

Appeal No. 10-15113

**UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

APPLE INC.,

Plaintiff-Appellee,

v.

PSYSTAR CORPORATION,

Defendant-Appellant.

ANSWERING BRIEF OF PLAINTIFF-APPELLEE APPLE INC.

Appeal From The United States District Court
For The Northern District Of California
Honorable William Alsup

Case No. CV 08-3251 WHA

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CORPORATE DISCLOSURE STATEMENT

Plaintiff-Appellee Apple Inc. is a California corporation. It has no parent corporation, and no publicly-held corporation owns 10% or more of its stock.

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STATEMENT OF ISSUES

1. Whether the district court, after finding that Psystar infringed Apple's copyrights and violated the DMCA, correctly rejected Psystar's defense of copyright misuse where (a) Apple's software licensing agreement imposes only reasonable restrictions on licensees, and (b) Psystar made no showing that Apple wielded its copyrights to undermine the public policy of promoting invention and creative expression.

2. Whether the district court correctly enjoined Psystar from infringing Apple's copyrights in all versions of Mac OS X—including Snow Leopard, the latest version (and a derivative work) of Mac OS X—when the evidence demonstrated Psystar's consistent pattern of deliberate infringement and the clear threat of future infringement.

3. Whether the district court correctly refused to exclude from its injunction Psystar's allegedly new product, Rebel EFI, when Psystar failed to present evidence regarding Rebel EFI sufficient to enable the court to determine whether Rebel EFI differed from Psystar's past infringement and declined the district court's invitation to move to exclude Rebel EFI from the injunction.

4. Whether the district court properly sealed those portions of the summary judgment record that reveal the trade secret details of Apple's proprietary lock-and-key encryption technology and Psystar's method of circumventing that

technology, because there is no legitimate public interest in disclosing this type of information.

I. INTRODUCTION

Apple Inc. (“Apple”) is one of the world’s most innovative companies. Its flagship personal computer, the Macintosh®, (or “Mac”) runs Apple’s copyrighted Mac OS® X operating system software. Mac OS X was developed through efforts spanning more than a decade and investments totaling hundreds of millions of dollars. Apple’s engineers designed Mac OS X to work seamlessly with the integrated hardware and software features of Mac computers. As a result, Mac computers are extraordinarily intuitive, efficient, and reliable.

As found by the district court, and not disputed in this appeal, appellant Psystar Corporation (“Psystar”) is a “hardcore” copyright infringer. ER 85. Psystar has made hundreds of unauthorized copies of Mac OS X, circumvented Apple’s technological protection measure in Mac OS X to make it run on non-Apple computers, and sold those computers to consumers. The district court properly held that Psystar’s actions infringed Apple’s copyrights and violated the Digital Millennium Copyright Act (“DMCA”), enjoined further violations, and entered judgment in favor of Apple. The trial court’s decision was correct in every respect and should be affirmed.

II. STATEMENT OF THE CASE

In April 2008, Psystar began making and selling computers—originally named “OpenMac” and then renamed “Open Computers”—that illegally run modified, unauthorized versions of Apple’s Mac OS X operating system. To stop Psystar from copying, modifying, and selling Mac OS X in contravention of Apple’s intellectual property rights, Apple filed this action in the Northern District of California on July 3, 2008. Apple alleged breach and induced breach of its Software License Agreement (“SLA”) for Mac OS X, direct and contributory copyright infringement, trademark and trade dress infringement, and violation of state and common law unfair competition laws. Apple later amended its complaint to add a DMCA claim arising from Psystar’s circumvention of the technological protection measure (“TPM”) employed by Apple to prevent unauthorized access to and copying of Mac OS X.

In response, Psystar alleged that Apple’s limitation of the use of Mac OS X to Apple computers violates state and federal antitrust and unfair competition laws. Apple moved to dismiss these counterclaims. On November 18, 2008, the district court granted Apple’s motion, finding that Psystar had “fail[ed] to allege facts plausibly supporting the counterintuitive claim that Apple’s operating system is so unique that it suffers *no* actual or potential competitors.” *Apple Inc. v. Psystar Corp.*, 586 F. Supp. 2d 1190, 1198 (N.D. Cal. 2008) (SER 10) (emphasis in

original). As the district court noted, Psystar's own allegations asserted that Mac OS X "performs the same functions as other operating systems" and averred that a "seemingly infinite list of manufacturers . . . construct entire hardware systems (*i.e.*, computers) marketed and sold to the consumer." *Id.* at 1199 (SER 11). The district court further found that Mac OS X could not be an independent distinct market and that Mac OS-compatible computer hardware systems could not be a distinct submarket or aftermarket. *Id.* at 1200-1201, 1203 (SER 11-12, 14-15). Psystar does not appeal from this order.

