

In The
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 APPELLEES

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Dated: January 29, 2008

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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Jacobsen

v. Katzer

OCT 12 2007

No. 2008-1001

United States Court of Appeals
For The Federal Circuit

CERTIFICATE OF INTEREST

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

R. Scott Jerger 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:

Matthew Katzer; Kamind Associates, Inc. dba KAM Industries

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

N/A

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

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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:

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I. Statement of Related Cases

There are no related cases.

II. Statement of the Issues

- Did the District Court err in finding that Jacobsen has chosen to distribute his Decoder Definition files by granting the public a nonexclusive license to use, distribute and copy the files?
- Did the District Court err in finding that the scope of the license is unlimited?

III. Statement of the Case

In October 2006, Plaintiff-Appellant Robert Jacobsen (Jacobsen) moved for a preliminary injunction based on his claim for copyright infringement in the underlying complaint. On August 17, 2007, the District Court denied Jacobsen's motion for a preliminary injunction. Under Ninth Circuit law, a plaintiff is entitled to a preliminary injunction if she can demonstrate either: (1) a combination of probable success on the merits and the possibility of irreparable injury, or (2) the existence of serious questions going to the merits, where the balance of hardships tips sharply in plaintiff's favor. *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1204-1205 (9th Cir. 2000). Under federal copyright law, a plaintiff who demonstrates a likelihood of success on the merits of a copyright claim is entitled to a presumption of irreparable harm. *Sun Microsystems, Inc. v. Microsoft Corp.*,

188 F.3d 1115, 1119 (9th Cir. 1999) (citing *Cadence Design Systems v. Avant! Corp.*, 125 F.3d 824, 826-27 (9th Cir. 1997)). The District Court found that Jacobsen's claim sounds in contract and not copyright. A11. Therefore, the District Court found that Jacobsen is not entitled to the presumption of irreparable harm and Jacobsen failed to show either probable success on the merits or serious questions going to the merits. A11. Based on this finding, the District Court denied the motion for a preliminary injunction. A11.

IV. Statement of the Facts

Plaintiff-Appellant Robert G. Jacobsen's (Jacobsen) Brief's (Appellant's Brief) "Statement of the Facts" consists primarily of Jacobsen's unsupported allegations contained in either his pleadings or in declarations submitted to the District Court. Defendant-Appellees Matthew Katzer and Kamind Associates, Inc (hereinafter collectively referred to as "Katzer"), at this time, have not had the opportunity to respond to these allegations. The District Court has not yet made findings on many of these issues.

The following are the relevant findings of fact that were made by the District Court in its ruling denying the motion for a preliminary injunction: (1) Jacobsen's decoder definition files are subject to an open source software license that permits potential licensees, members of the public who have access to the files on the internet, to make copies, distribute and create derivative works of the software,

provided the licensees give proper credit to the Java Model Railroad Initiative (JMRI) Project original creators (A9); (2) Jacobsen has chosen to distribute his decoder definition files by granting the public a nonexclusive license to use, distribute and copy the files (A10); (3) the nonexclusive license is subject to various conditions, including the licensee's proper attribution of the source of the subject files (A10); (4) the JMRI project license provides that a user may copy the files verbatim or may otherwise modify the material in any way, including as part of a larger, possibly commercial software distribution (A10-A11); (5) the scope of the license is intentionally broad (A11); and (6) the condition that the user insert a prominent notice of attribution does not limit the scope of the license (A11).

Katzer responds to Jacobsen's characterization of this dispute in his Statement of Facts and Summary of the Argument by submitting the following. Katzer is Chief Executive Officer of Kamind Associates, Inc. dba KAM Industries. A326. Katzer provides software to the model train industry. *See* A149-A180. This software consists of programs which are used to operate and program model trains. *Id.*, A36. Katzer has been active in the National Model Railroad Association since the late 1980s, a group that works together to develop guidelines and standards for the hobby. A38.

At issue in this appeal is Katzer's Decoder Commander software suite which previously contained information originally found in Jacobsen's Decoder

Definition files. A327-A332.¹ The Decoder Definition files are distributed to the general public free of charge over the internet via a license entitled the "Artistic License." A38, A370.

