

2009-1221

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ROBERT JACOBSEN,

Plaintiff-Appellant,

v.

MATTHEW KATZER and
KAMIND ASSOCIATES, INC. (doing business as KAM Industries),

Defendants-Appellees.

Appeal from the United States District Court for the
Northern District of California in case no. 06-CV-1905,
Judge Jeffrey S. White.

BRIEF OF PLAINTIFF-APPELLANT ROBERT JACOBSEN

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June 1, 2009

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Robert Jacobsen v. Matthew Katzer and KAMIND Associates, Inc.
(dba KAM Industries)
No. 2009-1221

CERTIFICATE OF INTEREST

Counsel for the (petitioner) (appellant) (respondent) (appellee) (amicus) (name of party)

Robert Jacobsen certifies the following (use "None" if applicable; use extra sheets if necessary):

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

Robert Gibbs Jacobsen

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

None

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

None

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

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

Law Office of Victoria K. Hall; David McGowan

For the record, Ms. Hall was an intern, serving with Judge Richard Linn from June-August 2002.

June 1, 2009
Date

Victoria K. Hall
Signature of counsel
VICTORIA K. HALL
Printed name of counsel



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I. Statement of Related Cases

This is the second appeal from the denial of a preliminary injunction. In the first appeal, Jacobsen v. Katzer, 535 F.3d 1373 (Fed. Cir. 2008), this Court vacated the district court's ruling and remanded to the district court so the district court could make findings of fact related to injunctive relief.

II. Jurisdictional Statement

This case involves a declaratory judgment of non-infringement, invalidity and unenforceability of claim 1 of U.S. Patent No. 6,530,329 (issued Mar. 11, 2003), and copyright infringement and 17 U.S.C. Sec. 1202 causes of action, among other causes of action. The district court has jurisdiction under 28 U.S.C. §§ 1331, 1338, 2201, and 2202.

On remand from this Court, the district court ordered Jacobsen to withdraw and re-file his motion for preliminary injunction. The district court heard argument on Dec. 19, 2008, and issued its order Jan. 5, 2009, denying the motion. A14. Jacobsen filed this Notice of Appeal Feb. 4, 2009. A1162.¹

¹ In the same order, the district court dismissed Jacobsen's patent declaratory judgment causes of action. A5-A6. Two years into litigation, and after making numerous accusations that Jacobsen infringed multiple Katzer patents, Katzer disclaimed the '329 patent the day after he missed a court-ordered deadline to provide his claim construction, infringement, validity, and enforceability positions. A3, A5, A1479-1480. Based on Katzer's repeated accusations relating to multiple Katzer patents, and in light of MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007), and its Federal Circuit progeny, Jacobsen sought to add other Katzer

The order denying a motion for preliminary injunction is appealable. 28 U.S.C. § 1292(a)(1). This Court has jurisdiction under 28 U.S.C. § 1295(a)(1) and 28 U.S.C. § 1292(c)(1).

III. Statement of the Issues

- Did the district court use the incorrect legal standard by requiring Jacobsen to demonstrate he has suffered actual irreparable injury when Supreme Court precedent only requires a likelihood of irreparable injury?
- Did Jacobsen satisfy the correct standard with respect to both his copyright infringement and 17 U.S.C. Sec. 1202 claims?

IV. Statement of the Case

Robert Jacobsen is a research physicist at Lawrence Berkeley National Laboratory and a professor and associate dean at UC Berkeley. A2, A50. He is a leader of an open source group called Java Model Railroad Interface (JMRI). Id. JMRI programmers created and continue to develop model train control systems software. Hobbyists use the software to control trains on their layouts. A444. JMRI makes its software available for free on the web, subject to an open source

patents in his declaratory judgment causes of action. See A5. The district court did not grant leave to Jacobsen to do so, nor did it grant early discovery for Jacobsen to obtain which of the multiple patents that Katzer was referring to. A5, A1501-A1504, A1524. Because final judgment has not been entered, this aspect of the district court's order is not appealable. In the meantime, the district court may entertain motions for reconsideration while the case is pending. N.D. Cal. L.R. 7-9(a). Jacobsen intends to appeal this aspect of the order at final judgment.

license. A442-A443. JMRI's original license was the Artistic License. A443. JMRI now uses the GNU General Public License 2.0. Id.

Matthew Katzer is the chief officer of KAMIND Associates, Inc. ("KAMIND"), which sells model train control systems software products. See A51. In March 2005, Katzer and KAMIND accused Jacobsen of patent infringement, naming U.S. Patent No. 6,530,329 specifically and stating Jacobsen might infringe other Katzer patents. A1347-A1348. Over the next year, Katzer sent Jacobsen several cease and desist letters with bills, styled as invoices, for over \$200,000. A1352-1354, A1356-A1357, A1359-A1361. He told Jacobsen to contact him to arrange a "payment schedule" of his "outstanding account balance." A1359. Later bills included interest. A1357. In October 2005, Katzer sent a FOIA request, including one \$200,000-plus bill, directed to Jacobsen's employer, Lawrence Berkeley National Lab, through the U.S. Department of Energy. A1506-A1508. In the FOIA request, Katzer accused Jacobsen and the Lab of infringing multiple Katzer patents. A1506. Katzer also falsely stated in the FOIA request that he had filed suit against Jacobsen in federal court. See A1508. The FOIA request sought emails on Lawrence Berkeley Lab's servers that Jacobsen wrote and received that were related to model train control systems software development. Id. These accusations formed the basis for Jacobsen's original Complaint, filed

March 13, 2006, for declaratory judgment of non-infringement, invalidity, and unenforceability of U.S. Patent No. 6,530,329 patent. A97-A99.

While researching Katzer's software in connection with an unrelated motion, Jacobsen discovered that Katzer was reproducing, modifying, and distributing JMRI materials in violation of JMRI's license. A453-A460. Jacobsen obtained assignments from other JMRI developers and filed a copyright registration on the relevant JMRI version and files. A454. The registration claims expression written by JMRI programmers as well as the original selection and arrangement of pre-existing data. A293-A304. On Sept. 11, 2006, Jacobsen filed an Amended Complaint, which included a cause of action for copyright infringement. A26-A27. He sent Katzer a cease and desist letter Sept. 21, 2006. A767-A769. Katzer did not respond.

In October 2006, Jacobsen filed a motion for preliminary injunction to enjoin Katzer and KAMIND's copyright infringement. The district court denied the motion in an order dated Aug. 17, 2007. A1427-A1430. The district court held the relevant terms of the Artistic License were covenants instead of conditions, and that Katzer's violations of the license terms therefore did not support a claim for copyright infringement. See A1429-30. Jacobsen timely appealed.

This Court ruled in Jacobsen's favor. It held terms in the Artistic License constitute conditions restricting the scope of the license, and that reproduction,

modification, and distribution in violation of those conditions may sustain an infringement claim. Jacobsen v. Katzer, 535 F.3d 1373, 1381-82 (Fed. Cir. 2008). This Court was critical of the district court for, among other things, failing to make findings of fact. See id. at 1382. This Court remanded the case to the district court to make findings of fact and determine whether Jacobsen had shown a likelihood of success on the merits and irreparable injury, or serious questions going to the merits and the balance of hardships tipping sharply in his favor. Id. at 1383.

As the first appellate level ruling upholding the enforceability of an open source license in copyright, this Court's ruling received widespread national and international coverage in general publications as well as the legal and technical press. News of the decision filled websites and blogs. The ruling was named one of the top 10 intellectual property decisions of 2008.

On remand, the district court ordered the parties to re-file their motions. Jacobsen added a motion to enjoin violations of 17 U.S.C. Sec. 1202. A1202-A1203. Jacobsen submitted a declaration detailing the work of JMRI's programmers, including the choices underlying their original expression and selection of material. A444-A447. He also detailed Katzer's infringement. A453-A462.

Katzer submitted a declaration asserting that he and KAMIND have stopped copying and distributing JMRI code. A801-A804. Katzer stated that he

“immediately recalled” all KAMIND software and sent KAMIND customers upgrades that did not contain any infringing material. A801-A802. However, Katzer also admitted that he let his customers use the infringing software for 6 months after Jacobsen charged him with copyright infringement. A802. Katzer acknowledged that KAMIND and JMRI are competitors, A804, and claimed an injunction would destroy his prospective relationship with an unnamed distributor called “Company”, a relationship that Katzer claimed was necessary to KAMIND’s survival. A804-A806. Katzer stated that if the allegedly pending deal with the distributor fell through, “KAM will go out of business.” A805.

Jacobsen examined the KAMIND code and determined that, notwithstanding Katzer’s declaration to the contrary, evidence exists that shows that Katzer has based his files on JMRI’s content. A463-A464. He submitted a declaration with his findings. He also disputed Katzer’s claim to have attempted to recall or disable KAMIND’s infringing materials. A1107-A1108.

At the hearing on Jacobsen’s motion, the district court expressed a degree of dissatisfaction with this Court’s opinion. It stated that this Court’s mandate “wasn’t a model of clarity”, A1261, and sympathized with Katzer and KAMIND that their infringement was “lawful until the Federal Circuit said it was unlawful.” A1277. The district court characterized this Court’s ruling as novel, referring to this Court as having “for the first time created as a viable claim of copyright

infringement with no prior authority to support it.” A1265.

The district court also expressed a degree of skepticism regarding the reliability of this Court’s rulings: “God knows they reversed themselves almost on, you know, a yearly basis. One panel says something, and then the rest of them say it’s not right.” A1262. The district court also expressed the view that, given developments in the law and facts since this Court’s ruling, “perhaps the remedy is for this court to take a position based upon the current record and as it exists today ... throw it back to the Federal Circuit, if either side doesn’t like it, and let them tell us what the world is in today’s words given the new record, the record that they have now mandated that I create.” A1272.

On January 5, 2009, the district court denied Jacobsen’s motion for preliminary injunction. The district court at first recited the traditional preliminary injunction standard, most recently stated by the Supreme Court in Winter v. Natural Res. Def. Council, Inc., 555 U.S. ___, 129 S.Ct. 365, 374 (2008):

... a plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest.

A12.

