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15

16 UNITED STATES DISTRICT COURT
17 CENTRAL DISTRICT OF CALIFORNIA

18 PARAMOUNT PICTURES
CORPORATION et al.,
19
20 Plaintiffs,

21 v.

22 REPLAYTV, INC. and
SONICBLUE, INC.,
23 Defendants.

Case No. 01-09358 FMC (Ex)

Hon. Florence-Marie Cooper

**NOTICE OF MOTION AND
MOTION OF THE COPYRIGHT
OWNERS TO DISMISS THE
NEWMARK PLAINTIFFS'
COMPLAINT; MEMORANDUM OF
POINTS AND AUTHORITIES AND
DECLARATION OF SCOTT P.
COOPER IN SUPPORT THEREOF**

[Fed. R. Civ. P. 12(h)(3) and
28 U.S.C. § 2201]

24
25
26 AND CONSOLIDATED ACTIONS.
27
28

DATE: January 12, 2004
TIME: 10:00 a.m.
PLACE: Courtroom 750

1 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

2 PLEASE TAKE NOTICE that, on Monday, January 12, 2004 at 10:00 a.m.,
3 or as soon thereafter as the matter may be heard by the Honorable Florence-Marie
4 Cooper, United States District Court Judge, in Courtroom 750, located at 255 East
5 Temple Street, Los Angeles, California 90012, the undersigned parties (collectively,
6 the "Copyright Owners") will, and do hereby, move, pursuant to Federal Rule of
7 Civil Procedure 12(h)(3) and 28 U.S.C. § 2201, for an order dismissing the
8 Complaint for Copyright Declaratory Relief, dated June 6, 2002 (the "Newmark
9 Plaintiffs' Complaint"), of Craig Newmark, Shawn Hughes, Keith Ogden, Glenn
10 Fleishman and Phil Wright (the "Newmark Plaintiffs").

11 This Notice of Motion and Motion is, and will be, based on the following
12 grounds:

- 13 (1) Given the dismissal of the underlying lawsuit against Defendants
14 SONICblue Incorporated and ReplayTV, Inc. that the Court previously
15 held created an "actual controversy" between the Newmark Plaintiffs
16 and the Copyright Owners, the Newmark Plaintiffs' Complaint is not
17 justiciable as a matter of law under the Declaratory Judgment Act and
18 Article III of the United States Constitution because the Newmark
19 Plaintiffs cannot establish a reasonable apprehension that they will be
20 subjected to liability based on the Copyright Owners' actions; and
21 (2) The Court lacks subject matter jurisdiction over the Newmark
22 Plaintiffs' Complaint because the Copyright Owners have covenanted
23 not to sue the Newmark Plaintiffs for copyright infringement arising
24 from the Newmark Plaintiffs' uses of their ReplayTV digital video
25 recorders ("DVRs") as alleged in their Complaint, and accordingly
26 there can be no justiciable case and controversy.

27 This Motion is, and will be, based upon this Notice of Motion and Motion, the
28 Memorandum of Points and Authorities and Declaration of Scott P. Cooper,

1 attached hereto, all of the papers, pleadings and records on file in the above-
2 captioned proceeding, and such oral argument as may be presented at the hearing on
3 this Motion.

4 This Motion is made following the conference of counsel pursuant to Local
5 Rule 7-3, which took place on July 24, 2003.

6 Dated: October 13, 2003

7 Respectfully submitted,

8
9 By: 
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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 Article III of the United States Constitution limits the jurisdiction of federal
4 courts to matters of “actual controversy” between parties during the entire pendency
5 of the lawsuit. Thus, a party may not pursue an action for declaratory relief unless
6 an actual controversy exists throughout the litigation – even where a controversy
7 existed when the party filed the complaint. Two recent events have put an end to
8 any actual controversy between the Copyright Owners and the Newmark Plaintiffs,
9 such that the Court has no subject matter jurisdiction over the Newmark Plaintiffs’
10 declaratory relief action against the Copyright Owners and defendants SONICblue
11 Incorporated and ReplayTV, Inc. (collectively, “SONICblue”).

12 First, the Copyright Owners and SONICblue recently stipulated to the
13 dismissal of the ReplayTV Action that precipitated the Newmark Plaintiffs’ filing of
14 their complaint.¹ Since the Copyright Owners’ allegations in the ReplayTV Action
15 was the only basis on which the Court found an actual controversy between the
16 Copyright Owners and the Newmark Plaintiffs, the Newmark Plaintiffs no longer
17 can meet their burden of establishing subject matter jurisdiction over their
18 declaratory relief claims.

19 Second, to avoid any ambiguity as to the existence of an actual controversy,
20 the Copyright Owners have covenanted not to sue the Newmark Plaintiffs for
21 copyright infringement for their uses of their ReplayTV DVRs. This covenant
22 similarly eliminates the Court’s jurisdiction, and the Newmark Plaintiffs’ Complaint
23 must be dismissed pursuant to Federal Rule of Civil Procedure 12(h)(3).
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27 ¹ As used herein, the “ReplayTV Action” refers to the four consolidated actions commenced by
28 the Copyright Owners against SONICblue in late 2001, asserting, *inter alia*, copyright
infringement claims against SONICblue relating to its new DVR.

1 **II. PROCEDURAL HISTORY AND SIGNIFICANT RECENT**
2 **DEVELOPMENTS**

3 **A. Prior Proceedings**

4 As the Court will recall, the Copyright Owners commenced the ReplayTV
5 Action against SONICblue in late 2001 relating to its about to be released DVR, the
6 ReplayTV 4000 series. Based on SONICblue's conduct, the Copyright Owners
7 asserted claims against SONICblue for, *inter alia*, direct, contributory, and vicarious
8 copyright infringement.

9 In June 2002, a little over seven months after the commencement of the
10 ReplayTV Action, five individual owners of ReplayTV 4000s, the Newmark
11 Plaintiffs, brought the declaratory relief action against the Copyright Owners and
12 SONICblue, seeking a declaration that their specific uses of their ReplayTV 4000s
13 were lawful (the "Newmark Declaratory Relief Action"). The Copyright Owners
14 moved to dismiss the Newmark Plaintiffs' declaratory relief claims for lack of
15 subject matter jurisdiction, arguing that the claims did not present an "actual
16 controversy," as required by the Declaratory Judgment Act and Article III of the
17 United States Constitution. Alternatively, the Copyright Owners moved the Court
18 to exercise its discretionary authority under the Declaratory Judgment Act to dismiss
19 or stay the Newmark Declaratory Relief Action.

20 In its August 15, 2002 ruling, reported at *Newmark v. Turner Broadcasting*
21 *Network*, 226 F. Supp.2d 1215 (C.D. Cal. 2002) (the "Order"), the Court denied the
22 Copyright Owners' motion to dismiss or, alternatively, to stay the Newmark
23 Declaratory Relief Action.² In finding the existence of an "actual controversy," the
24 Court held that the Copyright Owners' allegations in the ReplayTV Action were
25 sufficient to raise a reasonable apprehension in the individual Newmark Plaintiffs

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28 ² For the Court's convenience, a copy of the Order is attached as Exhibit 1 to the annexed
Declaration of Scott P. Cooper, dated October 13, 2003 ("Cooper Decl.").

1 that they would be subjected to liability for copyright infringement. *See* Order, at 7-
2 8.