In June 2004, Katzer bought prototype software which would become Decoder Commander from Robert Bouwens. A327. In the software development phase, Bouwens downloaded the JMRI open source decoder definition files in early 2005. A328. Bouwens then created a tool, called the template verifier, to extract the manufacturer specifications data from the decoder definition files. *Id.* Manufacturer specifications data allow a personal computer running a software program to program a computer microchip (decoder) in a model train engine. *Id.* This data is comparable to a spreadsheet of data of manufacturer information which is used by the different computer programs to aid in programming the decoders produced by a variety of different manufacturers. *Id.*

Jacobsen's Decoder Definition files are not themselves foundational works, but rather build on an effort to construct a master, uniform spreadsheet of manufacturer specifications data to aid in programming decoders from different manufacturers. A329. For example, the manufacturer specifications in Jacobsen's decoder definition files include data initially created by different manufacturers and data created by the National Model Railroad Association. *Id.*

¹ Katzer has sold approximately 65 copies of Decoder Commander, with total gross sales of approximately \$1200.

Katzer incorporated the manufacturer specification data from the decoder definition files, along with other manufacturer specifications data (such as National Model Railroad Association specifications data) into the decoder data template files offered in the Decoder Commander software suite. *Id.* The remaining software in the suite consists of the application files which are separate and apart from the decoder template files. *Id.* Decoder Commander incorporated the manufacturer specification data from the JMRI decoder definition files in its product in an effort promote the idea of a national standard for manufacturer specifications data. *Id.* The fact that JMRI was not “given credit” in the decoder template files results from the fact that the JMRI credit information was contained in the comment fields of the Decoder Definition file code. *Id.* The template verifier, which extracted the manufacturer specifications data, was not designed to extract any information other than data fields. *Id.*

Upon learning of Jacobsen’s allegations, Katzer, in an abundance of caution, immediately removed and recalled all allegedly infringing product from the market in response to, and in compliance with, Jacobsen’s cease and desist letter and Jacobsen’s amended complaint. A330-332. Finally, Katzer’s template verifier tool, the tool that Jacobsen alleges allows others to make unauthorized copies of Jacobsen’s copyrighted works, is not contained in and does not function with any version of Decoder Commander since the recall. A331. This tool has not been

available on Katzer's website since May 2006. *Id.* Jacobsen contends in his Appellant's Brief, without support, that Katzer is still infringing on his copyright. Appellant's Brief at 13. These extra-record allegations are unsupported by any evidence. Decoder Commander presently looks to an entirely new database for manufacturer's specification data. A332. JMRI decoder definition data was not used in any way to construct this database. *Id.* Katzer is presently in compliance with the terms of the Artistic License and Jacobsen's requested remedy. *See* Appellant's Brief at 14-15.

V. Summary of the Argument

A copyright owner who grants a license to use his copyrighted material waives his right to sue the licensee for copyright infringement and can only sue for breach of contract. If, however, the license is limited in scope, the licensor can bring an action for copyright infringement if the activity complained of is beyond the scope of the license.

Here, the District Court correctly found that (1) Katzer used Jacobsen's open source Decoder Definition files pursuant to the Artistic License and (2) that Katzer's allegedly infringing conduct did not exceed the scope of this license as it is unlimited in scope. Therefore, the District Court correctly concluded that any claim Jacobsen has against Katzer sounds in contract and not in copyright.

There is no dispute that Jacobsen granted a nonexclusive license to the general public, including Katzer, for the use, modification and distribution of the Decoder Definition files. The only issue on this appeal is whether Katzer exceeded the scope of this license.

Katzer did not exceed the scope of this license as Jacobsen has not retained any underlying copyright rights in the Decoder Definition files. Therefore, the scope is unlimited. There are no conditions precedent to the formation of the license agreement between Jacobsen and Katzer and Jacobsen has not rescinded the license at this time. Therefore, the District Court's findings and conclusions are sound and should be affirmed in their entirety.

VI. Argument

A. Standard of Review

Katzer agrees with Jacobsen that this court looks to the interpretive law of the regional circuit, here the Ninth Circuit. *Hutchins v. Zoll Med. Corp.*, 492 F.3d 1377, 1383 (Fed. Cir. 2007) (citing *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1438-40 (Fed. Cir. 1984) (*en banc*) (for issues not exclusively assigned to the Federal Circuit, to avoid inconsistency and forum shopping we apply the law of the regional circuit in which the case was tried). To expand on the standard of review in Jacobsen's brief, Katzer submits the following.

