay.

22 Given the inherent power of the Court to control its own proceedings, the many facts
 23 and circumstances that might bear on a motion to consolidate and the broadly-stated
 24 tests of "fairness," "efficiency" and "justice," the question of whether or not to order
 25 consolidation is necessarily one vested in the discretion of the Court. See *In re*
 26 *Adams Apple*, 829 F.2d 1484, 1487 (9th Cir. 1987) authorizing *sua sponte*
 27 consolidation, *In Re Equity Funding Corporation Of America Securities Litigation*,
 28 416 F.S. 161, 175-176 (C.D. Cal. 1976) and, generally, 8 *Moore's Federal Practice*

1 (3d ed. 2002 Release), ¶¶ 42.10[2] and 42.10[4].

2 Here, common questions of law and fact pervade the two actions. Both arise
3 from the same or substantially identical events, namely the use of the ReplayTV 4000
4 by its owners to record television programs, to skip commercials, and to "space-shift"
5 viewing of television programs. The cases involve the same parties and the same
6 copyrights.

7 Before the ReplayTV defendants can be held *secondarily liable* in Paramount,
8 the Paramount Plaintiffs must show that owners of the ReplayTV 4000, including the
9 plaintiffs in Newmark,, are using the device to infringe copyrights and/or violating the
10 Communications Act, i.e., that such owners bear *primary liability*. The ReplayTV
11 owners are entitled to defend against such claims of primary liability in Paramount.
12 The questions of law and fact involved in determining whether the ReplayTV 4000
13 has substantial noninfringing uses and whether the uses of the ReplayTV 4000 by
14 ReplayTV owners (See *Sony Corporation of America v. Universal City Studios*, 464
15 U.S. 417, 104 S.Ct. 774 (1984) are the same in both case. Similarly, the discovery
16 that Paramount Plaintiffs are pursuing in Paramount involves privacy rights asserted
17 by the ReplayTV owners in Newmark; again, the issues arising from this discovery
18 will be common to both actions because the Paramount Plaintiffs will almost certainly
19 be pursuing parallel discovery against the Newmark Plaintiffs in the Newmark case.

20 If consolidation is not ordered, there will be duplication in the work of this
21 Court, as these same legal and factual issues are raised in each case. Moreover, there
22 will be duplication in the costs of litigation for the parties. Unless the cases are
23 consolidated, the Newmark Plaintiffs will not automatically obtain materials provided
24 in response to discovery in Paramount, especially given the protective order in place in
25 that case. Based on discovery already provided and communications between counsel
26 in Paramount, it appears that there will hundreds of thousands of pages of documents
27 produced and depositions that will require many weeks to complete. Legal briefing, a
28 major item of expense, will have to be duplicated and revised to adjust for the

1 differences in the procedural postures of the two cases.

2 The "interests of justice" also mandate that the Newmark Plaintiffs be allowed
3 to participate in discovery decisions in Paramount that jeopardize owners' beneficial
4 interests in their ReplayTV units or their rights to privacy. Because a decision that the
5 ReplayTV 4000 contributes to copyright infringement or assists in violations of the
6 Communications Act will necessarily restrict the rights of owners to use the devices
7 and the value of such devices, the ReplayTV owners have a justiciable interest in
8 participating in that action. See 8 *Moore's*, supra, ¶ 42.10[4][a] ("Courts have been
9 most likely to approve consolidation when they find that it serves the interests of
10 justice.") Further, fundamental fairness requires that the Newmark Plaintiffs be
11 allowed to participate in litigation that both directly impacts their ownership interests
12 in personal property, implicates their privacy rights and can necessarily create direct
13 legal and factual precedent for claims of copyright infringement against them.

14 Consolidation will not lead to any delays. Paramount is in the early stages of
15 discovery -- the Paramount Plaintiffs' core document productions are currently in
16 process and several third party subpoenas are the subject of pending motions to compel
17 before the Magistrate. No depositions have yet been taken. As noted above, the
18 Newmark Plaintiffs are willing to expedite their own initial disclosures and initial
19 document productions in order to facilitate matters. The involvement of the ReplayTV
20 owners in Paramount will, if anything, expedite the proceedings there because such
21 owners can act as de facto representatives of all such owners whose interests are at
22 issue and provide real data on their usage of the ReplayTV 4000s, rather than the
23 statistical surveys that would otherwise be required.

24 In sum, the issues in the two cases are overwhelming resonant and parallel.
25 Unnecessary expense will be incurred if there are two sets of proceedings. The Court
26 will have to duplicate its own efforts. Difficult issues involving the intersection of
27 copyright law with innovative technology will have to be determined twice when once
28 will suffice. Bringing all the parties into a single forum will ensure that all rights and

1 interests are properly represented.

2

3 **III. CONCLUSION**

4 For the foregoing reasons, it is respectfully submitted that Newmark should be
5 consolidated with the previously consolidated actions proceeding under Paramount for
6 all pretrial and trial proceedings, except preliminary matters needed to bring Newmark
7 into a procedural posture parallel to that already achieved in Paramount.

8

9 Dated: July 12, 2002

Respectfully submitted,
ROTHKEN LAW FIRM

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STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I declare that: I am employed in the County of Los Angeles, California. I am over the age of eighteen years and not a party to the within cause; my business address is 2049 Century Park East, Suite 3200, Los Angeles, California 90067-3206.

On December 9, 2003, I served the foregoing document described as:

THE COPYRIGHT OWNERS' OPPOSITION TO THE NEWMARK PLAINTIFFS' MOTION FOR LEAVE TO AMEND; DECLARATION OF SCOTT P. COOPER IN SUPPORT THEREOF

on the interested parties in this action:

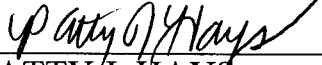
(By Mail) By placing true copies thereof enclosed in sealed envelopes addressed as follows:

SEE ATTACHED SERVICE LIST

I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice, the envelopes would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at Los Angeles, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

(Federal) I declare that I am employed in the office of a member of the bar of this Court at whose direction the service was made.

Executed on December 9, 2003, at Los Angeles, California.



PATTY J. HAYS

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