3 **B. Recent Events**

4 On March 21, 2003, SONICblue filed voluntary petitions in the United States
5 Bankruptcy Court for the Northern District of California.³ Three days later, this
6 Court issued an order staying all proceedings in this case. *See* Cooper Decl., Exh.
7 B. On July 24, 2003, during the Local Rule 7-3 conference of counsel, the
8 Copyright Owners covenanted not to sue the Newmark Plaintiffs for copyright
9 infringement arising from the Newmark Plaintiffs' uses of their ReplayTV DVRs as
10 alleged in their Complaint. *Id.*, ¶ 5 and Exh. 3. Despite the covenant, the Newmark
11 Plaintiffs have refused to dismiss their declaratory relief claims against the
12 Copyright Owners voluntarily. *Id.*

13 On August 19, 2003, the Bankruptcy Court issued an order modifying the
14 automatic stay provided for in Bankruptcy Code Section 362 to allow (1) the
15 Copyright Owners and SONICblue to stipulate to the voluntary dismissal of the
16 ReplayTV Action in this Court; and (2) the parties to stipulate to the voluntary
17 dismissal of the Newmark Declaratory Relief Action as to SONICblue in this Court.
18 *Id.*, ¶ 6 and Exh. 4.

19 All of the parties to these consolidated actions recently filed with this Court a
20 stipulation dismissing without prejudice the ReplayTV Action in its entirety, and
21 dismissing the Newmark Declaratory Relief Action as to SONICblue only. *See id.*,
22 ¶ 7 and Exh. 5. Thus, of the five previously consolidated ReplayTV-related actions,
23 the only remaining claims pending before this Court are the Newmark Plaintiffs'

24
25 ³ On April 25, 2003, with Bankruptcy Court approval, SONICblue sold its ReplayTV assets to a
26 third party. As a result of the sale, SONICblue no longer is in the business of manufacturing,
27 selling or supporting the ReplayTV DVRs (and accompanying services) at issue in the ReplayTV
28 Action and the Newmark Declaratory Relief Action. In June 2003, the purchaser of SONICblue's
ReplayTV assets announced that its new DVR model, the ReplayTV 5500 series, scheduled to be
available to consumers in August 2003, would not include two of the features formerly at issue in
the ReplayTV Action.

1 declaratory relief claims against the Copyright Owners that are the subject of this
2 motion.

3 **III. ARGUMENT**

4 **A. The Newmark Plaintiffs No Longer Can Satisfy The “Actual**
5 **Controversy” Requirement For Subject Matter Jurisdiction.**

6 The Declaratory Judgment Act specifically provides that a federal court may
7 grant declaratory relief *only* where there is an “actual controversy.” 28 U.S.C. §
8 2201(a). This requirement is jurisdictional. *Maryland Cas. Co. v. Pacific Coal &*
9 *Oil Co.*, 312 U.S. 270, 272 (1941) (“the District Court is without power to grant
10 declaratory relief unless ... a[n] [‘actual] controversy[’] exists.”). Thus, as this
11 Court previously noted, “[i]f the Newmark Plaintiffs’ claims do not present an
12 actual ‘case or controversy,’ the Court lacks subject matter jurisdiction over the
13 matter, and the claims must be dismissed.” Order, at 4.

14 For an action for declaratory relief to proceed, it is not enough that an actual
15 controversy existed at the time a declaratory relief complaint is filed. The basis on
16 which jurisdiction exists must continue throughout the suit, or the court is divested
17 of jurisdiction. “To qualify as a case fit for federal-court adjudication, ‘an actual
18 controversy must be extant at all stages of review, not merely at the time the
19 complaint is filed.’” *Arizonans for Official English v. Arizona*, 520 U.S. 43, 67
20 (1997) (quoting *Preiser v. Newkirk*, 422 U.S. 395, 401 (1975)).⁴ Therefore, “[i]t is
21 not enough that there may have been a controversy when the action was commenced
22 if subsequent events have put an end to the controversy” 10B Wright, Miller &
23 Kane, *Federal Practice & Procedure: Civil 3d*, § 2757, at 495 (1998); *Mailer v.*
24 *Zolotow*, 380 F. Supp. 894, 896-97 (S.D.N.Y. 1974) (same).

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28 ⁴ See also *Oregon Advocacy Ctr. v. Mink*, 322 F.3d 1101, 1116 (9th Cir. 2003) (same); *Hal Roach Studios, Inc. v. Richard Feiner and Co.*, 896 F.2d 1542, 1556 n.22 (9th Cir. 1990) (the “actual controversy” requirement “must be satisfied as of the time that the suit is filed and must continue throughout the term of the suit.”).

1 The declaratory relief plaintiff bears the burden of proving the existence of
2 subject matter jurisdiction. *E.g.*, Order, at 4 (“The burden of proof on a Rule
3 12(b)(1) motion is on the party asserting jurisdiction.”) (citing *Sopcak v. Northern*
4 *Mountain Helicopter Serv.*, 52 F.3d 817, 818 (9th Cir. 1995)); *K-Lath, Div. of Tree*
5 *Island Wire (USA), Inc. v. Davis Wire Corp.*, 15 F. Supp.2d 952, 958 (C.D. Cal.
6 1998) (same). The Newmark Plaintiffs no longer can meet their burden of proving
7 an “actual controversy” for two reasons, each of which alone is sufficient to
8 eliminate this Court’s subject matter jurisdiction. First, the Copyright Owners’
9 voluntary dismissal of the ReplayTV Action eliminates the only basis on which the
10 Court previously determined the existence of a legally cognizable threat of a claim
11 against the Newmark Plaintiffs. Second, the Copyright Owners’ covenant not to sue
12 the Newmark Plaintiffs for copyright infringement in any event divests this Court of
13 subject matter jurisdiction over the Newmark Plaintiffs’ claims.

14 **1. *The Dismissal Of The ReplayTV Litigation Has Put An End To***
15 ***Any “Actual Controversy” Between The Newmark Plaintiffs***
16 ***And The Copyright Owners.***

17 Under well-settled law, a declaratory relief plaintiff can satisfy the “actual
18 controversy” requirement only by showing that the defendants’ actions created in
19 the plaintiff a “reasonable apprehension” of liability. *See* Order, at 5 (“[C]ourts
20 must focus on whether a declaratory plaintiff has a ‘reasonable apprehension’ that
21 he or she will be subjected to liability.”) (citing *Societe de Conditionnement en*
22 *Aluminium v. Hunter Eng’g Co.*, 655 F.2d 938, 944 (9th Cir. 1981)). In its August
23 15, 2002 Order (Exhibit 1 to the Cooper Declaration), the Court concluded that the
24 only basis on which the Newmark Plaintiffs had a “reasonable apprehension” of a
25 possible claim against them was the existence of the Copyright Owners’ allegations
26 against SONICblue in the now-dismissed ReplayTV Action. The Court reasoned as
27 follows:
28

1 When viewed from the perspective of the Newmark Plaintiffs,
2 the [Copyright Owners]’ allegations *in the RePlayTV action* are
3 sufficient to raise a reasonable apprehension that they will be
4 subject to liability. The Complaints *in the RePlayTV action*
5 allege that the actions of the Newmark Plaintiffs (and other
6 RePlayTV DVR owners) constitute direct copyright
7 infringement. Of course, the [Copyright Owners] must allege
8 these facts to support their claims of contributory and vicarious
9 copyright infringement against RePlayTV. But the fact remains
10 that the [Copyright Owners] have, with a great deal of
11 specificity, accused the Newmark Plaintiffs (and other
12 RePlayTV DVR owners) of infringing the [Copyright Owners]’
13 copyrights, and have demonstrated the will to protect
14 copyrights through litigation. These facts raise a reasonable
15 apprehension on the part of the Newmark Plaintiffs.