An order granting or denying the injunction will be reversed only if the district court relied on an erroneous legal premise or abused its discretion. *Wright v. Rushen*, 642 F.2d 1129, 1132 (9th Cir 1981). Unless the district court's decision relies on erroneous legal premises, it will not be reversed simply because the appellate court would have arrived at a different result if it had applied the law to the facts of the case. *Sports Form, Inc. v. United Press Int'l, Inc.*, 686 F.2d 750, 753 (9th Cir. 1982). Rather, a reviewing court is not empowered to substitute its judgment for that of the district court and can reverse only if the district court abused its discretion. *Miss Universe, Inc. v. Flesher*, 605 F.2d 1130, 1133 & n.8 (9th Cir. 1979). "Review of an order granting or denying a preliminary injunction is therefore much more limited than review of an order involving a permanent injunction where all conclusions of law are freely reviewable." *Sports Form, Inc.*, 686 F.2d at 753.

A district court's order denying a preliminary injunction is only reversible for factual error when the district court rests its conclusions on clearly erroneous findings of fact. *Id.* (citing *Buchanan v. United States Postal Service*, 508 F.2d 259, 267 N.24 (5th Cir. 1975). A finding of fact is clearly erroneous when "the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." *United States v. United States Gypsum Co.*, 333 U.S. 364, 395, 68 S. Ct. 525, 542, 92 L. Ed. 746 (1948).

A District Court must set forth findings of fact and conclusions of law supporting an order denying a preliminary injunction. *See* Fed. R. Civ. P. 52(a). This Court may “remand for further findings of fact and conclusions of law where a district court’s findings and conclusions...are not sufficient to permit meaningful review.” *Fed. Trade Comm’n v. Enforma Natural Products, Inc.*, 362 F.3d 1204, 1212 (9th Cir. 2004).

B. Introduction

The issue is a very narrow one: whether Katzer’s alleged breach of the Artistic License creates liability for copyright infringement where it otherwise does not exist. Federal copyright law grants the copyright owner the exclusive right to reproduce, distribute, and prepare derivative works of the underlying copyrighted material. 17 U.S.C. § 106. Anyone who violates the copyright owner’s exclusive rights is subject to liability for copyright infringement. 17 U.S.C. § 501.

In the Artistic License at issue, Jacobsen unconditionally conveyed all of his exclusive copyright rights to the general public. *See* A370. He did not retain any underlying copyright rights. The Artistic License explicitly gives any member of the public “the right to use and distribute the [material] in a more-or-less customary fashion plus the right to make reasonable modifications.” A370. While the license does have terms, these terms are covenants meant to control the public’s modification and distribution of the decoder definition files, and require,

for the most part, that if the public distributes the decoder definition files that they must give credit and attribution to the JMRI group. A370. Under no circumstance do these terms create copyright liability where it otherwise doesn't exist. As the Artistic License states, the conditions are meant help the copyright holder maintain "some semblance of control over the development of the package." A370.

The District Court correctly found that Jacobsen has waived his right to sue in copyright by distributing the Decoder Definition files, via the Artistic License, to the general public, including Katzer, free of charge. A11. The District Court also correctly found that Katzer's allegedly infringing activity did not exceed the scope of this license. *Id.* A copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement and can only sue for breach of contract. *Sun Microsystems, Inc.*, 188 F.3d at 1121 (9th Cir. 1999) (citing *Graham v. James*, 144 F.3d 229, 236 (2d Cir. 1998)); *I.A.E., Inc. v. Shaver*, 74 F.2d 768, 775 (7th Cir. 1996).

C. Jacobsen bears the burden of showing copyright infringement and he has failed to do so

Jacobsen first contends that he has made a *prima facie* case for copyright infringement and that Katzer's "defense" of licensure fails. Appellant's Brief at 18, 24-28. This statement is erroneous in both respects. First, Jacobsen has not made a *prima facie* case for copyright infringement. Katzer agrees with Jacobsen that Jacobsen must show that (1) he is the owner or assignee of a copyright and (2)

that Katzer infringed one of his exclusive copyright rights in order to make a *prima facie* case of copyright infringement. Appellant's Brief at 18. Katzer concedes, for the purposes of this appeal, that Jacobsen is the owner or assignee of the copyright, and that Katzer downloaded, modified and distributed the Decoder Definition files. However, Jacobsen has failed to show that Katzer has infringed one of Jacobsen's exclusive copyright rights.