In applying this standard, however, the district court held that to obtain an injunction, Jacobsen must show he had suffered actual irreparable harm:

The standard under *Winter* requires that Jacobsen demonstrate, by the introduction of admissible evidence and with a clear likelihood of success that the harm is real, imminent and significant, not just speculative or potential. 129 S. Ct. at 374. Jacobsen has failed to proffer any evidence of any specific and actual harm suffered as a result of the alleged copyright infringement and he has failed to demonstrate that there is any continuing or ongoing conduct that indicates future harm is imminent. Because Jacobsen fails to meet the burden of presenting evidence of actual injury to support his claims of irreparable injury and speculative losses, the Court cannot, on this record, grant a preliminary injunction.

A14 (emphasis added).

In a footnote, the district court gave additional reasons for its ruling:

Although Jacobsen makes legal arguments regarding the alleged harm he may suffer, for instance delays and inefficiency in development and time lost in the open source development cycle, he has failed to put forward any *evidence* of such harms. Jacobsen has failed to proffer evidence of harm suffered or any evidence of a real or immediate threat of imminent harm in the future. The Court also finds that Jacobsen has failed to identify with the requisite particularity the extent of his copyright ownership over the disputed underlying material. The JMRI Project Decoder Definition Files incorporate many manufacturers' specifications data as well as rights to specific terms whose copyright is owned by Defendants. Even if Jacobsen's heavy burden to warrant injunctive relief had been met, it is unclear how the Court would fashion an injunction which would be narrowly tailored to enjoin only those allegedly infringing uses of Jacobsen's copyrighted content.

A14 n.3 (emphasis in original).

The district court did not rule on Jacobsen's motion to enjoin Sec. 1202 violations. A11-A14.

Though the district court did not enjoin Katzer's continued infringement, KAMIND has not announced any distribution arrangement with "Company" that was supposed to be the key to KAMIND's survival. Neither has KAMIND gone out of business.

V. Statement of the Facts

With the exception of a dispute about whether Katzer has stopped infringing, the parties agree on most of the following facts, including those bearing most directly on the elements of Jacobsen's copyright claim for relief.

A. JMRI's Original Expression and Software Licenses

Modern model trains are embedded with decoders (computer chips) which control the trains based on commands sent from a computer. See A442-A443. These decoder chips allow model railroaders to control the trains' lights, sounds and speed. A444. There are many different decoder chips. A442-A443. Some are simple to program, and some are complex. See id.

In 2001, JMRI developers created a user-friendly product, DecoderPro, for programming decoder chips. A443. The project employs the open source production method detailed in this Court's previous opinion in this case. DecoderPro uses Decoder Definition Files, which define the variables available for model train hobbyists to use and set default variables. Id.

JMRI's Decoder Definition Files are the works at issue in Jacobsen's copyright and DMCA claims. These files include three types of expression originating with JMRI programmers. First, the files include code written by JMRI programmers to express their understanding of how a decoder chip works and how best to allow a user to take advantage of the chip's functions. A444-A447. Second, the files include selections by JMRI programmers from terms originating with different decoder manufacturers. These manufacturers use different terms to describe similar functions on real trains. JMRI programmers select the terms that reconcile these differences in the most user friendly way. A445-A447. JMRI programmers sometimes select default values set by decoder manufacturers and sometimes select different values. A447. Third, JMRI programmers arrange the content they have written and the selections they have made in the way they deem most aesthetically pleasing and useful, and which originates with them. A446-A447. Portions of this expression appear in the DecoderPro graphical user interface.

JMRI's copyright registrations reflect these three types of originality. The registrations claim JMRI's software as new expression and as a derivative work and compilation. E.g., A293-A304. Katzer has never contested the relevant registrations.

JMRI's software has been subject to the Artistic License, and is now subject

to the GNU General Public License 2.0 (“GPL”). A443-A444. The Artistic License permits reproduction, modification, and distribution provided that the user complies with the terms of the license. A480.

Both licenses use the phrase “provided that”, which this Court previously held indicates the terms are conditions. Both licenses require that licensees (1) preserve the copyright notices, (2) create prominent notices stating how and when a user changed a file, (3) grant back to the open source group a license to incorporate and distribute any modifications that the user distributes, and (4) include the original work when distributing a modified package. A480, A482-488. GPL also requires that software which incorporates GPL-licensed code to be free and distributed under GPL. A482-A488.

B. Katzer’s Admitted Copying, Omission of Copyright Management Information, and Violation of License Conditions

In 2004, Katzer began developing a program, called Decoder Commander, which competes with JMRI’s program. A799. As part of his development effort, Katzer downloaded JMRI’s Decoder Definition files. Katzer, without following any license terms, then converted these copied files to a format he called decoder templates and incorporated the converted expression in his Decoder Commander

product.² A799-A801; A454-A460. Katzer later claimed that he copied JMRI's code with the intention of establishing a national standard. A800-A801.

Katzer referred to JMRI's Decoder Definition Files as incorporating data from decoder manufacturers. A800-A801. The parties do not disagree on this point. The record also reflects no disagreement on the further point that such manufacturer data is incorporated in JMRI's software as (a) selected and (b) arranged by JMRI programmers, and as (c) supplemented by expression they write. A444-A447.

Katzer copied these aspects of JMRI's expression in addition to the manufacturer data Katzer referenced. Jacobsen submitted evidence showing that Katzer's program incorporated original JMRI expression from each of approximately 100 Decoder Definition Files, which define about 350 decoders. A443. As of October 1, 2008, 195 Decoder Definition Files exist, and they define 635 decoders. Id.

When Katzer copied JMRI's Decoder Definition Files, he did not

² This was not the first time Katzer had misappropriated JMRI intellectual property. In 2004, Katzer registered decoderpro.com, a JMRI trademark. See A1413. When Jacobsen learned about Katzer's registration of decoderpro.com, he demanded transfer. Katzer ignored him. As a part of a dispute with an unrelated third party, Katzer transferred the domain name to the third party, subject to certain requirements. Id. One requirement was that the third party could not transfer the domain name to any other person. Id. If he did, he would be subject to a \$20,000 penalty, id., and attorneys fees for breach of the settlement agreement. More than two years later, Jacobsen obtained the domain name through a UDRP proceeding before the World Intellectual Property Organization. A1412-A1419.

incorporate into his competing program the author's name, copyright notice, reference to the license, or the license. See A801. This information was included in each JMRI file. A458-A459. As a result, JMRI programmers received no credit from Katzer for the work those programmers created. Users of Katzer's program had no way to know of the role JMRI programmers played in creating Katzer's code, and had no way to contact those programmers to suggest modifications to that code. Katzer also did not place any notice stating how and when he changed the Decoder Definition Files. E.g., A625 (top of KAMIND decoder template). He did not grant back a license to Jacobsen to incorporate his changes in later JMRI versions. A453. He also did not include the standard JMRI software package with his distribution. A480, A453.

Instead, Katzer placed KAMIND copyright notices on his competing product when he distributed it. A454. He placed no JMRI copyright notice on that product. Id. See also A801. Katzer advertised his new products and began distributing them in June 2005. A451-A452.

At about this time, Katzer and a programmer working for him, Robert Bouwens, created a software tool whose only use was to convert JMRI Decoder Definition Files to Katzer's decoder template format. A451, A457-A458. Katzer instructed his customers to use the tool when JMRI issued new Decoder Definition Files. Katzer made the tool available for download from his website. A457-A458.

The tool copied JMRI's selection, arrangement, and supplemental expression, but it did not copy the author's name, copyright notice, reference to the license, or the license, to the infringing decoder templates. A458-A460.

Katzer asserted that he did not intentionally omit such information, A801, but Jacobsen submitted evidence to the contrary, A1104-1105. Jacobsen showed that Katzer's software read lines and must have been programmed to skip over copyright management information, or CMI, in order to copy portions that appeared later in the lines. A1104-A1105. Jacobsen also submitted an email from Bouwens who admitted that the "panel info" in JMRI's files would be "stripped" by Katzer's copying tool, which indicated that the tool was designed by choice to copy selectively. A451. The district court made no findings of fact on this point.

C. The Parties Dispute Whether Katzer Continues to Infringe

Katzer claims to have halted all infringement. A801-A804. He claims that the current version of his program is written in a format and employs a database incompatible with JMRI's program. A802-A803. He also claims to have recalled the infringing versions of *his* program, and that all versions of *his* infringing code "became non-functional" by March 21, 2007. A801-A802. He provided no recall letter or other documentary evidence to support these claims.

Jacobsen presented evidence contradicting these claims. Jacobsen reviewed the most recent version of Katzer's code and noted evidence of continued copying

from JMRI. These similarities were not attributable to any manufacturer, but were unique to JMRI. A464.

Jacobsen also stated that he still has copies of Katzer's software that he purchased and registered, yet he has not received any recall notices. A1107-A1108. To test Katzer's claim to have rendered infringing code "non-functional," Jacobsen booted up the code and ran it. Id. The code executed properly and generated copied JMRI content. Id. Jacobsen showed that the existence of incompatible formats or technologies does not imply a halt to copying or distribution of copied content. A1107. He explained that expression may be copied between incompatible file formats—as Katzer had done when he converted JMRI files to the incompatible KAMIND format in 2005. Id.

VI. Summary of Argument

The district court erred by applying the wrong legal standard to Jacobsen's motion, by failing to acknowledge evidence of harm both parties submitted, and by failing to follow this Court's instruction to find facts relevant to preliminary injunctive relief.

In particular, the district court misread the Supreme Court's decision in Winter to require Jacobsen to show he and JMRI have already suffered irreparable harm rather than that they likely would suffer such harm without an injunction.

The Supreme Court was explicit that only a likelihood of harm is required. The district court's use of the wrong legal standard compels reversal.

The district court erred by failing to set forth the findings of fact that it acknowledged this Court's order required. Instead, the district court provided impressions and allusions to its impressions of the record and then ruled. The district court's comments suggest this approach may have aimed to expedite an appeal to obtain further guidance from this Court. Nevertheless, the district court's failure to enter findings compounds its application of the wrong legal standard and leaves its ruling without either legal or factual support.

Jacobsen addresses each of these next.