16 Order, at 7 (emphasis added). Similarly, the Court noted that “a victory by the
17 [Copyright Owners against SONICblue] *in the RePlayTV action* will necessarily
18 require a determination that the activities of the [ReplayTV DVR] owners constitute
19 direct copyright infringement” *Id.* (emphasis added).

20 SONICblue’s bankruptcy, its exit from the DVR business, and the parties’
21 joint stipulation to dismiss the ReplayTV Action, have ended the active controversy
22 that constituted the sole basis for the Court’s finding of an indirect threat of potential
23 claims by the Copyright Owners against the Newmark Plaintiffs. Without the
24 Copyright Owners’ allegations of infringing activity by ReplayTV DVR owners, the
25 Newmark Plaintiffs can point to no other actions by the Copyright Owners sufficient
26 to instill in the Newmark Plaintiffs a “reasonable apprehension” of liability.⁵ As a
27 result, the Newmark Plaintiffs no longer can meet their burden of proving that their
28 declaratory relief claims present an “actual controversy,” and their Complaint must
be dismissed. *See Solaia Tech. LLC v. Jefferson Smurfit Corp.*, No. 01 X 6641,
2002 WL 31017654, at *2 (N.D. Ill. Sept. 9, 2002) (finding that plaintiff seeking a

⁵ It is axiomatic that the “reasonable apprehension” by the declaratory relief plaintiff “must have been caused by the defendant’s actions.” *Hal Roach Studios*, 896 F.2d at 1556; *Crown Drug Co. v. Revlon, Inc.*, 703 F.2d 240, 243 (7th Cir. 1983) (“a reasonable apprehension alone, if not inspired by defendant’s actions, does not give rise to an actual controversy.”) (internal citation omitted). As the Court’s prior ruling reflected, other than the Copyright Owners’ allegations in the ReplayTV Action, no arguable basis for such apprehension ever existed.

1 declaration of non-infringement, invalidity and unenforceability of a patent cannot
2 show “reasonable apprehension” of liability where “no charge of patent
3 infringement now remains pending”).

4 **2. *The Copyright Owners’ Covenant Not To Sue The Newmark***
5 ***Plaintiffs For Copyright Infringement Also Divests The Court***
6 ***Of Subject Matter Jurisdiction.***

7 The Court lacks subject matter jurisdiction for a second, independent reason:
8 because the Copyright Owners have unconditionally covenanted not to sue the
9 Newmark Plaintiffs for copyright infringement arising out of their uses of their
10 ReplayTV DVRs as alleged in their Complaint, there cannot be a legally cognizable
11 threat of liability against the Newmark Plaintiffs for copyright infringement. *See*
12 *Cooper Decl.*, ¶ 5 and Exh. 3.⁶ As a matter of law, a covenant not to sue for
13 infringement of intellectual property rights legally removes from the declaratory
14 relief plaintiff a reasonable apprehension of liability, thereby depriving the Court of
15 subject matter jurisdiction. *See, e.g., Intellectual Prop. Dev., Inc. v. TCI*
16 *Cablevision of Cal., Inc.*, 248 F.3d 1333, 1342 (Fed. Cir.) (“statement of non-
17 liability divested the district court of Article III jurisdiction”) (cited in Order, at 6,
18 for another point), *cert. denied*, 534 U.S. 895 (2001); *Super Sack Mfg. Corp. v.*
19 *Chase Packaging Corp.*, 57 F.3d 1054, 1059 (Fed. Cir. 1995) (declaratory relief
20 plaintiff “has no cause for concern that it can be held liable for any infringing acts
21 . . .” as a result of covenant not to sue), *cert. denied*, 516 U.S. 1093 (1996); *The*
22 *Gillette Co. v. Optiva Corp.*, No. 99 Civ. 402 (LAP), 2000 WL 307389, at *6-7
23 (S.D.N.Y. Mar. 23, 2000) (“A promise not to bring a patent infringement suit is
24 sufficient to remove a reasonable apprehension of suit.”); *SL Waber, Inc. v.*

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⁶ The Court is not restricted to the face of the pleadings when considering a motion challenging the substance of jurisdictional allegations, and may review evidence to resolve any factual disputes concerning the existence of jurisdiction. *See Order*, at 4 (citing *McCarthy v. United States*, 850 F.2d 558, 560 (9th Cir. 1998), *cert. denied*, 489 U.S. 1052 (1989)).

1 *American Power Conversion Corp.*, 135 F. Supp.2d 521, 525 (D. N.J. 1999)
2 (covenant not to sue “eliminates any concern [declaratory judgment plaintiff] could
3 have about the threat of [suit]”); *Biogen, Inc. v. Amgen, Inc.*, 913 F. Supp. 35, 40 (D.
4 Mass. 1996) (dismissing declaratory relief counterclaim based on covenant not to
5 sue); *Environmental Dynamics, Inc. v. Robert Tyer and Assocs.*, 929 F. Supp. 1212,
6 1248-49 (N.D. Iowa 1996) (same). Under very similar circumstances, a court found
7 that a copyright owner’s covenant not to sue removed all reasonable fear of a
8 subsequent suit, precluding the continued assertion of subject matter jurisdiction
9 over the declaratory relief counterclaim. *Prudent Publ’g Co. v. Myron Mfg. Corp.*,
10 722 F. Supp. 17, 22 (S.D.N.Y. 1989).

11 It makes sense that courts regard a covenant not to sue as requiring the
12 dismissal of a declaratory relief claim. As the Federal Circuit has reasoned: “[The
13 covenant not to sue] . . . removes from the field any controversy sufficiently actual
14 to confer jurisdiction over this case. Because [the declaratory relief plaintiff] can
15 have no reasonable apprehension that it will face an infringement suit . . . , it fails to
16 satisfy the first part of our two-part test of justiciability.” *Super Sack*, 57 F.3d at
17 1059.⁷

18 The case law in this Circuit is entirely consistent with this breadth of
19 authority. While it appears that the Ninth Circuit has not previously had occasion to
20 rule on the precise question of whether a covenant not to sue deprives the court of
21 subject matter jurisdiction, the Ninth Circuit repeatedly has noted the relevance of a
22 declaratory relief defendant’s failure to provide such a promise. *See Hal Roach*
23 *Studios*, 896 F.2d at 1556 (finding it “relevant, under the circumstances of this case,
24 that [the defendant] has not indicated to [the plaintiff] that it will not institute an
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26 ⁷ As the Newmark Plaintiffs previously have observed, “[c]ourts apply the same declaratory relief
27 justiciability standards to patent, trademark and copyright cases.” (citing *Hal Roach Studios*, 896
28 F.2d at 1556). Newmark Plaintiffs’ Memorandum in Opposition to the Copyright Owners’
Motion to Dismiss, dated July 29, 2002, at 5 n.6.