As a threshold matter, Jacobsen's attempt to use federal copyright law to enforce that terms of the Artistic License that require that the JMRI group receive credit or attribution in derivative works (A9, A370) is misplaced. Copyright law, as it is presently written, does not recognize a cause of action for non-economic rights. *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 20-21 (2d Cir. 1976) ("American copyright law, as presently written, does not recognize moral rights or provide a cause of action for their violation, since the law seeks to vindicate the economic, rather than the personal rights of authors."). Failure to credit the JMRI project with the copyright on the Decoder Definition files, does not give rise to copyright infringement. *Graham v. James*, 144 F.3d 229, 236 (2d Cir. 1998). ("According to Nimmer, 'the general prevailing view in this country under copyright law has been that an author who seeks or licenses her work does not have an inherent right to be credited as author of the work. In line with that general rule, it has been held not to infringe an author's copyright for one who is

licensed to reproduce the work to omit the author's name.' 3 Nimmer on Copyright, § 8D.03[A][1], at 8D-32."'). Copyright law does not contain the relief Jacobsen seeks.

Additionally, Jacobsen has not retained any of the exclusive rights to the Decoder Definition files to enforce. As the District Court found, Jacobsen has chosen to distribute the Decoder Definition files "by granting the public a nonexclusive license to use, distribute and copy the files." A9. Jacobsen has retained none of the underlying copyright rights. The effect of this nonexclusive license to the public, as the District Court held, is that Jacobsen has waived his rights to sue a licensee in copyright. A9-A11, *Sun Microsystems, Inc.*, 188 F.3d at 1121. Therefore, Jacobsen has not, and cannot, make a *prima facie* case for copyright infringement.

Second, it is important to note that Jacobsen has mischaracterized the burden of persuasion in this matter by characterizing Katzer's position as a "defense." *See* Appellant's Brief at 2, 24-27. Possession of a license by an accused infringer has traditionally been characterized as a matter of affirmative defense. *See, e.g.* Nimmer on Copyright § 13.01. However, in cases involving this "defense of license," the issue is always whether a license exists to protect the accused infringer. *See, e.g. CMS Software Design Sys., Inc. v. Info Designs, Inc.*, 785 F.2d 1246, 1247 (5th Cir. 1986). Since in such cases the evidence of a license is readily

available to the alleged licensee, it makes sense to put the burden of coming forward with the license on the licensee. *See Bourne v. Walt Disney Co.*, 68 F.3d 621, 631 (2d Cir. 1995) (citing *United States v. Larracuenta*, 952 F.2d 672, 674 (2d Cir. 1992)). Here, however, there is no dispute as to the existence of the Artistic License. The District Court found that the Decoder Definition Files are subject to the Artistic License. A9. Jacobsen does not contest this, but rather affirms this finding. Appellant's Brief at 8. Jacobsen has attached the Artistic License as Exhibit C to his Brief. For purposes of this appeal, Katzer concedes that the Artistic License governs the Decoder Definition Files and that the terms of the license are accurately reflected in Addendum C to Appellant's Brief and A370.

Where the *existence* of the license is not questioned, the issue becomes the *scope* of the license. In cases where only the scope of the license is at issue, Jacobsen, as the copyright owner, bears the burden of proving that Katzer's allegedly infringing acts were not authorized under the license. *Bourne*, 68 F.3d at 631; *S.O.S. Inc. v. Payday, Inc.*, 886 F.2d 1081, 1085 (9th Cir. 1989); *Netbula, LLC, v. Bindview Dev. Corp.*, 516 F. Supp. 2d 1137, 1151 (N.D. Cal. 2007). Jacobsen's argument resembles the same argument considered, and rejected, in *Bourne*. There, the copyright holder argued that the accused infringer (Disney) had the burden of proving that its use was licensed. The Second Circuit observed that there was no dispute that Disney had received various licenses to copyrighted

material and concluded that where the scope of the license, and not its existence, is the issue, "the copyright owner bears the burden of proving that defendant's copying was unauthorized." *Id.*

"Copyright disputes involving only the scope of the alleged infringer's license present the court with a question that essentially is one of contract: whether the parties' license agreement encompasses the alleged infringer's activities. Just as in an ordinary contract action, the party claiming the breach carries the burden of persuasion." *Bourne* at 631, (citing *Gorden v. Leonetti*, 324 F.2d 491, 492 (2d Cir. 1963). Thus, Jacobsen has the burden of proving that Katzer's allegedly infringing activity exceeded the scope of the Artistic License.