VII. Standard of Review

When reviewing copyright matters, this Court applies the law of the regional circuit—here, the Ninth Circuit. Hutchins v. Zoll Med. Corp., 492 F.3d 1377, 1383 (Fed. Cir. 2007). The Ninth Circuit reviews the district court's denial of preliminary injunction for abuse of discretion. Perfect 10, Inc. v. Amazon.com, Inc., 487 F.3d 701, 713 (9th Cir. 2007). A district court abuses its discretion if it bases its decision on an erroneous legal standard or clearly erroneous findings of fact. Earth Island Inst. v. U.S. Forest Serv., 351 F.3d 1291, 1298 (9th Cir. 2003). The Ninth Circuit reviews a district court's findings of fact for clear error, and

conclusions of law de novo. Earth Island, 351 F.3d at 1298; Perfect 10, 487 F.3d at 713.

VIII. Argument

A. District Court Used the Wrong Legal Standard for Irreparable Injury

Applying the correct legal standards, Jacobsen is entitled to a preliminary injunction to bar Katzer's copyright infringement and Sec. 1202 violations.

A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable injury in the absence of preliminary relief, that the balance of the equities tips in his favor, and that an injunction is in the public interest.

Winter v. Natural Res. Def. Council, Inc., 555 U.S. ___, 129 S.Ct. 365, 374 (2008).

All four equitable factors favor the grant of an injunction against Katzer's further reproduction, modification, or distribution of JMRI's original expression in violation of JMRI's license terms or without the copyright management information JMRI programmers place in their code.

Because the most significant errors in the district court's opinion related to irreparable injury, Jacobsen addresses this first, followed by likelihood of success on the merits, and then the two remaining factors.

1. Jacobsen Has Shown Irreparable Injury

In ruling that Jacobsen had not shown irreparable injury, the district court made one legal error and one factual error. The district court erred as a matter of law in applying the wrong standard for irreparable harm to Jacobsen's motion. It also erred as a factual matter when it said it had no evidence of harm.

(a) District Court Applied The Wrong Legal Standard

In requiring a showing of actual harm instead of likelihood of harm, the district court erroneously used the standard for a permanent injunction instead of that for a preliminary injunction. The Supreme Court's recent Winter decision requires Jacobsen to show "he is likely to suffer irreparable injury in the absence of preliminary relief. . . ." Winter, 129 S.Ct. at 374. The district court required more—actual irreparable injury.

The Federal Circuit court's list of potential harms that a copyright holder may face in the open source field are just that – *potential* harms. There is no showing on the record before this Court that Jacobsen has actually suffered any of these potential harms. The standard under *Winter* requires that Jacobsen demonstrate, by the introduction of admissible evidence and with a clear likelihood of success that the harm is real, imminent and significant, not just speculative or potential. 129 S. Ct. at 374. Jacobsen has failed to proffer any evidence of any specific and actual harm suffered as a result of the alleged copyright infringement and he has failed to demonstrate that there is any continuing or ongoing conduct that indicates future harm is imminent.

A14 (italics emphasis in original, underlined emphasis added)

In a footnote to this discussion, the district court stated “Jacobsen has failed to proffer evidence of harm suffered or any evidence of a real or immediate threat of imminent harm in the future.” A14 n.3

The district court erred by requiring Jacobsen to prove “specific and actual harm suffered.” As Judge Easterbrook has written:

[A] legal rule that irreparable injury can be established *only* by a concrete demonstration ... would make injunctions useless as a practical matter. If proof of particular injuries could be supplied, then the injury would be reparable by damages; it is precisely the difficulty of pinning down [the loss] that makes an injury “irreparable.”

Hess Newmark Owens Wolf, Inc. v. Owens, 415 F.3d 630, 632 (7th Cir. 2005) (in case between competitors, reversing district court order denying injunction to enforce restrictive covenant). Because the district court applied the wrong legal standard to Jacobsen’s motion, it abused its discretion in denying that motion. See Earth Island, 351 F.3d at 1298.

The district court’s error is particularly significant given the nature of JMRI’s open source production model. As this Court explained in its previous ruling, open source programmers make their code freely available subject to the terms of various open source licenses. See 535 F.3d at 1378-79. In return, they ask that those terms be respected. See id. If the terms—attribution, distribution, and other requirements—are not respected and enforceable through an injunction, then the open source group suffers. Cf. Warner Bros. Entm’t, Inc. v. RDR Books,

575 F. Supp. 2d 513, 552 (S.D.N.Y. 2008) (harm to author's willingness to produce future work is irreparable injury, justifying order to enjoin infringing activity). As discussed next, the open source project likely suffers a variety of harms from competition-related injuries. Its members also suffer reputational harm from the loss of attribution.

(b) District Court Failed to Acknowledge Evidence of Irreparable Injury

Contrary to the district court's finding, it had significant evidence that irreparable injury was likely if an injunction did not issue. This Court previously recognized that certain economically significant but non-monetary motivations are "inherent" in open source licenses such as those which JMRI uses. 535 F.3d at 1379. This finding simply applies well-recognized principles of equitable relief to the open source context.

"By definition, 'irreparable injury' is that for which compensatory damages are unsuitable...." Wildmon v. Berwick Universal Pictures, 983 F.2d 21, 24 (5th Cir. 1992). When the nature of a plaintiff's loss may make it difficult to value, damages are inadequate. Ross-Simons of Warwick, Inc., v. Baccarat, Inc., 102 F.3d 12, 19 (1st Cir. 1996). Damage to an intangible, such as the right to exclude when the owner does not regularly license work, results in irreparable injury. See eBay, Inc. v. MercExchange, L.L.C., 547 U.S. 388, 395 (2006) (Roberts, C.J.,

concurring) (in patent case, addressing the difficulty in protecting a right to exclude through monetary damages when the use is against the patent holder's wishes). Similarly, harm to other intangibles such as market share, reputation, recruitment efforts, and goodwill is likely to be irreparable, especially when caused by a competitor. Rent-a-Center, Inc. v. Canyon Television & Appliance Rental, Inc., 944 F.2d 597, 603 (9th Cir. 1991); Hess, 415 F.3d at 632.

As a preliminary matter, Katzer conceded at the last oral argument before this Court that damages were inadequate. During questioning by the panel, Katzer stated it was his position that Jacobsen could not obtain an injunction, and could not prove any damages.

Judge Hochberg: So you're basically saying it's a covenant, therefore only damages would be available, [Ms. Hall] can't prove any damages, so "Too bad, so sad." Is that basically the argument?

Jerger: That is the legal position, yes.

[...]

Judge Hochberg: I understand your argument, but, what your argument is saying in essence is that these conditions have no way to enforce them. If they're not capable of being quantified in damages terms, so you can't get damages for their breach if they're covenants, and you argue they're not conditions, then they're meaningless, is what you're saying.

Jerger: Well, to the extent that they can prove damages under breach of contract....

Judge Hochberg: I just took damages out of it because a moment ago. I asked you the question and you said no [Ms. Hall] can't, you agreed with me, [Ms. Hall] can't prove damages.

Jerger: Well, if they can't prove damages, then I would agree with you that ...

Judge Hochberg: They're meaningless. That's what your position is.

Jerger: Yes.³

Having made this concession, Katzer cannot withdraw it. This Court recognized that the calculation of damages for violation of open source license terms was inherently speculative. 535 F.3d at 1382. Thus, the parties do not dispute that damages will be difficult to prove. This supports a finding that Jacobsen is likely to suffer irreparable harm.

Next, copyright law's right to exclude supports a finding of irreparable harm. An owner has the statutory right to prevent others from using his works. "[I]n copyright infringement actions, the denial of a request for injunctive relief could otherwise amount to a forced license to use the creative work...." Bridgeport Music, Inc. v. Justin Combs Publ'g, 507 F.3d 470, 492 (6th Cir. 2007) (internal quotes and citation removed). When the "forced license" is to a competitor such as Katzer, the harm is magnified. See Cadence Design Sys., Inc. v. Avant! Corp., 125 F.3d 824, 828 n.8 (9th Cir. 1997) (reversing denial of motion for preliminary injunction and noting that denial rendered plaintiff "an involuntary licensor of its

³ Oral argument, Jacobsen v. Katzer, No. 2008-1001 [hereinafter Oral argument], at 22:52-23:04 & 26:05-:48, available at <http://oralarguments.cafc.uscourts.gov/mp3/2008-1001.mp3> (recorded May 7, 2008).

copyrighted material” which defendant could then use “to compete with the plaintiff”).

Copying by a competitor has been the classic case necessitating injunctive relief. Competition by an infringer threatens shifts in market share arising from one competitor’s misappropriation of another’s intellectual property. Cf. Hess, 415 F.3d at 632. These threatened shifts in market share do not yield concrete damage figures. Id. Thus, even when only money is at stake, so the copyright holder’s lost sales could in theory be paid in damages, there is no practical way for a copyright holder to demonstrate what its sales would have been had an infringer not copied to compete. Cadence, 125 F.3d at 828 n.6. See also CB Fleet Co. v. Unico Holdings, Inc., 510 F. Supp. 2d 1078, 1083 (S. D. Fla. 2007) (even without presumption of irreparable harm, copying by competitor caused irreparable harm due to loss of market share and damage to reputation and goodwill; collecting cases to the same effect).

Katzer’s misappropriation of JMRI code and his omission of JMRI’s copyright management information undercuts the “creative collaboration” this Court previously recognized as being at the heart of JMRI’s open source production model. 535 F.3d at 1378. Downstream users of Katzer’s misappropriated code cannot submit improvements to JMRI if they do not know they are running JMRI code. The district court needed no declaration to establish

such an obvious point, which Katzer does not dispute and for which he admitted the relevant predicate facts. The loss of such collaboration is closely analogous to interference with a business relationship likely to produce an indeterminate amount of future business, a situation in which courts have found injunctive relief appropriate. ^{E.g.,} Register.com, Inc. v. Verio, Inc., 356 F.3d 393, 404 (2d Cir. 2004) (enjoining violation of website terms of use where violation threatened loss to “reputation, good will, and business opportunities.”); FoodComm Int’l v. Barry, 328 F.3d 300, 304 (7th Cir. 2003) (in breach of fiduciary duty case, interference with customer relationship constituted irreparable harm justifying injunctive relief).