The order dismissing Psystar's antitrust counterclaims permitted Psystar to move for leave to amend, but the order required Psystar to explain how it would remedy the deficiencies in its original pleading through amendment. *Apple Inc. v. Psystar Corp.*, 586 F. Supp. 2d 1190, 1204 (N.D. Cal. 2008) (SER 16). Psystar sought leave to amend but did not attempt to reassert the antitrust counterclaims. Instead, Psystar alleged counterclaims for declaratory relief of copyright misuse and for unfair competition. The district court allowed the copyright misuse claim, reasoning that it already existed as an affirmative defense in the case. But the court dismissed Psystar's unfair competition claims because those allegations (a) conflicted with Psystar's already-rejected single-product market theory, and (b) failed to identify any actual or incipient violation of antitrust laws. SER 24. Psystar also does not appeal from this order.

Just weeks before the close of fact discovery and the filing of dispositive motions, Psystar made its first effort to avoid the pending litigation in the Northern District of California: Psystar filed Chapter 11 bankruptcy in the Southern District of Florida. Because that filing automatically stayed this action, Apple was forced to file a motion for relief from the stay. (*See* Request for Judicial Notice, Ex. A filed herewith.) The bankruptcy court granted Apple's motion, and this case recommenced on July 9, 2009. SER 28-29, 33.

Less than two months later, Psystar made its next bid to avoid the Northern District of California: Psystar filed a new action in the Southern District of Florida (Case No. 09-22535 CIV). This filing came barely a week after the California district court found Psystar had committed discovery abuse by destroying relevant source and executable code. SER 42-45. Psystar also filed its new complaint one day before Apple released the widely-publicized latest version of its operating system software, Mac OS X Snow Leopard®. Snow Leopard is the successor to Mac OS X Leopard® and a derivative work of Leopard and the prior versions of Mac OS X. Apple had announced the final release date for Snow Leopard three days before Psystar's filing.¹

¹ Apple has assigned the name of a large cat to each major upgrade of MAC OS X, including Cheetah, Puma, Jaguar, Panther, Tiger, Leopard, and Snow Leopard.

In its new complaint in Florida, Psystar presented the same issues that were already pending before the Northern District of California. Psystar requested declaratory relief that: (a) it could sell computers running Snow Leopard; (b) its activities with respect to Snow Leopard did not constitute copyright infringement or violate the anti-circumvention provisions of the DMCA; and (c) Apple's SLA, which prohibits use of Mac OS X on non-Apple hardware, is unenforceable. ER 900-902. Despite the dismissal of its antitrust counterclaims in the Northern District of California, Psystar further alleged in the Florida action that Apple's limitation of Mac OS X to Apple hardware violates federal antitrust laws.² ER 903-904.

In response, Apple moved the district court in the Northern District of California to dismiss or enjoin the Florida case. ER 855-876. The district court denied Apple's motion in light of the limited time remaining for fact discovery under the California case schedule. But the order was expressly without prejudice to a motion to transfer the Florida case to California, and the court stated it would enter a new scheduling order if transfer occurred. ER 55. Apple filed a motion to dismiss or transfer the Florida case on November 24, 2009. The Florida court has

² Psystar amended its complaint in the Florida action on October 27, 2009 to seek additional declaratory relief that by selling or licensing to consumers Rebel EFI (Psystar software that enables Snow Leopard to run on non-Apple computers), Psystar does not violate Apple's rights. *See* Request for Judicial Notice, Ex. B.

not scheduled argument or ruled on that motion, and no discovery or other motion practice has occurred in the Florida lawsuit.

On October 8, 2009, the parties filed cross-motions for summary judgment in the California action. After extensive briefing and a hearing, the district court granted Apple's motion and denied Psystar's motion. The district court held that: (a) Psystar violated Apple's copyrights in Mac OS X by copying, distributing, and creating derivative works; (b) Psystar violated DMCA Sections 1201(a)(1)(A), 1201(a)(2), and 1201(b)(1) by circumventing the technological protection measure in Mac OS X and selling circumvention technology; and (c) Psystar's affirmative defenses and counterclaims were meritless.