D. Jacobsen's Reliance on *SOS, Inc. v. Payday, Inc.* is misplaced

Jacobsen argues throughout his brief that the District Court erred by misconstruing *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989) which requires "narrow interpretation" of copyright licenses. *See, e.g.* Appellant's Brief at 2, 21. *S.O.S.* does not hold that copyright licenses are to be "interpreted narrowly." Rather, *S.O.S.* holds that the California rule of contract interpretation that a contract should be interpreted against the drafter is inapplicable to the extent that this rule is contrary to federal copyright policy. *S.O.S., Inc.*, 886 F.2d at 1088. In that case, the District Court construed the contract against the drafter (*S.O.S.*), thereby deeming *S.O.S.* to have granted to Payday any right which it did not

expressly retain. *Id.* The Court of Appeals held that this result was contrary to the federal copyright policy that copyright licenses are assumed to prohibit any use not authorized. *Id.* Therefore, the District Court erred in resorting to the California rule of contract interpretation to the extent it conflicted with federal copyright policy.

Here, the District Court did not interpret the Artistic License, much less interpret it “broadly.” Rather, the District Court held that the Artistic License unambiguously gives any member of the public “the right to use and distribute the [material] in a more-or-less customary fashion, plus the right to make reasonable accommodations.” A11. Based on this explicit, unambiguous language, the District Court held that the Artistic license was “intentionally broad.” *Id.* The finding by the District Court that the Artistic License is “intentionally broad” describes the unambiguous scope of the license grant, and has nothing to do with contract interpretation. The District Court, since the language of the Artistic License is unambiguous, was not called on to interpret the Artistic License in its Order and the District Court did not resort to California (or any other) rules of interpretation other than viewing the Artistic License according to its plain and unambiguous terms. Thus, the proposition in *S.O.S.* is irrelevant to the case at bar. Even assuming the District Court did resort to other rules interpretation, Jacobsen

has failed to allege any federal copyright policy which conflicts with this interpretation.

E. The District Court correctly found that the public (including Katzer) held a license (in the form of the Artistic License) to use, modify and distribute the Decoder Definition Files.

Although the argument in Appellant's Brief is extremely confused and not particularly lucid, Jacobsen seems to take issue with the District Court's finding that Katzer (like the public in general) received a license (the Artistic License) to the copyrighted Decoder Definition files. The District Court found that the Decoder Definition files are distributed to the public subject to the Artistic License.

A9. As discussed *supra*, Jacobsen does not take issue with this, but rather affirms this finding. Appellant's Brief at 8, A38. Jacobsen has even attached the Artistic License as Exhibit C to his Brief. The issue, then, is not whether a license *existed* for the copyrighted material, but whether Katzer's allegedly infringing activities are within the *scope* of the license. In other words, all of Jacobsen's arguments relating to whether Katzer "had a license to copy, modify, and distribute Jacobsen's copyrighted material" (Statement of the Issues at 2) are just different ways to argue that Katzer exceeded the scope of the Artistic License.

Notwithstanding Jacobsen's confused discussion of unilateral contracts, bilateral contracts, implied licenses, "licenses to the world" and "bare" licenses in his Appellant's Brief, the issue at hand is fairly simple. The issue is whether

Katzer took the Decoder Definition files pursuant to a license. Jacobsen concedes the existence of the license, the only issue is whether Katzer exceeded its scope. A copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement and can only sue for breach of contract. *Sun Microsystems, Inc.*, 188 F.3d at 1121-1122. However, if a license is limited in scope, and the licensee acts outside the scope of the license, the licensor can bring an action for copyright infringement. *Id.*; see also *Gilliam*, 538 F.2d at 20-21; *S.O.S., Inc.*, 886 F.2d at 1088.