Katzer’s misappropriation of JMRI code and his omission of JMRI’s copyright management information denied JMRI programmers credit for the work they did. Katzer does not deny this. It is textbook economics, and an accepted economic principle of open source development, that such reputational benefits provide valuable, though non-monetary, incentives to write and improve software. E.g., Josh Lerner & Jean Tirole, *Economic Perspectives on Open Source*, in *Perspectives on Free and Open Source Software* 47, 56-59 (Joseph Feller et al. eds., 2005). This Court’s previous ruling in this matter recognized the point explicitly. 535 F.3d at 1379 (“a programmer or company may increase its national or international reputation by incubating open source projects”). In related

contexts, harm from lack of attribution demonstrates irreparable harm for purposes of interim relief.

The ultimate commercial success of an “artist” often depends on name recognition and reputation with the value and popularity of each succeeding work depending upon the “name” established through commercial exploitation of preceding works. This can be true whether the “artist” creates musical compositions, video games, or concrete statues.

Concrete Mach. Co., Inc. v. Classic Lawn Ornaments, Inc., 843 F.2d 600, 611 (1st Cir. 1988); Medicine Shoppe Int’l, Inc. v. S.B.S. Pill Dr., Inc. 336 F.3d 801, 805 (8th Cir. 2003) (enjoining breach of contract *by* franchisee: “Harm to reputation and goodwill is difficult, if not impossible, to quantify in terms of dollars”).

Katzer’s misappropriation of JMRI code and his omission of JMRI’s copyright management information distorted the relative perception of the two programs in the marketplace, and harmed the goodwill associated with JMRI. Jacobsen submitted evidence that Katzer touted his software as superior to JMRI’s, saying his program “far surpasses any other solution available in the market (free or commercial).” A452. Katzer declared himself that there are only two programs in this market. A799. Katzer’s reference to a “free” program—a term sometimes used to refer to open source code—could only be JMRI. Katzer’s omission of JMRI’s copyright management information and misappropriation of JMRI’s files were crucial to this inflated perception. Had Katzer not omitted that information,

and had he complied with JMRI's license terms, he would not have been able to taint the market with misleading comparisons between his program and the JMRI code he copied to make his program work.

Combined, these points establish that Katzer's misappropriation created a likelihood of irreparable harm sufficient to warrant injunctive relief. There is no dispute that Katzer turned JMRI programmers into involuntary, unpaid, and unacknowledged labor for his own for-profit program, which—combined with other tactics—Katzer hopes to use to drive JMRI from the market. His conduct destroys the “economic motives” this Court found “inherent in public licenses,” such as JMRI uses. 535 F.3d at 1379. The full extent of harm caused by Katzer's misappropriation cannot be calculated reliably in dollars and cents.

The district court had before it uncontradicted evidence that (a) Katzer admitted damages were inadequate, (b) Katzer, a competitor, knowingly copied, modified, and distributed JMRI code in violation of license terms, (c) Katzer did not give proper attribution, (d) he intentionally concealed his copying, and then (e) in an attempt to grab a larger share of the market, he went into the market bragging that his product was better than the code on which it was, secretly, based. Yet the district court stated it had no evidence that Jacobsen is likely to suffer irreparable harm if such conduct is not enjoined. That is error. The district court needed no more evidence than it had to enjoin Katzer's conduct.

(c) District Court Failed to Acknowledge Evidence of Future Threat

As noted above, the parties dispute whether Katzer continues to infringe Jacobsen's rights. The district court stated Jacobsen "failed to demonstrate that there is any continuing or ongoing conduct that indicates future harm is imminent," A14, but did not enter any findings related to this. The district court's failure to do so contradicts this Court's instruction in its previous ruling. 535 F.3d at 1382-83.

To the extent the district court intended its comment as a finding, the comment does not accurately reflect the record and thus is clearly erroneous. Jacobsen submitted evidence to the district court showing that the most recent version of Katzer's product contains evidence of copying from JMRI files. A464, A1107. It is therefore simply wrong to say, as the district court did at one point, that Jacobsen did not submit any evidence of threatened harm. A14 n.3.

The district court gave no reason not to credit this testimony, and the balance of the record supports it. For example, some of Katzer's claims to have ceased infringement were testable: Jacobsen tested them and disproved them. A1107-A1108. Katzer offered no rebuttal at argument.⁴

⁴ A court may resolve facts against a party who refuses to provide evidence under his control. Sampson v. Murray, 415 U.S. 61, 89 n.63 (1974). It is appropriate to do so here. Katzer says that he has sent recall notices to his distributors and customers, but he never produced those notices to the district court. Jacobsen, who is a KAMIND customer through his purchases of several copies of its software,

Instead, Katzer offered evasive responses to create an impression that he has ceased using JMRI files, but never put the actual evidence in the record. As noted above, Katzer said that his program is written in a different language and format than JMRI's code. He claims this means he no longer uses JMRI materials. However, JMRI's format was different than KAMIND's original file format, and Katzer found a way to convert JMRI files to the KAMIND format. Thus, the use of a new format or a different language does not mean that Katzer has ceased infringement.

Katzer's undisputed course of conduct directed at Jacobsen and JMRI demonstrates a pattern, adding substance to the risk of continued infringement and irreparable harm. As discussed earlier, Katzer registered decoderpro.com in 2004, and ignored Jacobsen's demands to transfer. He instead, as a part of a settlement agreement, transferred decoderpro.com to a third party, subject to a \$20,000 penalty and attorneys fees if that third party ever transferred decoderpro.com to any other person, including Jacobsen. Katzer then repeatedly accused Jacobsen of infringing multiple Katzer patents. Katzer sent bills for \$200,000-plus to Jacobsen's home and employer, and falsely told Jacobsen's employer that he had filed a lawsuit against Jacobsen. Then, Katzer downloaded and converted JMRI files to the KAMIND format, and touted his infringing program as better than

never received any recall notice. It is proper to infer that Katzer never sent those notices.

JMRI. He knew JMRI code was subject to a license, but willfully violated the license terms for more than a year before his efforts to conceal his infringement failed. He then came before this Court and argued that the license was, literally, meaningless and he was free to take JMRI's code to compete against JMRI without penalty.

Repentant, Katzer is not.

A fair reading of the record shows Katzer has engaged in a pattern of misappropriation and obfuscation. That pattern establishes a likelihood that he will continue, especially since his conduct was intentional. See Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 518 F. Supp. 2d 1197, 1221 (C.D. Cal. 2007). See also Designer Skin, LLC v. S & L Vitamins, Inc., No. CV 05-3699-PHX-JAT, 2008 WL 4174882, at *5 (D. Ariz. Sept. 5, 2008) ("thin excuses" for infringing acts imply a threat of future infringement).

In sum, the record contains ample evidence of a continuing and significant threat of irreparable harm if an injunction is not entered.

B. Other Factors Favor Jacobsen

The district court addressed Jacobsen's likelihood of success on the merits only obliquely, and did not address the balance of the equities or the public interest at all. These factors also weigh in favor of a preliminary injunction.

1. Jacobsen is Likely to Succeed on the Merits Of His Copyright Infringement Claim

Jacobsen is likely to succeed on the merits of his copyright claim. To prevail, Jacobsen must show he is the owner or assignee of a copyright and that Katzer infringed one of the exclusive rights Jacobsen has in his copyright. See S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1085 (9th Cir. 1989).

Katzer has conceded that Jacobsen was the owner and/or assignee of JMRI materials, as claimed by Jacobsen's copyright registrations, e.g., A293-A304, which are presumptive evidence of his ownership. Micro Star v. Formgen Inc., 154 F.3d 1107, 1109-10 (9th Cir. 1998). This Court acknowledged Katzer's concession. 535 F.3d at 1379.

Katzer also conceded copying JMRI files and distributing the infringing copies of his materials. A799. See also A801-A802. There is thus no question that Katzer violated Jacobsen's exclusive rights to reproduce and distribute JMRI's original expression and to make derivative works based on that expression. 17 U.S.C. § 106(1)-(3).

Katzer has no defenses to infringement. This Court previously rejected his claim that the Artistic License precluded any infringement claim. 535 F.3d at 1381-82.

On remand, Katzer tried a new tactic—he claimed his ownership of a 182-page QSI instruction manual excused his conduct. The manual reproduced certain

QSI decoder definition data. A807-A808; A1105. Katzer then argued that he had a license to copy JMRI's QSI files. He also claimed he did not know what rights JMRI has. The district court accepted these claims as a basis to deny injunctive relief on the ground that Jacobsen "failed to identify with the requisite particularity the extent of his copyright ownership over" certain "disputed underlying material."

A14 n.3.

The court's comment did not rise to the level of a finding, but did intermingle factual and legal error. First, as a factual matter, Katzer's assignment of the QSI instruction manual establishes no defense to his infringement of other files. Katzer deliberately copied more than 90 JMRI Decoder Definition Files aside from the JMRI QSI Decoder Definition Files, A1107, and Katzer asserted no claim of license for such copying.

In addition, JMRI's files for QSI contained original JMRI expression, which QSI could not assign. Jacobsen detailed that expression in his declarations, A1105-A1107, to which Katzer offered no rebuttal.

Second, even if JMRI's files did no more than organize raw manufacturer data, A800, Jacobsen still would have rights in the original selection and organization of that data, as his registrations claim. See Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 344-45 (1991); 17 U.S.C. §§ 103; 201(c); Dream Games of Ariz., Inc. v. PC Onsite, 561 F.3d 983, 988 (9th Cir. 2009). Jacobsen

submitted evidence establishing the creativity of JMRI programmers' selection and arrangement. E.g., A445-A447. Katzer never contested these registrations nor disputed Jacobsen's evidence.

Third, the district court erred in placing the burden on Jacobsen to "identify with requisite particularity" the extent of his ownership. Jacobsen's undisputed registrations constitute prima facie evidence of ownership of JMRI code. Dream Games, 561 F.3d at 987 n.2. Katzer bears the burden of establishing any challenge to the extent of that ownership. Bibbero Sys., Inc. v. Colwell Sys., Inc., 893 F.2d 1104, 1106 (9th Cir.1990) ("[A] certificate of registration constitutes *prima facie* evidence of copyrightability and shifts the burden to the defendant to demonstrate why the copyright is not valid."). See also Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1158 (9th Cir. 2007) (defendant opposing preliminary injunction bears burden to establish its defense; plaintiff need not disprove it).