1 infringement action.”); *Chesebrough-Pond’s, Inc. v. Faberge, Inc.*, 666 F.2d 393,
2 397 (9th Cir. 1981) (noting that the defendant “did not disclaim an intent to pursue
3 an infringement action”); *Societe*, 655 F.2d at 945 (“We do think it relevant, in the
4 light of the circumstances, that [the defendant] has not indicated that it will not sue
5 [the plaintiff] for infringement or in any other manner agree to a non-adversary
6 position with respect to the patent.”).⁸

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21 ⁸ As a result of the dismissal of the ReplayTV Action and the Copyright Owners’ covenant not to
22 sue the Newmark Plaintiffs as described above, the Court has no subject matter jurisdiction over
23 the Newmark Plaintiffs’ declaratory relief claims. Consequently, as a matter of law, the Court will
24 not reach the second prong of the traditional analysis under the Declaratory Judgment Act. The
25 second prong of the analysis involves the Court’s consideration of a variety of factors to determine
26 whether the Court should exercise its discretionary authority to dismiss the action. *See* Order, at
27 1221 (“[T]he Court’s exercise of jurisdiction under the Declaratory Judgment Act . . . is
28 discretionary.”); *Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 494 (1942). In this case, the
relevant discretionary factors, which focus on the goal of judicial economy, also favor dismissal of
the Newmark Declaratory Relief Action. *See Wilton v. Seven Falls Co.*, 515 U.S. 277, 288 (1995)
 (“In the declaratory judgment context, the normal principle that federal courts should adjudicate
claims within their jurisdiction yields to considerations of practicality and wise judicial
administration.”). The extraordinary inefficiencies of proceeding with the declaratory relief action
in the absence of any current dispute between the Copyright Owners and SONICblue would
require dismissal of the Newmark Declaratory Relief Action in any event.

1 **IV. CONCLUSION**

2 For the foregoing reasons, the Court should dismiss the Newmark Plaintiffs'
3 Complaint pursuant to Federal Rule of Civil Procedure 12(h)(3) and 28 U.S.C.
4 § 2201.

5 Dated: October 13, 2003

6 Respectfully submitted,

7
8 By: 
9 SIMON BLOCK

10 RONALD S. RAUCHBERG
11 SCOTT P. COOPER
12 SIMON BLOCK
13 PROSKAUER ROSE LLP

ROBERT M. SCHWARTZ
ALAN RADER
BENJAMIN SHEFFNER
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14 Attorneys for Metro-Goldwyn-Mayer Studios
15 Inc., Orion Pictures Corporation, Twentieth
16 Century Fox Film Corporation, Universal City
17 Studios Productions LLLP (formerly Universal
18 City Studios Productions, Inc.), Fox
19 Broadcasting Company, Paramount Pictures
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.,
24 Viacom International Inc., CBS Worldwide
25 Inc., and CBS Broadcasting, Inc.

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.

21 ROBERT H. ROTSTEIN
22 ALLAN L. SCHARE
23 LISA E. STONE
24 McDERMOTT, WILL & EMERY

25 Attorneys for Columbia Pictures Industries,
26 Inc., Columbia Pictures Television, Inc.,
27 Columbia TriStar Television, Inc., and TriStar
28 Television, Inc.

1 to voluntarily dismiss the Newmark Declaratory Relief Action. Mr. Rothken
2 informed me that the Newmark Plaintiffs would not agree to dismiss their
3 declaratory relief action against the Copyright Owners and would oppose the
4 Copyright Owners' motion to dismiss.

5 5. Further to my July 7 conversation with Ira Rothken, on July 24, 2003, I
6 had a telephone conversation with Gwen Hinze, one of the other counsel for the
7 Newmark Plaintiffs, pursuant to Local Rule 7-3. During that conversation, I advised
8 Ms. Hinze that the Copyright Owners unconditionally covenant not to sue the
9 Newmark Plaintiffs for copyright infringement arising out of their past or future
10 uses of their ReplayTV digital video recorders as alleged in their declaratory relief
11 complaint. I further advised Ms. Hinze that this covenant, combined with the
12 impending dismissal of the Copyright Owners' claims against SONICblue and the
13 Newmark Plaintiffs' announcement of their intention to voluntarily dismiss the
14 declaratory relief complaint against SONICblue, establish beyond any doubt that the
15 Newmark Plaintiffs' declaratory relief claims are no longer justiciable as a matter of
16 law under the Declaratory Judgment Act and Article III of the United States
17 Constitution. Ms. Hinze informed me that the Newmark Plaintiffs nonetheless
18 intended to oppose the Copyright Owners' motion to dismiss. Attached hereto as
19 Exhibit 3 is a true and correct copy of my letter to Ms. Hinze, dated July 14, 2003,
20 confirming our telephone conversation.

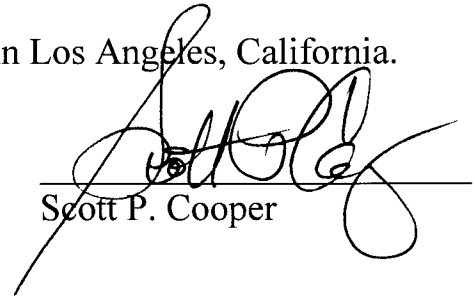
21 6. On August 19, 2003, the Bankruptcy Court issued an order modifying
22 the automatic stay provided for in Bankruptcy Code Section 362 to allow (1) the
23 Copyright Owners and SONICblue to stipulate to the voluntary dismissal of the
24 ReplayTV Action in this Court; and (2) the parties to stipulate to the voluntary
25 dismissal of the Newmark Declaratory Relief Action as to SONICblue in this Court.
26 Attached hereto as Exhibit 4 is a true and correct copy of the Bankruptcy Court's
27 August 19, 2003 order.

28 7. Attached hereto as Exhibit 5 is a true and correct copy of the

1 Stipulation of Dismissal, executed by all of the parties to these consolidated actions,
2 dismissing all of the consolidated actions as to SONICblue, without prejudice,
3 pursuant to Federal Rule of Civil Procedure 41(a)(1)(ii).

4 I declare under penalty of perjury under the laws of the United States of
5 America that the foregoing is true and correct.

6 Executed this 13th day of October, 2003, in Los Angeles, California.

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Scott P. Cooper

EXHIBIT 1

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ENTERED
CLERK, U.S. DISTRICT COURT
AUG 16 2002
CENTRAL DISTRICT OF CALIFORNIA
BY [Signature]

Out FILED *Pres*
CLERK US DISTRICT COURT
AUG 15 2002
CENTRAL DISTRICT OF CALIFORNIA
BY [Signature] DEPUTY

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CRAIG NEWMARK, et al.,

Plaintiffs,

vs.

TURNER BROADCASTING
NETWORK, et al.,

Defendants.

CV 02-04445 FMC (Ex)

ORDER DENYING MOTION TO
DISMISS; ORDER DENYING
MOTION TO STAY; ORDER
GRANTING MOTION TO
CONSOLIDATE

This matter is before the Court on Defendants' Motion to Dismiss or, Alternatively, to Stay Proceedings, and Plaintiffs' Motion to Consolidate. These matters were heard on August 12, 2002, at which time the parties were in receipt of the Court's tentative order. For the reasons set forth below, the Court hereby denies the Motion to Dismiss (docket #43-1), hereby denies the Motion to Stay (docket #43-2), and hereby grants the Motion to Consolidate (docket #45).

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1 **I. Background**

2 The parties are well-acquainted with the nature of the present action and
3 *Paramount Pictures Corporation v. RePlayTV, Inc.*, No. 02-04445 FMC (Ex) (“the
4 *RePlayTV* action”), which are only briefly described below.

5 **A. The *RePlayTV* Action**

6 Plaintiffs in the *RePlayTV* action are a number of television and film
7 companies in the entertainment industry.¹ Defendants in the *RePlayTV* action
8 are SONICblue, Inc. (“SONICblue”), and its wholly owned subsidiary,
9 RePlayTV, Inc (“RePlayTV”).²

10 The factual allegations in the *RePlayTV* action center on the development
11 and sale by RePlayTV of a digital video recorder: the RePlayTV 4000 series.
12 The digital video recorder, or DVR, enables television viewers to make digital
13 copies of copyrighted television programs. The DVRs are equipped with
14 commercial-skipping features, and they may be used to send copies of televised
15 programs (or “content”) to other RePlayTV owners via high-speed internet
16 connections.