F. The District Court correctly found that Katzer did not exceed the scope of the license

Katzer submits that the District Court's findings that (1) the license is unlimited in scope and (2) that a breach of any term of the license, while possibly creating a breach of contract cause of action, does not create liability for copyright where it otherwise would not exist are not clearly erroneous and should be upheld. A11. Jacobsen makes three arguments relating to the issue of whether Katzer's alleged infringing acts are covered by the Artistic License. See Appellant's Brief at 2 (Statement of the Issues), 30-35. These arguments are: (1) that Katzer failed to perform a condition precedent to the grant of the license; (2) that Katzer exceeded the scope of the license; and (3) that Katzer breached the license in such a way as to justify rescission. Katzer will address each of these in turn.

1.) The terms are not conditions precedent to the formation of the contract

As Nimmer frames the issue:

[Generally], if the [licensee's] improper conduct constitutes a breach of a covenant undertaken by the [licensee]..and if such covenant constitutes an enforceable contractual obligation, then the [licensor] will have a cause of action for breach of contract and not copyright infringement. [However], if the nature of a licensee's violation consists of a failure to satisfy a condition to the license (as distinguished from a breach of a covenant), it follows that the rights dependant upon satisfaction of such condition have not been effectively licensed and therefore any use by the licensee is without authority from the licensor and may therefore constitute an infringement of copyright. 3 Melville Nimmer, *Nimmer on Copyright* § 10.15 [A], at 10-113 (1991).

Jacobsen argues that the language of the Artistic License creates a condition “which a user of the files must meet when gaining the permissions listed in the Artistic License. If the conditions are not met, then the user does not have permission to use JMRI’s Decoder Definitions.” Appellant’s Brief at 32. This statement is inaccurate. First, the “conditions” do not relate in any way to the “use” of the Decoder Definition files. Rather, the “conditions” only limit the modification and distribution of the Decoder Definition files. A370.

More importantly, while Katzer agrees that the “conditions” to distribution and modification use the phraseology associated with a “condition precedent” (*i.e.* “provided, that”) Katzer disagrees that this language creates a condition precedent to contract *formation*. This language alone does not establish that the parties

intended a condition. *Grand Union Co. v. Cord Meyer Dev. Co.*, 761 F.2d 141, 147 (2d Cir. 1985). A true condition precedent is "any fact or event which qualifies a duty to perform." *Costello Publ'g Co. v. Rotelle*, 216 U.S. App. D.C. 216, 670 F.2d 1035, 1045 n.15 (D.C. Cir. 1981) (citing Corbin, *Conditions in the Law of Contract*, 28 Yale L.J. 739 (1919)). The Artistic License contains no conditions precedent to formation of the license agreement. Jacobsen has unconditionally and unqualifiedly granted the public a license to the Decoder Definition files. As stated in the preamble, all of the conditions relate to "maintain[ing] some semblance of artistic control over the development of the package." A370. The limitations in the artistic license restrict the modification and distribution of the Decoder Definition files and are thus not conditions precedent to the *granting* of the license.

The District Court for the Southern District of New York held similarly on facts much like those at issue here. In *Considine v. Penguin U.S.A.*, 1992 U.S. Dist. LEXIS 10570, 24 USPQ2d 1947 (BNA) 1947 (S.D.N.Y. 1992), Considine, an author, sued his publisher, Penguin, when Penguin proposed to publish an excerpt of his book in a magazine article. Considine alleged obtaining his approval was a condition precedent to the grant of the license and, therefore, the publication of the article without his approval resulted in copyright infringement. The Court found that Considine had "unconditionally" granted to his publisher all copyright

rights in the book and that the phrase restricting the publisher's use of the material as a "covenant to restrict the publisher's use of the [material], and cannot place a condition on the granting of the exclusive license." *Considine v. Penguin U.S.A.*, 1992 U.S. Dist. LEXIS 10570 at *7. Here, as in *Considine*, Jacobsen has unconditionally granted his copyright rights to the Decoder Definition files to the general public via the Artistic License. There is no condition in the license that reverts any copyright rights back to Jacobsen if it is not met. These conditions are really covenants within the scope of the copyright license and their breach cannot lead to copyright infringement.