In particular, although a defendant may challenge elements of a registered work, "[n]o case law or legal theory requires that 'protectable' elements be identified as well." Dream Games, 561 F.3d at 989 (rejecting claim that district court erred by not instructing jury as to which elements of registered work were protectable); Merch. Transaction Sys., Inc. v. Nelcela, Inc., No. CV 02-1954-PHX-MHM, 2009 WL 723001, at *7 (D. Ariz. Mar. 18, 2009) (presumption of

copyrightability shifted burden to defendant to offer evidence establishing limiting doctrines).

In addition, Katzer's claimed ignorance about the code at issue does not reduce the likelihood of success. Copyright infringement requires only proof of copying protected expression, not proof that a defendant knew what he copied was copyrighted. See Pye v. Mitchell, 574 F.2d 476, 481 (9th Cir. 1978) ("...even where the defendant believes in good faith that he is not infringing a copyright, he may be found liable."). Having admitted to intentional copying of JMRI data in order to free ride his competitive product to market, Katzer is in no position to claim ignorance as an excuse.

For these reasons, the district court erred in concluding that Katzer's references to third-party data affected Jacobsen's likelihood of succeeding on his copyright infringement claim. Nor does the presence of some such data complicate the drafting of an injunction. Jacobsen has never claimed rights to data originating with model train manufacturers, and it would be simple to exclude such data from an injunction.

2. Jacobsen is Likely to Succeed on the Merits Of His Section 1202 Claim

Although the district court did not address Jacobsen's claim for violations of 17 U.S.C. § 1202, Jacobsen has shown a likelihood of success on the merits of that

claim as well. Section 1202(a) prohibits the knowing provision or distribution of false copyright management information with the intent to conceal infringement. Section 1202(b) prohibits the intentional removal or alteration of copyright management information, or the knowing distribution of altered copyright management information, where the person altering or removing the information knows or has reasonable grounds to know that removal or alteration will induce, enable, facilitate, or conceal an infringement.

Section 1202(c) defines “copyright management information”, or CMI, to include information set forth in a copyright notice and specifically includes the name of the author of a work and license terms for the work. 17 U.S.C. §1202(c)(1)-(3), (6)-(7). Jacobsen and JMRI programmers place CMI, as defined by the statute, in their works. Assoc. Press v. All Headline News Corp., No. 08 Civ. 323 (PKC), 2009 WL 382690, at *5-6 (S.D.N.Y. Feb. 17, 2009) (rejecting argument that would limit scope of CMI to automated systems).⁵

⁵ While Katzer did not address Sec. 1202 in his opposition to the motion for preliminary injunction, Katzer moved to dismiss Jacobsen’s Sec. 1202 claim, relying on a statutory construction in IQ Group, Ltd. v. Wiesner Publishing, LLC, 409 F. Supp. 2d 587 (D.N.J. 2006). The IQ Group Court stated that CMI was subject to a narrowing interpretation. Id. at 593. According to IQ Group, the only CMI that is protected is that which is conveyed in connection with a technological device protected under Sec. 1201. In his opposition to the motion to dismiss, Jacobsen analyzed the IQ Group decision, Sec. 1202’s legislative history, and negotiations that led to the WIPO Copyright Treaty, which formed the basis for Sec. 1202. A1604-A1611. He also analyzed later decisions, which generally moved away from Sec. 1202’s narrowing interpretation. A1611-A1612. The

As detailed above, Katzer admitted copying JMRI's Decoder Definition Files but omitting the names of the JMRI programmers who wrote that code. A801. Katzer also admitted distributing JMRI code using a KAMIND copyright notice but not a JMRI notice. There is thus no dispute regarding the alteration and distribution elements of Jacobsen's claims.

Katzer admitted that Bouwens wrote, on KAMIND's behalf, a copying program that did not copy JMRI's copyright management information. A799-801. He stated "this was not intentional," however, because Katzer's copying tool "was written only to extract manufacturer data" and nothing more. A801. This statement is an admission, not a defense. Partial, misleading copying and distribution is precisely what Section 1202 prohibits.

Copyright management information will serve as a kind of license plate for a work on the information superhighway, from which a user may obtain important information about the work. The accuracy of such information will be crucial to the ability of consumers to find and make authorized uses of copyrighted works on the [Internet]. Reliable information will also facilitate efficient licensing and reduce transaction costs for licensable uses of copyrighted works (both fee-based and royalty-free).

district court used the IO Group decision's interpretation, but denied Katzer's motion to dismiss since Jacobsen used an automated process to add CMI and because Katzer's false CMI is protected by Katzer's technological device. Since the IO Group decision, a split between district courts across the country has arisen, some rejecting the narrowing interpretation, McClatchey v. Associated Press, No. 3:05-cv-145, 2007 WL 776103, at *5 (W.D. Pa. Mar. 9, 2007), others embracing it. No appellate court has construed Sec. 1202.

Information Infrastructure Task Force, Intellectual Property and the National Information Infrastructure, The Report of the Working Group on Intellectual Property Rights 235 (1995), available at <http://www.uspto.gov/web/offices/com/doc/ipnii> (last visited May 26, 2009) (emphasis added). That Katzer wrote a tool designed to extract some information and skip copyright management information demonstrates only that he knew what he was doing and intended to do it. So there was no dispute that (a) Katzer knew JMRI files contained copyright management information and were subject to license, A449-A450; (b) Katzer's copying tool was the product of deliberate choice regarding what to copy into Katzer's product and what to skip, A451 (email stating *JMRI files* were copied without "panel" information, that is author, license, and copyright information) and (c) Katzer in fact copied some copyright management information, such as JMRI version numbers, but omitted author attributions, A1104-A1105.

Katzer concealed his infringement from Jacobsen by removing, altering, and falsifying CMI. A453. In removing, altering, and falsifying Jacobsen's CMI, and encouraging and inducing others to remove and alter CMI through the use of his template and software tool, Katzer intended to make it easier for his distributors and his customers to infringe Jacobsen's copyrighted works. Katzer had reasonable grounds to know that his copying tool concealed his own copying and

facilitated copying by his users, who unwittingly ran JMRI code in violation of JMRI's license terms. Nevertheless, the district court made no findings of fact on Jacobsen's Section 1202 claims and in fact provided no reason for denying his motion with respect to those claims.

3. Balance of Equities Favors Jacobsen

Katzer's intentional infringement tips the balance of the equities in Jacobsen's favor. Equity does not recognize the harm that an infringer will suffer from being forced to stop his wrongdoing. Concrete Mach. Co. v. Classic Lawn Ornaments, Inc., 843 F.2d 600, 612 (1st Cir. 1988).

If Katzer has ceased infringement, as he claims, an injunction against further misappropriation will not harm him. If he has not, any hardship he might suffer carries no weight in equity. See Triad Sys. Corp. v. Southeastern Express Co., 64 F.3d 1330, 1338 (9th Cir. 1995). In contrast, if the district court's denial of Jacobsen's motion remains in place, both Jacobsen and JMRI are likely to suffer substantial and irreparable harm, as shown above.

4. Public Interest Favors Jacobsen

Because of the special protections given to authors, the public interest favors an injunction. "[A]n injunction will serve the public interest by protecting the 'special reward' of copyright which motivates 'the creative activity of authors[,]

inventors' and programmers." Adobe Sys., Inc. v. Brenengen, 928 F. Supp. 616, 618 (E.D.N.C. 1996) (citing Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429 (1984)).

The public interest favors injunctive relief where the public benefits from the injunctive relief. Because Jacobsen's work is open source, the public benefits from having this work made available free of charge and from the rapid rate of improvement that distribution of source code facilitates. Thus, this factor weighs in favor of an injunction.

IX. Conclusion

The district court took this case on remand from this Court with a charge to find facts relevant to injunctive relief. It did not. It instead questioned the clarity of this Court's mandate and disparaged the certainty of this Court's rulings. It then misread recent Supreme Court precedent and imposed on Jacobsen a burden to show actual harm which contradicts that precedent. That was legal error. The district court also stated it had before it no evidence of a threat of irreparable harm. The record was replete with such evidence, however, much of it in the form of admissions by Katzer. That was clear factual error.

Developers and open source contributors devote time and energy to create their works. Open source licenses are their sword and shield against infringers. They need injunctive relief available to sustain their model of production. See 535

F.3d at 1382. If they cannot enforce those licenses, they will have difficulty proving money damages, which is not what they seek in the first place. They are unlikely to continue working as free labor to put money in other people's pockets. If their work is not protected from free-riding infringers like Katzer, then common sense—not speculation—dictates that open source contributors will be less likely to work on open source projects.

Jacobsen has again shown a likelihood of irreparable injury, and that he is likely to succeed on the merits. He also shown the balance of equities tip in his favor, and the public interest favors an injunction. For these reasons, the district court should be reversed.

Respectfully submitted,

DATED: June 1, 2009

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Addendum 1

1 **NOT FOR PUBLICATION**

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4
5 **IN THE UNITED STATES DISTRICT COURT**

6 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**

7
8 **ROBERT JACOBSEN,**

9 **Plaintiff,**

No. C 06-01905 JSW

10 **v.**

11 **MATTHEW KATZER and KAMIND**
12 **ASSOCIATES, INC.,**

13 **Defendants.**

**ORDER GRANTING MOTION TO
DISMISS FOR MOOTNESS;
DENYING IN PART AND
GRANTING IN PART MOTION
TO DISMISS FOR FAILURE TO
STATE A CLAIM; DENYING
MOTION TO STRIKE; AND
DENYING MOTION FOR
PRELIMINARY INJUNCTION**

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16 Now before the Court are the motions filed by Matthew Katzer and Kamind Associates,
17 Inc. ("KAM") to dismiss counts one, two and three for mootness and the motion to dismiss
18 counts five and six for failure to state a claim pursuant to Federal Rule of Civil Procedure
19 12(b)(6) and to strike portions of the second amended complaint pursuant to Federal Rule of
20 Civil Procedure 12(f). Also before the Court is Jacobsen's second motion for preliminary
21 injunction on his copyright claim. Having carefully reviewed the parties' papers, considered
22 their arguments and the relevant legal authority, the Court hereby GRANTS Defendants'
23 motion to dismiss for mootness; GRANTS IN PART AND DENIES IN PART Defendants'
24 motion to dismiss for failure to state a claim; DENIES the motion to strike; and DENIES
25 Jacobsen's motion for preliminary injunction.