17
18 ¹ Specifically, the Plaintiffs in the *RePlayTV* action are Paramount Pictures Corp.
19 (“Paramount”); Disney Enterprises, Inc. (“Disney”); National Broadcasting Company
20 (“NBC”); NBC Studios, Inc. (“NBC Studios”); Showtime Networks, Inc. (“Showtime”); The
21 United Paramount Network (“UPN”); ABC, Inc. (“ABC”); Viacom International, Inc.
22 (“Viacom”); CBS Worldwide, Inc. (“CBS Worldwide”); CBS Broadcasting, Inc. (“CBS”); Time
23 Warner Entertainment Company, L.P. (“TWE”); Home Box Office (“HBO”); Warner Brothers
24 (“Warner Brothers”); Warner Brothers Television (“WBT”); Time Warner, Inc. (“TWI”);
25 Turner Broadcasting System, Inc. (“Turner Broadcasting”); New Line Cinema Corp. (“New
26 Line”); Castle Rock Entertainment (“Castle Rock”); The WB Television Network Partners,
27 L.P (“WBT Network”); Metro-Goldwyn-Mayer Studios, Inc. (“MGM”); Orion Pictures Corp.
28 (“Orion”); Twentieth Century Fox Film Corp. (“Fox”); Universal City Studios Productions,
Inc. (“Universal”); Fox Broadcasting Co. (“FBC”); Columbia Pictures Industries, Inc.
 (“Columbia Industries”); Columbia Pictures Television (“Columbia Television”); Columbia
Tristar Television (“CTTV”); and TriStar Television, Inc. (“TriStar Television”).

² Throughout this Order, the Court will refer to SONICblue, Inc., and RePlayTV, Inc.,
collectively as “RePlayTV.”

1 The Plaintiffs in the *RePlayTV* action have asserted claims against
2 SONICblue and RePlayTV based on, *inter alia*, contributory and vicarious
3 copyright infringement. These claims are based on the alleged direct copyright
4 infringement committed by the owners of the RePlayTV DVRs. (*See, e.g.,*
5 *Paramount Compl.*, No. 01-09358, ¶ 64 (regarding contributory infringement);
6 ¶ 71 (regarding vicarious infringement)).
7

8 **B. The *Newmark* Action**

9 Five owners of RePlayTV DVRs have filed the present declaratory relief
10 action in this Court.

11 All the twenty-eight plaintiffs in the *RePlayTV* action are defendants in
12 the present action, which the Court refers to as the *Newmark* action.
13 Throughout this Order, the Court refers to these defendants as “the
14 Entertainment Defendants.” SONICblue and RePlayTV are defendants in the
15 present action as well.

16 The factual allegations in the Complaint reveal that the *Newmark*
17 Plaintiffs use the units to record content for later viewing;³ some of the
18 Plaintiffs transfer content to laptop computers for viewing while traveling.
19 Plaintiffs use the commercial-skipping features of the RePlayTV DVRs; at least
20 one Plaintiff uses the commercial-skipping features to control the advertising
21 to which his children are exposed.

22 The *Newmark* Plaintiffs seek a declaration as to whether their activities
23 constitute copyright infringement.
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28 ³ This use is referred to as “time-shifting.”

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II. Motion to Dismiss

The Entertainment Defendants move to dismiss the *Newmark* Plaintiffs' claims, arguing that the claims do not present an actual "case or controversy" as required by the Declaratory Judgment Act, 28 U.S.C. § 2201, and Article III of the United States Constitution. If the *Newmark* Plaintiffs' claims do not present an actual "case or controversy", the Court lacks subject matter jurisdiction over the matter, and the claims must be dismissed. *See Mason v. Genisco Technology Corp.*, 960 F.2d 849, 853 (9th Cir. 1991).

A motion to dismiss an action for lack of subject matter jurisdiction is properly brought under Fed. R. Civ. P. 12(b)(1). The objection presented by this motion is that the court has no authority to hear and decide the case. When considering a Rule 12(b)(1) motion challenging the substance of jurisdictional allegations, the Court is not restricted to the face of the pleadings, but may review any evidence, such as declarations and testimony, to resolve any factual disputes concerning the existence of jurisdiction. *See McCarthy v. United States*, 850 F.2d 558, 560 (9th Cir. 1988), *cert. denied*, 489 U.S. 1052, 109 S. Ct. 1312 (1989). The burden of proof on a Rule 12(b)(1) motion is on the party asserting jurisdiction. *See Sopcak v. Northern Mountain Helicopter Serv.*, 52 F.3d 817, 818 (9th Cir. 1995).

The present motion presents a novel issue: Does a plaintiff present an actual "case or controversy" under the Declaratory Judgment Act and Article III where the plaintiff's conduct is alleged, in a separate action against a third party for contributory and/or vicarious copyright infringement, to be direct copyright infringement? The parties have cited no authority that discusses the actual "case or controversy" requirement in the context of this unique factual scenario, and the Court, in its own research, has found none.

Nevertheless, both the Entertainment Defendants and the *Newmark* Plaintiffs cite a number of cases that are instructive on this issue, from which

1 the Court concludes that the *Newmark* Plaintiffs have presented an actual “case
2 or controversy.”

3 The Declaratory Judgment Act permits a federal court to “declare the
4 rights and other legal relations” of parties to “a case of actual controversy.” 28
5 U.S.C. § 2201. This “actual controversy” requirement is the same as the “case
6 or controversy” requirement of Article III of the United States Constitution.
7 *See Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 239-40, 57 S. Ct. 461, 463 (1937).
8 Therefore, the question of justiciability, and therefore of subject matter
9 jurisdiction, is the same under § 2201 as it is under Article III.

10 The United States Supreme Court has given guidance as to when “an
11 abstract” question becomes a “controversy” under the Declaratory Judgment
12 Act:

13 The difference between an abstract question and a “controversy”
14 contemplated by the Declaratory Judgment Act is necessarily one
15 of degree, and it would be difficult, if it would be possible, to
16 fashion a precise test for determining in every case whether there
17 is such a controversy. Basically, the question in each case is
18 whether the facts alleged, under all the circumstances, show that
19 there is a substantial controversy, between parties having adverse
20 legal interests, of sufficient immediacy and reality to warrant the
21 issuance of a declaratory judgment.

22 *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273, 61 S. Ct. 510,
23 512 (1941).

24 Applying this standard, the Ninth Circuit has held that something less
25 than an “actual threat” of litigation is required to meet the “case or controversy”
26 requirement; instead, courts must focus on whether a declaratory plaintiff has
27 a “reasonable apprehension” that he or she will be subjected to liability. *Societe*
28 *de Conditionnement en Aluminium v. Hunter Engineering Co., Inc.*, 655 F.2d 938,

1 944 (9th Cir. 1981). In *Societe*, the court first noted that the parties' assumption
2 that a declaratory plaintiff must be subject to an "actual threat" was incorrect:

3 We infer from the arguments of the parties that they agree that an
4 actual threat of litigation must be made by the [declaratory
5 defendant] for a case or controversy to exist. We assume that the
6 district court applied this standard in reaching its decision. We
7 conclude that the Constitution has a much lower threshold than
8 this standard would suggest.

9 *Id.* The Ninth Circuit then went on to hold that the determination of whether
10 a case or controversy exists must focus on the reasonable apprehension of the
11 declaratory plaintiff:

12 A better way to conceptualize the case or controversy
13 standard is to focus on the declaratory judgment plaintiff. An
14 action for a declaratory judgment that a patent is invalid, or that
15 the plaintiff is not infringing, is a case or controversy if the plaintiff
16 has a real and reasonable apprehension that he will be subject to
17 liability if he continues to manufacture his product.