Additionally, at least one court has held that attribution requirements such as the one in the Artistic License are to be considered covenants, not conditions. In *Graham v. James*, 144 F.3d 229 (2d Cir. 1998), cited in the *Sun Microsystems* case, the Second Circuit held that author attribution was a covenant since the attribution obligation was a contractual obligation that was to be performed only after the licensee had received the copyrighted materials. In *Graham*, Graham and James orally agreed to the licensing agreement. James then turned over his copyrighted materials for use before any royalties were paid. The Second Circuit held, *inter alia*, that contract obligations that are to be performed after partial performance by the other party are not treated as conditions. *Id.* at 236 (citing *Jacob Maxwell, Inc. v. Veeck*, 110 F.3d 749, 754 (11th Cir. 1997) (holding that

payment of royalties and crediting of author were covenants because “[the composer] expressly granted [the licensee] permission to play the song before payment was tendered or recognition received”)); *see also I.A.E., Inc.*, 74 F.3d at 778 (holding that full payment was not a condition precedent when the licensee received the copyrighted drawings after tendering only half the required payment).

Here, similarly, the general public received the Decoder Definition files pursuant to the Artistic License. Subsequent to the receipt of the files, the Artistic License attempts to impose restrictions on the distribution and modification of the files. Since these restrictions are only imposed on the general public subsequent to full performance by Jacobsen, they are not conditions precedent to the formation of a contract but rather covenants.

2.) Katzer did not exceed the scope of the license because it is unlimited

A person exceeds the scope of a license if that person exceeds the *specific purpose* for which the permission was granted. *Gilliam*, 538 F.2d at 20-21 (emphasis added). Courts have recognized scope limitations in licenses involving materials subject to time and media-based constraints. *See e.g. id.*; *Jarvis v. K2 Inc.*, 486 F.3d 526, 539 (9th Cir. 2007) (photographic images could not be used after a certain time period pursuant to the contract language); *Bartsch v. Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150 (2d Cir. 1968) *cert. denied*, 393 U.S. 826, 21 L. Ed. 2d 96, 89 S. Ct. 86 (1968) (motion picture rights to a musical play also

entitled telecasting of the play); *G. Ricordi & Co. v. Paramount Pictures Inc.*, 189 F.2d 469 (2d Cir.), *cert. denied*, 342 U.S. 849, 96 L. Ed. 641, 72 S. Ct. 77 (1951) (rights to make a movie expired when the term of the copyright exclusive right in the play expired); *Greenfield v. Twin Vision Graphics, Inc.*, 268 F. Supp. 2d 358, 382-384 (D. N.J. 2003) (use of copyrighted photographs after expiration of license constituted infringement).

Here, however, Jacobsen has not retained any underlying copyright to the Decoder Definition files and at no time or under any circumstance do the exclusive copyright rights revert back to Jacobsen. A370. Therefore, the District Court correctly found that the license is unlimited in scope. Where, as here, a copyright holder does not retain any copyright rights to the work, Courts have held that:

It is elementary that a lawful owner of a copyright is incapable of infringing a copyright interest that is owned by him. Hence, an exclusive licensee of any of the rights comprised in the copyright, though it is capable of breaching the contractual obligations imposed on it by the license, cannot be liable for infringing the copyright rights conveyed to it.

United States Naval Institute v. Charter Communications, Inc., 936 F.2d 692, 695 (2d Cir. 1991). In *United States Naval Institute*, the Naval Institute alleged that the defendant had issued paperback editions of the Hunt for Red October before the agreed upon date. *Id.* The contract between the Naval Institute and defendant was executed on September 14, 1984 and one of the terms prohibited the defendant from publishing the paperback edition prior to October 1985. *Id.* at 692. The Court

held that the exclusive license began on September 14, 1984 and that any premature publishing by the defendant took place after that date and was, consequently, a breach of a covenant but not copyright infringement. *Id.* at 695. Similarly, here, Jacobsen conveyed all of his copyright rights into the public domain. Then, subsequent to the transfer of all rights, Jacobsen's Artistic License attempts to put restrictions on the distribution of derivative works of the Decoder Definition files. While these restrictions are contractual obligations imposed by the license, they do not limit or affect the unconditional conveyance of Jacobsen's copyright rights. *See id.*; *see also Considine* at *7. Since Jacobsen did not retain any underlying copyright, Jacobsen has waived his right to sue in copyright.