26 **BACKGROUND**

27 Matthew Katzer is the chief executive officer and chairman of the board of directors of
28 KAM, a software company based in Portland, Oregon that develops software for model railroad

1 enthusiasts. The Java Model Railroad Interface (“JMRI”) Project is an on-line, open source
2 community that also develops model train software. Plaintiff, Robert Jacobsen, works for the
3 Lawrence Berkeley National Laboratory and is a professor of physics at the university, as well
4 as a model train hobbyist and a leading member of the JMRI Project.

5 According to the second amended complaint, Jacobsen contends that Defendants
6 fraudulently secured patents for their software and, despite knowing the patents were invalid
7 and unenforceable, sought to enforce the patents and collect patent royalties, and threatened
8 litigation. Jacobsen makes claims for declaratory judgment of the unenforceability and
9 invalidity of KAM’s patent, non-infringement of Jacobsen’s work, violation of copyright laws,
10 violation of the Digital Millenium Copyright Act (“DMCA”), breach of contract under
11 California law, and cybersquatting in violation of 15 U.S.C. § 1125(d).

12 Now before the Court is Defendants’ motion to dismiss the first, second and third claims
13 for relief for declaratory judgment on unenforceability and invalidity of KAM’s patent and non-
14 infringement of Jacobsen’s work on the basis that withdrawal of the patent in dispute renders
15 the claims moot and the Court without jurisdiction to hear those claims. Defendants further
16 move to dismiss claims five and six for violations of the DMCA and for breach of contract for
17 failure to state a claim upon which relief can be granted. In this same motion, Defendants move
18 to strike Jacobsen’s prayer for relief for attorneys’ fees under 17 U.S.C. §§ 504 and 505
19 pursuant to Federal Rule of Civil Procedure 12(f). Lastly, Jacobseon moves for preliminary
20 injunction, seeking to have the Court enjoin Defendants from willfully infringing his
21 copyrighted material.

22 The Court shall refer to additional facts as necessary in the remainder of this Order.

23 **ANALYSIS**

24 **A. Matthew Katzer and Kamind Associates, Inc.’s Motion to Dismiss for Mootness.**

25 **1. Legal Standard on Motion to Dismiss Pursuant to Federal Rule of Civil**
26 **Procedure 12(b)(1).**

27 When a defendant moves to dismiss a complaint or claim for lack of subject matter
28 jurisdiction, the plaintiff bears the burden of proving that the court has jurisdiction to decide the
claim. *Thornhill Publ’n Co. v. Gen. Tel. & Elecs. Corp.*, 594 F.2d 730, 733 (9th Cir. 1979).

1 Federal courts can only adjudicate cases which the Constitution or Congress authorize them to
2 adjudicate: those cases which involve diversity of citizenship, or those cases which involve a
3 federal question, or those cases which involve the United States as a party. *See e.g., Kokkonen*
4 *v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377 (1994).

5 A motion to dismiss for lack of subject matter jurisdiction under Rule 12(b)(1) may be
6 “facial or factual.” *Safe Air for Everyone v. Meyer*, 373 F.3d 1035, 1039 (9th Cir. 2004).

7 Where an attack on jurisdiction is a “facial” attack on the allegations of the complaint, the
8 factual allegations of the complaint are taken as true and the non-moving party is entitled to
9 have those facts construed in the light most favorable to him or her. *Fed’n of African Am.*
10 *Contractors v. City of Oakland*, 96 F.3d 1204, 1207 (9th Cir. 1996). If the jurisdictional attack
11 is “factual,” a defendant may rely on affidavits or other evidence properly before the Court, and
12 the non-moving party is not entitled to any presumptions of truthfulness with respect to the
13 allegations in the complaint. Rather, he or she must come forward with evidence establishing
14 jurisdiction. *Thornhill*, 594 F.2d at 733.

15 Lack of subject matter jurisdiction may be raised at any stage in the litigation. *Morongo*
16 *Band of Mission Indians v. Cal. State Board of Equalization*, 858 F.2d 1376, 1380 (9th Cir.
17 1988). In assessing the scope of its jurisdiction, the Court may consider evidence extrinsic to
18 the allegations in the complaint. *Augustine v. United States*, 704 F.2d 1074, 1077 (9th Cir.
19 1983).

20 **2. Patent Declaratory Claims Are Mooted by Disclaimer.**

21 Counts one, two and three of the second amended complaint must be dismissed as moot
22 because of Defendants’ disclaimer of the patent sued upon. The Defendants filed a Disclaimer
23 in Patent under 37 C.F.R. § 1.321(a) with the Patent and Trademark Office on February 1, 2008,
24 disclaiming all claims in the ’329 patent. (*See Declaration of Matthew Katzer*, ¶ 3, Ex. A.)
25 There is no dispute that the patent at issue in this case has been disclaimed and there is therefore
26 no further substantial controversy between the parties of “sufficient immediacy and reality to
27 warrant the issuance of a declaratory judgment.” *See MedImmune, Inc. v. Genentech, Inc.*, 127
28

1 S. Ct. 764, 771 (2007). The Supreme Court set forth the correct standard for jurisdiction over a
2 declaratory relief action:

3 [T]hat the dispute be definite and concrete, touching the legal relations having
4 adverse legal interests and that it be real and substantial and admit of specific
5 relief through a decree of a conclusive character, as distinguished from an opinion
6 advising what the law would be upon a hypothetical state of facts.

7 *Id.* at 774 n.11 (citing *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937)).

8 “A patentee defending an action for a declaratory judgment of invalidity can divest the
9 trial court of jurisdiction over the case by filing a covenant not to assert the patent at issue
10 against the putative infringer with respect to any of its past, present or future acts....” *Super*
11 *Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058 (Fed. Cir. 1995). Despite the
12 more recent ruling in *MedImmune*, this fundamental concept remains the same. *See Benitec*
13 *Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1343-44 (9th Cir. 2007); *Crossbow Tech.,*
14 *Inc. v. YH Tech.*, 531 F. Supp. 2d 1117, 1124 (N.D. Cal. 2007). A declaratory judgment action
15 relating to the enforceability of a disclaimed patent is moot.

16 In opposition to the motion to dismiss for mootness, Jacobsen argues that he has
17 suffered damages in the amount of the award of attorneys’ fees granted in connection with
18 Defendants’ California anti-SLAPP (“Strategic Lawsuit Against Public Participation”) motion.¹
19 The anti-SLAPP motion damages were awarded in connection with the filing of a claim for libel
20 because the claim was based on the filing of a FOIA request to the Department of Energy,
21 which is a protected communication under California’s anti-SLAPP statute as it was made in
22 anticipation of bringing legal action against Jacobsen. *See* Cal. Code Civil Proc. §
23 425.16(b)(1). The damages in the form of attorneys’ fees paid to compensate for the filing of a
24 libel claim simply does not constitute a recognizable injury for the purposes of continuing to
25 litigate a patent claim for a patent that has been disclaimed. The damages incurred in the
26 litigation of the libel claim do not give Jacobsen standing to create a substantial controversy

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28 ¹ The opposition to the motion to dismiss for mootness reads like a motion for
reconsideration of the Court’s decision on the anti-SLAPP motion. To the degree it can be
construed as a motion to reconsider, it is DENIED.

1 between the parties of "sufficient immediacy and reality to warrant the issuance of a declaratory
2 judgment." See *MedImmune*, 127 S. Ct. at 771.

3 Jacobsen also alludes to the possibility that Defendants own other patents which may be
4 relevant to this litigation. However, there is nothing in the record to support the position that
5 there is a substantial controversy between the parties to merit retaining jurisdiction over the
6 declaratory claim. Defendants maintain they have no intent to sue Jacobsen over alternate
7 patents and any determination regarding patents not yet in suit would render the Court's opinion
8 merely, and impermissibly, advisory. See *Micron Technology, Inc. v. Mosaid Technologies,*
9 *Inc.*, 518 F.3d 897, 901-02 (Fed. Cir. 2008).

10 Lastly, Jacobsen also argues that he has standing to litigate a disclaimed patent because,
11 under 35 U.S.C. § 285, he has incurred attorneys' fees in the litigation over the past two years
12 and has standing to allege injury as a result. However, section 285 provides only that the court
13 may, in exceptional cases, award reasonable attorney fees to the prevailing party. To be eligible
14 for an award of attorneys' fees under section 285, Jacobsen must first demonstrate that he is the
15 prevailing party on the patent claims. Here, Defendants voluntarily disclaimed the patent at
16 issue. Although Jacobsen argues that the disclaimer was the result of the settlement conference
17 magistrate judge's order requiring the parties to proffer their positions on the patent, as well as
18 the other claims, Defendants were never ordered to disclaim the patent and did so voluntarily.
19 "A defendant's voluntary change in conduct, although perhaps accomplishing what the plaintiff
20 sought to achieve by the lawsuit, lacks the necessary judicial *imprimatur* on the change. Our
21 precedents thus counsel against holding that the term 'prevailing party' authorizes an award of
22 attorney's fees *without* a corresponding alteration in the legal relationship of the parties."
23 *Buckhannon Bd. and Care Home, Inc. v. West Virginia Dept. of Health and Human Resources,*
24 532 U.S. 598, 605 (2001) (emphasis in original).

25 Because, as the patent at issue was voluntarily disclaimed, the Court cannot find that
26 Jacobsen is the prevailing party in this matter. Therefore, attorneys' fees under section 285
27 could not become available to Jacobsen and does not, in any case, form an independent basis for
28 jurisdiction over the now-disclaimed patent. Accordingly, the Court finds no basis for retaining

1 jurisdiction over the patent dispute in this case, and therefore dismisses counts one, two and
2 three without leave to amend.²

3 **B. Matthew Katzer and Kamind Associates, Inc.'s Motion to Dismiss for Failure to**
4 **State a Claim Upon Which Relief Can Be Granted.**

5 **1. Legal Standard on Motion to Dismiss Pursuant to Federal Rule of Civil**
6 **Procedure 12(b)(6).**

7 A motion to dismiss is proper under Federal Rule of Civil Procedure 12(b)(6) where the
8 pleadings fail to state a claim upon which relief can be granted. The complaint is construed in
9 the light most favorable to the non-moving party and all material allegations in the complaint
10 are taken to be true. *Sanders v. Kennedy*, 794 F.2d 478, 481 (9th Cir. 1986). The court,
11 however, is not required to accept legal conclusions cast in the form of factual allegations, if
12 those conclusions cannot reasonably be drawn from the facts alleged. *Clegg v. Cult Awareness*
13 *Network*, 18 F.3d 752, 754-55 (9th Cir. 1994) (citing *Papasan v. Allain*, 478 U.S. 265, 286
14 (1986)). Conclusory allegations without more are insufficient to defeat a motion to dismiss for
15 failure to state a claim upon which relief may be granted. *McGlinchy v. Shell Chemical Co.*,
16 845 F.2d 802, 810 (9th Cir. 1988). Even under the liberal pleading standard of Federal Rule of
17 Civil Procedure 8(a)(2), a plaintiff must do more than recite the elements of the claim and must
18 "provide the grounds of [its] entitlement to relief." *Bell Atlantic v. Twombly*, 127 S. Ct. 1955,
19 1959 (2007) (citations omitted). In addition, the pleading must not merely allege conduct that is
20 conceivable, but it must also be plausible. *Id.* at 1974.