18 *Id.*

19 Other cases make it clear that no explicit threat of litigation is required
20 to meet the "case or controversy" requirement. *See also K-Lath v. Davis Wire*
21 *Corp.*, 15 F. Supp. 2d 952 (C.D. Cal. 1998) (noting that a plaintiff seeking
22 declaratory judgment must show "an explicit threat or *other action*" that creates
23 a reasonable apprehension that the plaintiff will face an infringement suit)
24 (emphasis added); *Intellectual Property Development v. TCI Cablevision of*
25 *California, Inc.*, 248 F.3d 1333, 1340 (Fed. Cir. 2001) ("other action" is
26 sufficient), *cert. denied*, __ U.S. __, 122 S. Ct. 216 (2001); *Guthy-Renker Fitness v.*
27 *Icon Health & Fitness, Inc.*, 179 F.R.D. 264 (C.D. Cal. 1998) (same).

28 The Entertainment Defendants argue that the *Newmark* Plaintiffs cannot

1 have a reasonable apprehension that they will face liability based on their use
2 of their RePlayTV DVRs. The Entertainment Defendants contend that did not
3 even know about the *Newmark* Plaintiffs until they filed this action, and that
4 they did not name any individual Doe defendants in the *RePlayTV* action and
5 point out that they make these allegations only because these allegations are
6 necessary to state a claim against RePlayTV for contributory and vicarious
7 copyright infringement.

8 However, the *Newmark* Plaintiffs argue persuasively that a victory by the
9 Entertainment Defendants in the *RePlayTV* action will necessarily require a
10 determination that the activities of the owners constitute direct copyright
11 infringement, thereby instilling in them a reasonable apprehension that they
12 will be subject to liability.

13 When viewed from the perspective of the *Newmark* Plaintiffs, the
14 Entertainment Defendants' allegations in the *RePlayTV* action are sufficient to
15 raise a reasonable apprehension that they will be subject to liability. The
16 Complaints in the *RePlayTV* action allege that the actions of the *Newmark*
17 Plaintiffs (and other RePlayTV DVR owners) constitute direct copyright
18 infringement. Of course, the Entertainment Defendants must allege these facts
19 to support their claims of contributory and vicarious copyright infringement
20 against RePlayTV. But the fact remains that the Entertainment Defendants
21 have, with a great deal of specificity, accused the *Newmark* Plaintiffs (and other
22 RePlayTV DVR owners) of infringing the Entertainment Defendants'
23 copyrights, and have demonstrated the will to protect copyrights through
24 litigation. These facts raise a reasonable apprehension on the part of the
25 *Newmark* Plaintiffs. This is especially so because that it appears from the
26 Complaint in the *Newmark* action that the *Newmark* Plaintiffs are continuing
27 to use their RePlayTV DVRs in a manner that the Entertainment Defendants
28 allege constitutes infringing activity.

1 The Entertainment Defendants also argue that Plaintiffs cannot
2 demonstrate any direct communication with defendants. However, it is clear
3 in the Ninth Circuit that such direct communication is not necessarily required.
4 See *Societe de Conditionnement en Aluminium*, 655 F.2d at 944-45. (finding that
5 communication to third party could reasonably be viewed as a threat of
6 litigation).

7 For these reasons, the Court holds that the claims of the *Newmark*
8 Plaintiffs present an actual case or controversy, and that therefore this Court has
9 subject matter jurisdiction over this action. Accordingly, the Court hereby
10 denies Defendants' Motion to Dismiss.

11 12 III. Motion to Stay Action

13 In the alternative, the Entertainment Defendants move the Court to
14 exercise its discretionary authority under the Declaratory Judgment Act to
15 dismiss or stay this action.

16 The Court's exercise of jurisdiction under the Declaratory Judgment Act,
17 28 U.S.C. § 2201, is discretionary:

18 In a case of actual controversy within its jurisdiction, . . . any court
19 of the United States, upon the filing of an appropriate pleading,
20 *may* declare the rights and other legal relations of any interested
21 party seeking such declaration, whether or not further relief is or
22 could be sought.

23 *Id.* (emphasis added). The United States Supreme Court has interpreted this
24 language as conferring the discretion, but not the obligation, to render
25 declaratory judgments: "This is an enabling Act, which confers a discretion on
26 the courts rather than an absolute right upon the litigant." See *Public Service*
27 *Commission of Utah v. Wycoff Co.*, 344 U.S. 237, 241, 73 S. Ct. 236 (1952). "The
28 Declaratory Judgment Act was an authorization, not a command. It gave the

1 federal courts competence to make a declaration of rights; it did not impose a
2 duty to do so.” *Public Affairs Associates, Inc. v. Rickover*, 369 U.S. 111, 112, 82 S.
3 Ct. 580 (1962). “A declaratory judgment, like other forms of equitable relief,
4 should be granted only as a matter of judicial discretion, exercised in the public
5 interest.” *Id.*

6 The Supreme Court not surprisingly has noted, however, that the refusal
7 to exercise its discretion must be principled and reasonable, and should be
8 articulated: “Of course a District Court cannot decline to entertain such an
9 action as a matter of whim or personal disinclination.” *Id.*

10 This Court considers a number of factors in determining whether a stay
11 should be granted. The factors enunciated in *Brillhart v. Excess Insurance*
12 *Company of America*, 316 U.S. 491, 62 S. Ct. 1173 (1942), are meaningful when
13 the underlying action is a state action, rather than where, as here, the
14 underlying action is proceeding in the same forum. *Brillhart* requires federal
15 courts to 1) avoid needless determinations of state law issues, 2) discourage
16 forum shopping, and 2) avoid duplicative litigation. These factors are not
17 particularly helpful to the Court’s analysis in this case. *Id.*

18 The Ninth Circuit has noted, however, that the *Brillhart* factors are not
19 exhaustive. See *Government Employees Insurance Co. v. Dizol*, 133 F.3d 1220,
20 1225 n.5 (9th Cir. 1998). Other factors to be considered by the Court are
21 1) whether the declaratory action will settle all aspects of the controversy;
22 2) whether the declaratory action will serve a useful purpose in clarifying the
23 legal relations at issue; 3) whether the declaratory action is being sought merely
24 for the purposes of procedural fencing or to obtain a “res judicata” advantage;
25 and 4) whether the use of a declaratory action will result in entanglements
26 between the federal and state court systems. *Id.*

27 The fourth factor, like the *Brillhart* factors, is inapplicable here.

28 The first and second factor appear to the Court to be interrelated, and to

1 weigh in favor of denying a stay. The argument in favor of a stay is that all the
2 issues presented in the *Newmark* action will necessarily be resolved by the
3 *RePlayTV* action. However, the Court is persuaded that the *Newmark* Plaintiffs
4 may be correct that the *RePlayTV* action will not necessarily resolve what
5 specific uses, if any,⁴ of the RePlayTV DVR constitute fair use.⁵ Denying the
6 stay furthers the purpose of the first and second factors — to resolve the
7 uncertainties in the relations between the parties. The rationale behind these
8 factors are better served by permitting the *RePlayTV* action and the *Newmark*
9 action to proceed simultaneously.