Jacobsen and *Amici Curiae* cite *S.O.S.* and *Gilliam* for the proposition that Katzer's actions exceeded the scope of the license. *Amici Curiae* state that the District Court's reliance on these cases is misplaced and that the District Court "misapprehended" these cases. Brief of *Amici Curiae* at 19. The District Court, however, correctly relied on *S.O.S.* and *Gilliam* to support its conclusion that Katzer did not exceed the scope of the license. The determination that Jacobsen may not assert a claim for copyright infringement is not inconsistent with *Gilliam* or *S.O.S.* These cases are factually distinguishable from the case at bar. In fact, this distinction highlights and supports the District Court's conclusion that Jacobsen's license is unlimited in scope.

Gilliam involved a lawsuit by the Monty Python group against ABC which had obtained the license to Monty Python television shows from the BBC. The plaintiffs complained that ABC's editing of the shows violated their copyright rights. The Second Circuit (ruling on the denial of a preliminary injunction) ruled that this unauthorized editing could constitute an infringement and that, if proven, this editing would exceed the scope of the license and constitute infringement. *Gilliam*, 538 F.3d at 21. Important to this discussion, in *Gilliam*, the Monty Python group had retained the copyright rights in the underlying scripts and licensed only the right to broadcast the television show made from their scripts. Similarly, in *S.O.S.*, the copyright holder S.O.S. did not convey any copyright rights to Payday, but rather conveyed only the "right to use" the software. *S.O.S.*, 886 F.2d at 1088. The Ninth Circuit held that Payday's copying of the S.O.S. program without S.O.S.'s permission exceeded the scope of the license which permitted the defendant to use, but not copy, the program. *Id.* at 1089. Jacobsen's and *Amici Curiae*'s reliance on *Gilliam* and *S.O.S.* is misplaced as in both of those cases the copyright owner retained pertinent copyright rights at the time of the infringement.

As the Court noted in *United States Naval Institute*, the Naval Institute's reliance on *Gilliam* and its progeny was "misplaced since in each of those cases the plaintiff, not the defendant, owned the pertinent copyright rights at the time of the

infringements for which the plaintiff sued” while Naval did not. *United States Naval Institute*, 936 F.2d 696. As in *United States Naval Institute*, this case on appeal involves the complete transfer of all copyright rights. Unlike the situation in *Gilliam* or *S.O.S.*, Jacobsen has not retained any underlying copyright. Thus, while Jacobsen might have a claim for breach of contract he does not have a copyright claim under this theory. See also *Considine v. Penguin U.S.A.*, 1992 U.S. Dist. LEXIS 10570 at *7.

3.) Jacobsen’s “rescission” argument fails

Jacobsen last argues that the Artistic License has been “rescinded” with respect to Katzer. This is particularly confusing argument since the Artistic License is still available to the general public, of which Katzer is a member, (A355-A356) and since Jacobsen represents to this Court that he is “merely asking that if Katzer and KAMIND copy, modify, or distribute Jacobsen’s copyrighted materials, that Katzer and KAMIND be required to copy, modify or distribute JMRI materials within the scope of the Artistic License.” Appellant’s Brief at 45.

More fatal to Jacobsen’s claim, however, is that the complaint does not allege and the record does not contain any evidence of copyright violations subsequent to the “rescission.” See *Considine v. Penguin U.S.A.*, 1992 U.S. Dist. LEXIS 10570 at *9 (Upon ...rescission the assignment or license is terminated and the copyright proprietor may hold his former grantee liable as an infringer for

subsequent use of the work.) (emphasis in original). Rather, the record only contains evidence that once Katzer learned of Jacobsen's allegations, Katzer immediately and voluntarily stopped any and all allegedly infringing activity and have voluntarily removed and recalled any allegedly infringing product. A330-332. Therefore, Jacobsen cannot base a copyright infringement claim on a theory of rescission because there is no evidence in the record of any alleged infringing activity subsequent to a theoretical rescission of the Artistic License.

VII. Conclusion

For the foregoing reasons, Katzer respectfully requests that this Court affirm the District Court's denial of the motion for preliminary injunction. Should this Court find that Katzer exceeded the scope of the Artistic License, Katzer requests that this Court remand the case to the District Court for determination of whether the alleged acts, unshielded by any license, constitute copyright infringement.

Dated: January 29, 2008

Respectfully submitted by:

Certificate of Filing and Service

I hereby certify that on this 29th day of January, 2008, I hand-filed the original and eleven copies of the foregoing Brief of Appellees with the Clerk's Office of the United States Court of Appeals for the Federal Circuit, and further certify that I served, via UPS Next Day Air, two copies of said briefs to the following:

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