21 **2. Claim for Breach of Contract.**

22 In order to state a claim for breach of contract, Jacobsen must allege (1) the existence of
23 a contract; (2) plaintiff's performance or excuse for non-performance; (3) defendants' breach
24 and damage to plaintiff proximately caused from defendants' breach. *See Acoustics, Inc. v.*
25 *Trepte Construction Co.*, 14 Cal. App. 3d 887, 913 (1971) (citing 2 Witkin, Cal. Proc.,
26 Pleading, § 251). Jacobsen has failed to allege a specific harm that was proximately caused by

27 ² Although addressed by the Court at oral argument, for the sake of clarity, Jacobsen's
28 motion for leave to file a sur-reply to Defendants' motion to dismiss for mootness is
DENIED. The sur-reply and all attached declarations and exhibits are HEREBY
STRICKEN from the record. In addition, Jacobsen's motion to strike portions of the
declarations of Matthew Katzer and Kevin Russell is DENIED.

1 the alleged breach of the terms of the Artistic License. The Second Amended Complaint merely
2 states that “[b]y reason of the breach, Plaintiff has been harmed” and seeks “rescission, and
3 disgorgement of the value he conferred on Defendants, plus interest and costs.” (Second
4 Amended Complaint, ¶¶ 491, 492.) The complaint does not state the proximate cause of the
5 alleged damage, nor does it state what the actual damage was incurred by Jacobsen. The
6 Federal Circuit, in its decision on the appeal of this Court’s order denying Jacobsen’s motion
7 for a preliminary injunction, opines that damage to the “creation and distribution of copyrighted
8 works under public licenses” could include injury to reputation and the programmers’
9 recognition in his profession as well as impact on the likelihood that the product will be further
10 improved. *Jacobsen v. Katzer*, 535 F.3d 1373, 1379 (Fed. Cir. 2008) (finding that the lack of
11 money changing hands in open source licensing should not be presumed to mean that there is no
12 economic consideration). The appellate decision enumerates these potential damages which
13 could have been caused by Defendants’ activity in interfering with open source licensing.
14 However, as the claim for breach of contract is currently drafted, there is no indication what, if
15 any, damages Jacobsen claims to have incurred that were the proximate cause of a breach of the
16 Artistic License. For this reason, the allegations for breach of contract fail to state a claim upon
17 which relief can be granted and the claim is dismissed with leave to amend.

18 Although the claim for breach of contract fails to state a claim upon which relief can be
19 granted for failure to state damages proximately caused by the alleged breach, the Court also
20 finds that the state law claim, as drafted, is also preempted by federal copyright law.

21 Section 301 of the Federal Copyright Act provides in pertinent part:

22 all legal or equitable rights that are equivalent to any of the exclusive rights
23 within the general scope of copyright ... are governed exclusively by this title.
24 Thereafter, no person is entitled to any such right or equivalent right in any such
work under the common law or statutes of any State.

25 17 U.S.C. § 301. The federal copyright preemption of overlapping state law claims is “explicit
26 and broad.” *G.S. Rasmussen & Assoc. V. Kalitta Flying Serv.*, 958 F.2d 896, 904 (9th Cir.
27 1992). Section 301 of the Copyright Act establishes a two-part test for preemption. First, the
28 claims must come within the subject matter of copyright, and (2) the rights granted under state
law must be equivalent to any of the exclusive rights within the general scope of copyright as

1 set forth in the Act. *Del Madera Props. v. Rhodes & Gardner*, 820 F.2d 973, 976 (9th Cir.
2 1987). The claim for breach of contract addresses the subject matter that is within the subject
3 matter of the Copyright Act as the claim deals exclusively with the misappropriation of the
4 JMRI Project decoder definition files. (See Second Amended Complaint, ¶¶ 486-492 (alleging
5 that Defendants accepted Plaintiff's offer to permit the use of the Decoder Definition files,
6 subject to the Artistic License, but failed to perform the agreement to honor any of the terms or
7 conditions of the Artistic License).)

8 To satisfy the "equivalent rights" part of the preemption test, Jacobsen's contract claim.
9 which is predicated upon the alleged use of the copyrighted work without abiding by the terms
10 of the Artistic License, must be equivalent to rights within the general scope of copyright. See
11 *Del Madera*, 820 F.2d at 977. In other words, to survive preemption, the state cause of action
12 must protect rights which are qualitatively different from the copyright rights. *Id.* (citing
13 *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 501 F. Supp. 848, 852 (S.D.N.Y. 1980)).
14 The state claim must have an "extra element" which changes the nature of the action. *Id.* (citing
15 *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F. Supp. 1523, 1535 (S.D.N.Y. 1985)).

16 The breach of contract claim does not add an "extra element" which changes the nature
17 of the action or the rights secured under federal copyright protection. The breach of contract
18 claim alleges violations of the exact same exclusive federal rights protected by Section 106 of
19 the Copyright Act, the exclusive right to reproduce, distribute and make derivative copies.

20 Accordingly, the breach of contract claim is preempted by federal copyright law, and is
21 thereby dismissed on this alternate basis with leave to amend. Should Jacobsen wish to amend
22 his complaint, he will not only have to make an allegation of damages proximately caused by
23 the alleged breach of the Artistic License, but will, in addition, have to state a claim that is not
24 preempted by federal copyright law by demonstrating that there are rights or remedies available
25 under the contract claims that are not otherwise available under the copyright claim.

26 **3. Claim Under DMCA.**

27 Jacobsen alleges that the information contained in the JMRI Project Decoder Definition
28 Files constituted "copyright management information" within the meaning of the Digital

1 Millennium Copyright Act and that by removing the information and making copies of the files,
2 Defendants violated 17 U.S.C. § 1201(b), which protects the integrity of copyright management
3 information.

4 Under the statute, the term copyright management information (“CMI”) means “any of
5 the following information conveyed in connection with copies ... of a work ..., including digital
6 form,” including “the name of, and other identifying information about the author of the work,
7 ... the copyright owner of the work, ... [and other] information identifying the work.” 17 U.S.C.
8 § 1202(c). The information Jacobsen contends consists of copyright management information
9 in his complaint is the “author’s name, a title, a reference to the license and where to find the
10 license, a copyright notice, and the copyright owner.” (Second Amended Complaint, ¶ 479.)
11 Jacobsen also alleges that he used a software script to automate adding copyright notices and
12 information regarding the license and uploaded the files on the internet through
13 SourceForge.net, an open source incubator website. (*Id.*, ¶¶ 267, 480.) Jacobsen contends that
14 Defendants downloaded the files and removed the names of the authors and copyright holder,
15 title, reference to license, where to find the license and the copyright notices, and instead,
16 renamed the files and referred to their own copyright notice and named themselves as author
17 and copyright owner. (*Id.*, ¶¶ 271-76; 289-291.)

18 Although the law on the definition and application in practice of the term CMI is scant,
19 the Court finds that it would be premature to dismiss the claim on the facts as alleged. *See*
20 *Electrical Construction & Maintenance Co. v. Maeda Pacific Corp.*, 764 F.2d 619, 623 (9th
21 Cir. 1985) (“The court should be especially reluctant to dismiss on the basis of the pleadings
22 when the asserted theory of liability is novel ..., since it is important that new legal theories be
23 explored and assayed in the light of actual facts.”). In *IQ Group v. Wiesner Publishing, Inc.*,
24 the court, at the summary judgment stage, determined after a lengthy review of the legislative
25 history of the DMCA that the statute should be construed to protect CMI performed by the
26 technological measures of automated systems. 400 F. Supp. 2d 587, 597 (D. N.J. 2006). In
27 *McClatchey v. The Associated Press*, because the plaintiff had used a computer software
28 program to print her title, name and copyright notice on copies of her photograph, the district

1 court determined that this technological process came within the term CMI as defined in section
2 1202(c). 2007 WL 776103, *5 (W.D. Pa. March 9, 2007).

3 Based on the allegations in the complaint, the Court finds that there has been some
4 technological process engaged to protect the author's name, a title, a reference to the license
5 and where to find the license, a copyright notice, and the copyright owner of Jacobsen's work.
6 Therefore, without further discovery, the Court finds that it would be inappropriate to dismiss
7 the cause of action for violation of the DMCA.

8 **4. Motion to Strike Attorneys' Fees Prayer for Relief.**

9 Federal Rule of Civil Procedure 12(f) provides that a court may "order stricken from any
10 pleading any insufficient defense or any redundant, immaterial, impertinent, or scandalous
11 matter." Immaterial matter "is that which has no essential or important relationship to the claim
12 for relief or the defenses being pleaded." *California Dept. of Toxic Substance Control v. ALCO*
13 *Pacific, Inc.*, 217 F. Supp. 2d 1028, 1032 (C.D. Cal. 2002) (internal citations and quotations
14 omitted). Impertinent material "consists of statements that do not pertain, or are not necessary
15 to the issues in question." *Id.* Motions to strike are regarded with disfavor because they are
16 often used as delaying tactics and because of the limited importance of pleadings in federal
17 practice. *Colaprico v. Sun Microsystems Inc.*, 758 F. Supp 1335, 1339 (N.D. Cal. 1991). The
18 possibility that issues will be unnecessarily complicated or that superfluous pleadings will cause
19 the trier of fact to draw unwarranted inferences at trial is the type of prejudice that is sufficient
20 to support the granting of a motion to strike. *Cal. Dept. of Toxic Substances Control*, 217 F.
21 Supp. at 1028. Under Rule 12(f), courts have authority to strike a prayer for relief seeking
22 damages that are not recoverable as a matter of law. *Wells v. Board of Trustees of the Cal. State*
23 *Univ.*, 393 F. Supp. 2d 990, 994-95 (N.D. Cal. 2005); *Arcilla v. Adidas Promotional Retail*
24 *Operations, Inc.*, 488 F. Supp. 2d 965, 968 (C.D. Cal. 2007) (citing *Tapley v. Lockwood Green*
25 *Engineers, Inc.*, 502 F.2d 559, 560 (8th Cir. 1974)).