The parties thereafter stipulated to damages and the disposition of the remainder of the claims. Based on the summary judgment order, Apple filed a motion for a permanent injunction. Following briefing and another hearing, the district court granted a permanent injunction and entered final judgment against Psystar on December 15, 2009. This appeal followed.

III. STATEMENT OF FACTS

A. Apple And Its Integrated Products

A pioneer of the personal computer revolution, Apple launched its famous Mac computer in 1984. SER 84. Today, the Mac line of personal computers includes the Mac Pro, iMac®, Mac mini, MacBook®, MacBook Pro and MacBook

Air®. SER 89-90. Apple's success results in large measure from its unique ability to design and develop fully integrated products combining Apple's Mac OS X operating system, hardware, application software, and services. SER 88, 94:11-96:17, 334-335, 347-348; ER 668-669. Mac computers exemplify the qualities consumers have come to expect from Apple: they are seamlessly integrated, easy-to-use, highly reliable personal computers. SER 88, 105:25-109:22, 114:12-116:15, 137:19-138:6, 143:3-153:11.

In 2001, Apple launched Mac OS X, the tenth generation of the Mac OS. SER 84. This revolutionary operating system offers extraordinary capabilities, speed, and stability. SER 84, 292-293; ER 669. In October 2007, Apple released version 10.5 of Mac OS X, known as Leopard. Reviewers described Leopard as “visually stunning,” “powerful, polished and carefully conceived,” and “elegant.” SER 284, 290, 292. Building on Leopard, Apple released the latest upgrade of Mac OS X—version 10.6, known as Snow Leopard—on August 28, 2009. ER 766.

Apple sells all Mac computers with a licensed copy of Mac OS X preinstalled. Apple's SLA requires that Mac OS X be used exclusively on Apple computers. SER 175-177; ER 668-669. Apple separately licenses Mac OS X in a retail-packaged DVD for one—and only one—purpose: to enable Apple's existing customers to upgrade their Mac computers to the latest version of the operating

system. SER 132:3-134:5; ER 668-669. Apple's licensed Mac OS X upgrades come in a shrink-wrapped box containing a DVD, installation instructions, a license agreement, and service and warranty information. SER 135:11-136:25.

By restricting the use of Mac OS X and Mac OS X upgrades to Apple computers, Apple ensures that Mac OS X will operate optimally and provide consumers with the highest quality computing experience and technical support. ER 668-669; SER 105:25-109:22, 143:3-153:11, 347-348. Apple's focus on providing cutting edge, high quality, integrated products and unmatched customer service has yielded great success. *Consumer Reports* has ranked Apple's customer support the best in the nation for both desktop and laptop computers, and *Business Week* named Apple the most innovative company in the world in 2008 and 2009.³ SER 298-301; ER 668.

Restricting software to use on particular hardware is commonplace. Companies such as IBM, Research in Motion (for its Blackberry® devices), Nintendo, Sony, Microsoft (for its Xbox® game system) and Amazon (for its Kindle® book reader), all use integrated-product business models—designing and licensing software to be used exclusively on their own hardware. ER 669; SER 187-281. Limiting the use of software to a particular computing system ensures

³ In 2010, *Business Week* again named Apple as the most innovative company in the world.

the tightest integration and highest reliability of components and thereby produces the best possible consumer experience. ER 203-04, 668-69; SER 94:4-96:16, 97:11-100:22, 334-335, 347-348.

B. Apple's Registered Copyrights In Mac OS X

Mac OS X, Mac OS X version 10.5 Leopard, Mac OS X version 10.6 Snow Leopard, various components of Mac OS X, and other Apple software and firmware are each original works of authorship created by Apple constituting copyrightable subject matter. Apple is the owner of, among others, United States copyright registrations TX5-401-457 (Mac OS X), TX6-849-489 (Leopard), and TX6-973-319 (Snow Leopard). SER 179-185, 328-331. Mac OS X Snow Leopard is a derivative work of Mac OS X and Mac OS X Leopard. *Apple Inc. v. Psystar Corp.*, 673 F. Supp. 2d 943, 951-952 (N.D. Cal. 2009) (SER 66, 331).