10 Despite the Entertainment Defendants' argument, the Court is
11 unconvinced that the *Newmark* action constitutes "procedural fencing." The
12 Entertainment Defendants contend that the *Newmark* Plaintiffs' true intent is
13 to circumvent the intervention requirements of Fed. R. Civ. P. 24 and to, in
14 effect, intervene in the *RePlayTV* action. The Court is persuaded, however, that
15 the *Newmark* Plaintiffs could well meet the intervention requirements of Fed.
16 R. Civ. P. 24(a).⁶ The *Newmark* Plaintiffs claim an interest in the transaction
17 at issue, and are so situated that the resolution of the *RePlayTV* action may as

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19 ⁴ The *RePlayTV* action is in its early stages. At this time, the Court expresses no
20 opinion as to the merits of the claims advanced in the *RePlayTV* action.

21 ⁵ The Court recognizes that resolution of the *RePlayTV* action may significantly narrow
22 the issues presented in the *Newmark* action.

23 ⁶ Rule 24(a) of the Federal Rules of Civil Procedure provides:

24 Upon timely application anyone shall be permitted to intervene in an action: . . .
25 (2) when the applicant claims an interest relating to the property or transaction
26 which is the subject of the action and the applicant is so situated that the
27 disposition of the action may as a practical matter impair or impede the
applicant's ability to protect that interest, unless the applicant's interest is
adequately represented by existing parties.

28 *Id.*

1 a practical matter impair or impede their ability to protect that interest.⁷ The
2 Court is persuaded that although RePlayTV's interests and the interests of the
3 *Newmark* Plaintiffs overlap significantly, those interests are not perfectly
4 aligned. The *Newmark* Plaintiffs' interests are focused on whether specific
5 uses constitute "fair use" under copyright law; RePlayTV's interests (and legal
6 defenses) are likely to venture beyond the fair use doctrine. Therefore, the
7 Court rejects the Entertainment Defendants' argument that the *Newmark*
8 Plaintiffs' true intent is to circumvent the intervention requirements of Fed. R.
9 Civ. P. 24, and that their actions constitute mere "procedural fencing".

10 The Court concludes that the factors set forth in *Dizol* favor a denial of
11 a stay.

12 The Court has also considered whether a stay will serve the public
13 interest. See *Rickover*, 369 U.S. at 112. The Court recognizes that any
14 unnecessary delay in adjudicating the rights of the *Newmark* Plaintiffs may chill
15 their use of their RePlayTV DVRs. Similarly, any unnecessary delay may also
16 lead to increased liability for statutory damages under federal copyright law.
17 See 17 U.S.C. § 504(c)(1) (authorizing statutory damages for each non-willful
18 violation of no less than \$750 and no more than \$30,000). Additionally, the
19 Court is persuaded that denying the stay may result in a more fully developed
20 factual record regarding the consumers' uses of the RePlayTV DVR and, as a
21 result, the Court may be better able to fashion an appropriate equitable relief.
22 The Court agrees that the public interest would not be served by the granting
23 of a stay.

24 Accordingly, the Court hereby denies the Motion to Stay.

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27 ⁷ For instance, the *Newmark* Plaintiffs' ability to protect their interest in using their
28 RePlayTV DVRs would be impaired if the Court were to order that RePlayTV disable the
send-show and commercial skipping features of the DVRs.

1 **IV. Motion to Consolidate**

2 The Federal Rules of Civil Procedure authorize consolidation of cases in
3 appropriate circumstances:

4 When actions involving a common question of law or fact are
5 pending before the court, it may order a joint hearing or trial of any
6 or all the matters in issue in the actions; it may order all the actions
7 consolidated; and it may make such orders concerning proceedings
8 therein as may tend to avoid unnecessary costs or delay.

9 Fed. R. Civ. P. 42(a).

10 Under this standard, it is clear to the Court that the *Newmark* action
11 should be consolidated with the *RePlayTV* action. The actions involve
12 common questions of law and fact. Both actions involve a determination of
13 whether the use of certain features of the RePlayTV DVR constitutes copyright
14 infringement. Both cases are at the early stage of litigation, which facilitates
15 consolidation, at least for discovery and pretrial purposes.⁸

16 The Entertainment Defendants argue that the actions should not be
17 consolidated. They correctly contend that the issues presented in the *Newmark*
18 action — whether the specific uses of the *Newmark* Plaintiffs constitute fair use
19 — is narrower than the issues presented in the *RePlayTV* action. From this
20 fact, the Entertainment Defendants conclude that the *Newmark* action will be
21 more quickly and efficiently resolved if it is not consolidated with the
22 *RePlayTV* action. Nevertheless, there is no question that the issue of whether
23 the *Newmark* Plaintiffs' use of the RePlayTV DVRs' send-show and
24 commercial-skipping features constitutes fair use will most likely figure
25 prominently in both the *RePlayTV* action and the *Newmark* action. The Court
26

27 ⁸ The Court reserves for another day the issue of whether these actions should be
28 consolidated for trial.

1 is unconvinced that the Entertainment Defendants' are correct in
2 characterizing the *Newmark* action as a case that will require little discovery and
3 that will be resolved quickly if not consolidated. The issue of fair use has
4 yielded a great deal of discovery in the *RePlayTV* action, and promises to do the
5 same in this action.⁹

6 The Entertainment Defendants also claim that the *Newmark* Plaintiffs,
7 in seeking consolidation, are merely attempting to gain unfettered access to
8 discovery documents, and to widen the scope of discovery in *RePlayTV* action.
9 That a party may seek discovery of irrelevant documents is a danger in any
10 litigation; this concern is not unique to consolidated cases. There are
11 procedural protections in place that assist parties in guarding against a party
12 obtaining that irrelevant discovery. The Entertainment Defendants are well
13 versed in seeking such protection. The Court does not at this time resolve
14 issues regarding the scope of discovery; rather, the Court merely notes that the
15 Entertainment Defendants' concerns regarding access to discovery do not
16 persuade the Court that consolidation is inappropriate.

17 In reaching this conclusion, the Court is guided by the agreement of the
18 *Newmark* Plaintiffs' counsel to abide by the terms of the multi-tiered protective
19 order to which the parties stipulated in the *RePlayTV* action.

20
21 ⁹ Part of the Entertainment Defendants' Opposition to the Motion for Consolidation
22 addresses the scope of discovery to which the *Newmark* Plaintiffs would be entitled. They
23 contend that consolidation will unnecessarily complicate the *RePlayTV* action because the
24 *Newmark* Plaintiffs will not be entitled to as broad a range of discovery as *RePlayTV* was found
25 to be entitled to. The Entertainment Defendants similarly argue that the depositions of the
26 Entertainment Defendant representatives would be unnecessarily complicated as *RePlayTV*
27 would attempt to question these representatives using documents obtained in discovery in the
28 *RePlayTV* action. This would cause the Entertainment Defendants to halt the depositions
every few moments to discuss whether the *Newmark* Plaintiffs should be entitled to access to
discovery provided in the *RePlayTV* action.

27 The Court leaves the determination of the precise scope of discovery to the Magistrate
28 Judge. At this stage of the proceeding, the Court is satisfied that the issue of fair use is present
in both actions, and therefore finds the Entertainment Defendant's arguments unpersuasive.

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V. Conclusion

For the reasons set forth above, the Court hereby denies the Motion to Dismiss (docket #43-1), hereby denies the Motion to Stay (docket #43-2), and hereby grants the Motion to Consolidate (docket #45). For ease of recordkeeping, the Court orders that all further documents be filed under Case No. CV 01-09358, and that Case No. CV 02-04445 be closed.