26 Defendants contend that Jacobsen is not entitled to seek damages under 17 U.S.C. §§
27 504 and 505 because Jacobsen registered the copyright on June 13, 2006 after the alleged
28 infringement occurred. However, because there are allegations that the alleged infringement

1 occurred earlier and because the allegations of infringement may not be complete, the Court
2 finds it would be premature to dismiss the claims for damages at this time. (*See, e.g.*, Second
3 Amended Complaint, ¶ 266.) Although the allegations in the complaint as to the timing of the
4 alleged instances of infringement constitute a compelling statement of the dates of alleged
5 infringement, the Court finds that, by virtue of discovery, Jacobsen may find additional
6 instances of infringement and therefore, Defendants' motion to strike is premature.

7 **C. Jacobsen's Motion for Preliminary Injunction on Copyright Claim.**

8 **1. Legal Standard.**

9 Plaintiff moves for preliminary injunction, seeking a court order enjoining Defendants
10 from willfully infringing Plaintiff's copyrighted material. A plaintiff is entitled to a preliminary
11 injunction when it can demonstrate either: (1) a combination of probable success on the merits
12 and the possibility of irreparable injury, or (2) the existence of serious questions going to the
13 merits, where the balance of hardships tips sharply in plaintiff's favor. *GoTo.com, Inc. v. Walt*
14 *Disney Co.*, 202 F.3d 1199, 1204-05 (9th Cir. 2000). To establish copyright infringement, a
15 plaintiff must show (1) ownership of the copyrights, and (2) copying of the protected expression
16 by Defendants. *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1109 (9th Cir.
17 1999).

18 Initially, when this matter was before the Court on a motion for preliminary injunction,
19 federal copyright law provided that a plaintiff who demonstrates a likelihood of success on the
20 merits of a copyright claim was automatically entitled to a presumption of irreparable harm. *Id.*
21 at 1119 (citing *Cadence Design Systems v. Avant! Corp.*, 125 F.3d 824, 826-27 (9th Cir. 1997)).
22 "That presumption means that the balance of hardships issue cannot be accorded significant – if
23 any – weight in determining whether a court should enter a preliminary injunction to prevent
24 the use of infringing material in cases where ... the plaintiff has made a strong showing of likely
25 success on the merits." *Sun*, 188 F.3d at 1119 (citing *Cadence*, 125 F.3d at 830 (internal
26 quotations omitted)).

27 However, because of the passage of time, the governing law has changed. Now, a
28 plaintiff is not granted the presumption of irreparable harm upon a showing of likelihood of

1 success on the merits. Instead, a plaintiff seeking a preliminary injunction must establish that
2 he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of
3 preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the
4 public interest. *Winter v. Natural Resources Defense Council*, 129 S. Ct. 365, 374 (2008)
5 (citations omitted). In this recent case, the Supreme Court found that the Ninth Circuit's
6 standard of the likelihood of irreparable injury was too lenient and held that a plaintiff must
7 demonstrate that irreparable injury is "likely in the absence of an injunction." *Id.* at 375.
8 "Issuing a preliminary injunction based only a possibility of irreparable harm is inconsistent
9 with our characterization of injunctive relief as an extraordinary remedy that may only be
10 awarded upon a clear showing that the plaintiff is entitled to such relief." *Id.* at 375-76 (citing
11 *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997) (*per curiam*)). Because a preliminary
12 injunction is an extraordinary remedy, "[i]n each case, courts 'must balance the competing
13 claims of injury and must consider the effect on each party of the granting or withholding of the
14 requested relief.' *Id.* at 376 (citing *Amoco Production Co. v. Gambell*, 480 U.S. 531, 542
15 (1987)). "In exercising their sound discretion, courts of equity should pay particular regard for
16 the public consequences in employing the extraordinary remedy of injunction." *Id.* at 376-77
17 (citing *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982)).

18 2. Procedural History.

19 Plaintiff appealed this Court's denial of his original motion for preliminary injunction on
20 the issue of copyright infringement. The Federal Circuit court found that this Court had erred in
21 its legal finding that a copyright holder of work open and available to the public free of charge
22 under an "open source" nonexclusive copyright license may not control future distribution and
23 modification of such work under federal copyright law, but may only pursue remedies under a
24 breach of contract theory. The Federal Circuit court found that Jacobsen may maintain a cause
25 of action for trademark infringement based on the facts alleged in the complaint. In its decision,
26 the appellate court found that copyright holders who engage in open source licensing have the
27 right to control the modification and distribution of copyrighted material and that the Artistic
28 License present on the JMRI Project website governed Jacobsen's copyrighted material and

1 required that any downstream user follow the restrictive terms of the license. Because the
2 Federal Circuit found that this Court had erred in its legal finding, and, having found that the
3 terms of the Artistic License are enforceable copyright conditions, the court vacated the denial
4 of a preliminary injunction and remanded "to enable the District Court to determine whether
5 Jacobsen has demonstrated (1) a likelihood of success on the merits and either a presumption of
6 irreparable harm or a demonstration of irreparable harm; or (2) a fair chance of success on the
7 merits and a clear disparity in the relative hardships and tipping in his favor." *Jacobsen v.*
8 *Katzer*, 535 F.3d at 1382-83.

9 The Federal Circuit was faced with an incomplete record and only the allegations in the
10 complaint, and made its determination as a matter of legal interpretation. The appellate court
11 did not make a finding that Jacobsen is entitled to a preliminary injunction on the allegations of
12 his complaint. It only found that this Court erred in finding that a cause of action for trademark
13 infringement could not lie. This Court is again faced with a perfunctory record and is bound by
14 the legal finding of the appellate decision. However, in the intervening time, the Supreme
15 Court precedent governing the standard to be applied in deciding whether the extraordinary
16 remedy of a preliminary injunction is appropriate has changed. This Court is bound by such
17 intervening authority. In order to grant Jacobsen a preliminary injunction, the Court must find,
18 based on the entire record, that Jacobsen is likely to succeed on the merits, that he is likely to
19 suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in
20 his favor, and that an injunction is in the public interest. *Winter*, 129 S. Ct. at 374.

21 **3. Jacobsen Fails to Meet Heightened Burden of Demonstrating Harm.**

22 In its opinion, the Federal Circuit found that in the open source field, there are potential
23 harms to copyright holders, although they may not be exclusively monetary. The court found
24 that the

25 lack of money changing hands in open source licensing should not be presumed
26 to mean that there is no economic consideration, however. There are substantial
27 benefits, including economic benefits, to the creation and distribution of
28 copyrighted works under public licenses that range far beyond traditional license
royalties. For example, program creators may generate market share for their
programs by providing certain components free of charge. Similarly, a
programmer or company may increase its international reputation by incubating

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open source projects. Improvement to a product can come rapidly and free of charge from an expert not even known to the copyright holder.

Jacobsen v. Katzer, 535 F.3d at 1379. On this basis, the court found that there could indeed be harm based exclusively on a copyright infringement theory.

However, the Federal Circuit did not find, based on the record of this case, that there was indeed either actual, current infringement or that there was a likelihood of irreparable harm that tipped the balance of equities in Jacobsen's favor. The Federal Circuit court's list of potential harms that a copyright holder may face in the open source field are just that – *potential* harms. There is no showing on the record before this Court that Jacobsen has actually suffered *any* of these potential harms. The standard under *Winter* requires that Jacobsen demonstrate, by the introduction of admissible evidence and with a clear likelihood of success that the harm is real, imminent and significant, not just speculative or potential. 129 S. Ct. at 374. Jacobsen has failed to proffer any evidence of any specific and actual harm suffered as a result of the alleged copyright infringement and he has failed to demonstrate that there is any continuing or ongoing conduct that indicates future harm is imminent.³ Because Jacobsen fails to meet the burden of presenting evidence of actual injury to support his claims of irreparable injury and speculative losses, the Court cannot, on this record, grant a preliminary injunction. *See Goldie's Bookstore, Inc. v. Superior Court*, 739 F.2d 466, 472 (9th Cir. 1984) (holding that speculative harm is insufficient to establish irreparable harm).

³ Although Jacobsen makes legal arguments regarding the alleged harm he may suffer, for instance delays and inefficiency in development and time lost in the open source development cycle, he has failed to put forward any *evidence* of such harms. Jacobsen has failed to proffer evidence of harm suffered or any evidence of a real or immediate threat of imminent harm in the future. The Court also finds that Jacobsen has failed to identify with the requisite particularity the extent of his copyright ownership over the disputed underlying material. The JMRI Project Decoder Definition Files incorporate many manufacturers' specifications data as well as rights to specific terms whose copyright is owned by Defendants. Even if Jacobsen's heavy burden to warrant injunctive relief had been met, it is unclear how the Court would fashion an injunction which would be narrowly tailored to enjoin only those allegedly infringing uses of Jacobsen's copyrighted content.

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CONCLUSION

For the foregoing reasons, the Court GRANTS Defendants' motion to dismiss for mootness; GRANTS IN PART AND DENIES IN PART Defendants' motion to dismiss for failure to state a claim; DENIES the motion to strike; and DENIES Jacobsen's motion for preliminary injunction. Jacobsen may file an amended complaint within twenty days of the date of this Order. If Jacobsen does not file a third amended complaint, Defendants shall file an answer within twenty days of the deadline to file the amended complaint. If Jacobsen elects to file a third amended complaint in accordance with this Order, Defendants shall either file an answer or move to dismiss within twenty days of service of the third amended complaint.

IT IS SO ORDERED.

Dated: January 5, 2009



JEFFREY S. WHITE
UNITED STATES DISTRICT JUDGE