Dated: August 15, 2002


FLORENCE-MARIE COOPER, JUDGE
UNITED STATES DISTRICT COURT

EXHIBIT 2

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

Send

CIVIL MINUTES - GENERAL

LEAMIEE

Case No. CV 01-9358 FMC(Ex)

Date: March 24, 2003

Title: PARAMOUNT PICTURES CORP., et al.
v REPLAYTV, INC., et al.

PRESENT:

THE HONORABLE FLORENCE-MARIE COOPER, JUDGE

Alicia Mamer
Courtroom Clerk

Not present
Court Reporter

ATTORNEYS PRESENT FOR PLAINTIFFS:

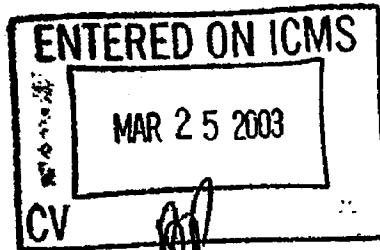
ATTORNEYS PRESENT FOR DEFENDANTS:

Not present

Not present

PROCEEDINGS: ORDER STAYING CASE DUE TO BANKRUPTCY FILING (In Chambers)

The Court is in receipt of Notice of Filing of Petitions in Bankruptcy Court, filed on March 21, 2003. The Court hereby STAYS all proceedings in this case and orders counsel for plaintiff to file a status report with the Court every 6 months until a request or motion to lift stay is filed.



MINUTES FORM 11
CIVIL - GEN

Initials of Deputy Clerk *[Signature]*

EXHIBIT 3

PROSKAUER ROSE LLP

2049 Century Park East
Suite 3200
Los Angeles, CA 90067-3206
Telephone 310.557.2900
Fax 310.557.2193

NEW YORK
WASHINGTON
BOCA RATON
NEWARK
PARIS

Scott P. Cooper
Member of the Firm

Direct Dial 310.284.5669
scooper@proskauer.com

July 24, 2003

VIA FACSIMILE AND E-MAIL

Gwen Hinze, Esq.
Electronic Frontier Foundation
454 Shotwell Street
San Francisco, CA 94110

Re: Paramount Pictures Corporation, et al. v. ReplayTV, Inc., et al.
U.S. District Court (C.D. Ca.) Case No. CV 01-09358 FMC (Ex) *and Related Cases*

Dear Gwen:

This confirms our telephone conversation today. My call and this letter are on behalf of all of the Copyright Owners in the above-referenced actions and are further to my discussion on the same subject with your co-counsel, Ira Rothken, on July 7, 2003. These communications are pursuant to Local Rule 7-3 and for the purpose of conveying the substance of the Copyright Owners' contemplated motion to dismiss the Complaint for Copyright Declaratory Relief, dated June 6, 2002, of your clients (the "Newmark Plaintiffs"), pursuant to Federal Rule of Civil Procedure 12(h) and 28 U.S.C. § 2201 (the "Motion"), and related issues.

I discussed in detail with Ira on July 7 the legal basis for our Motion. He informed me that the Newmark Plaintiffs would not agree to dismiss their declaratory relief action against the Copyright Owners and would oppose the Motion. Since then, as you know, the Copyright Owners and defendants SONICblue Incorporated and ReplayTV, Inc. (collectively, "SONICblue") have agreed to stipulate to obtain Bankruptcy Court approval for a modification of the automatic stay contained in Bankruptcy Code Section 362 to allow the Copyright Owners and SONICblue to file in the District Court their stipulation of dismissal without prejudice of the Copyright Owners' claims against SONICblue. The Copyright Owners also intend to file with the District Court their application for the District Court to lift its stay of this action for the purposes of allowing them to file their stipulation of dismissal and the Motion.

PROSKAUER ROSE LLP

Gwen Hinze, Esq.

July 24, 2003

Page 2

This also confirms that the Copyright Owners unconditionally covenant not to sue the Newmark Plaintiffs for copyright infringement arising out of their past or future uses of their ReplayTV digital video recorders as alleged in their declaratory relief complaint. We believe that this covenant, combined with the impending dismissal of the Copyright Owners' claims against SONICblue and the Newmark Plaintiffs' announcement of their intention to voluntarily dismiss the declaratory relief complaint against SONICblue, establish beyond any doubt that your clients' declaratory relief claims are no longer justiciable as a matter of law under the Declaratory Judgment Act and Article III of the United States Constitution. You informed me that your clients nonetheless intend to oppose the Motion. Accordingly, we will proceed with the Motion.

Very truly yours,



Scott P. Cooper

cc: Emmett C. Stanton, Esq.
Laurence F. Pulgram, Esq.
Ira P. Rothken, Esq.
Copyright Owners' Counsel

EXHIBIT 4

1 PILLSBURY WINTHROP LLP
2 CRAIG A. BARBAROSH #160224
3 SUE J. HODGES #137808
4 MARK D. HOULE #194861
5 650 Town Center Drive, 7th Floor
6 Costa Mesa, CA 92626-7122
7 Telephone: (714) 436-6800
8 Facsimile: (714) 436-2800

FILED

AUG 14 2003

CLERK
United States Bankruptcy Court
San Jose, California

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,
19
20 Debtors and Debtors-in-
21 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

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:

12 I.

13 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.

19 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

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 ReplyTV 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

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]

1 DATED: August 6, 2003

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

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

7 DATED August __, 2003

O'MELVENY & MEYERS, LLP

By: [Signature]
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.

15 DATED: August __, 2003

PROSKAUER ROSE LLP

By: [Signature]
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

28 [Signatures continued on next page]

1 DATED: August __, 2003

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

2

3

4

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

5

6

7 DATED August 7, 2003

O'MELVENY & MEYERS, LLP

8

9

By: 
Robert M. Schwartz

10

11

12

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14

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.

15

DATED: August __, 2003

PROSKAUER ROSE LLP

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By: _____
Scott P. Cooper, Esq.
Martin S. Zohn, Esq.

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[Signatures continued on next page]

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

#0145308v2

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STIPULATION FOR RELIEF FROM STAY

TOTAL P.02

1 DATED: August __, 2003

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

2

3

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

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7 DATED August __, 2003

O'MELVENY & MEYERS, LLP

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9

By: _____
Robert M. Schwartz

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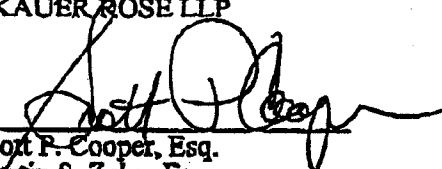
Attorneys for Time Warner Entertainment Company, L.P., Home Box Office, Warner Bros., Warner Bros. Television, Time Warner Inc., Turner Broadcasting System, Inc., New Line Cinema Corporation, Castle Rock Entertainment, and The WB Television Network Partners L.P.

15 DATED: August __, 2003

PROSKAUER ROSE LLP

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17

By: 
Scott P. Cooper, Esq.
Martin S. Zohn, Esq.

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28 [Signatures continued on next page]

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

40143508v2

1 DATED: August __, 2003

MCDERMOTT, WILL & EMERY

2

3

By: _____
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.

4

5

6

7

DATED: August 7, 2003

ELECTRONIC FRONTIER FOUNDATION

8

9

By: Gwen Hinze
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

10

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ORDER

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THE ABOVE STIPULATION IS APPROVED AND IT IS SO ORDERED this

16

_____ day of August, 2003.

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THE HONORABLE MARILYN MORGAN
UNITED STATES BANKRUPTCY JUDGE

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DATED: August 7th, 2003

MCDERMOTT, WILL & EMERY

By: Robert H. Roitstein
Robert H. Roitstein, 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 Fishman 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