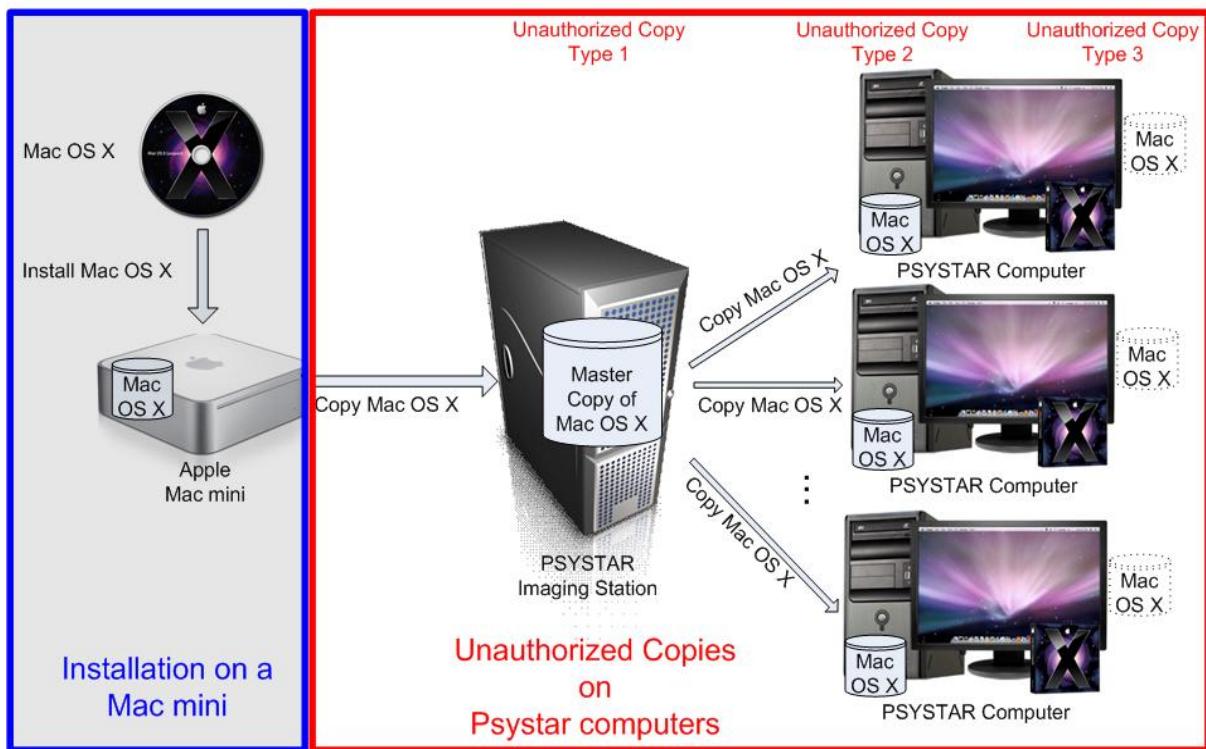
C. Psystar's Infringement Of Apple's Copyrights

The district court found that Psystar violated three distinct rights granted to Apple by section 106 of the Copyright Act: Apple's exclusive reproduction right, distribution right, and right to create derivative works. *Apple Inc. v. Psystar Corp.*, 673 F. Supp. 2d 931, 939 (N.D. Cal. 2009) (SER 53). Psystar has not challenged any of the district court's factual findings. To the contrary, Psystar has conceded that Apple's technical expert, Dr. John Kelly, accurately described the process by which Psystar makes pirated copies of Mac OS X and, as discussed below,

modifies them to work on Psystar's computers.⁴ Opening Br. at 65-66 (citing ER 406); ER 604.

1. Psystar's Unauthorized Reproduction Of Mac OS X

Psystar violated Apple's exclusive reproduction right in the process of assembling the Psystar computers. Psystar made three distinct types of illegal copies of Mac OS X, as represented in the diagram below (which was submitted to the district court at ER 703):



⁴ Nonetheless, on the pretext of educating the Court regarding the technology at issue in this case, Psystar supplies a "Technical Addendum" with its opening brief. This document appears to be a veiled attempt to revive factual claims the district court has rejected and Psystar has abandoned on appeal.

Unauthorized Copy One. Psystar purchased a license for a single copy of Mac OS X and installed it on a Mac mini computer. ER 455, 681-682; SER 123:1-125:20, 126:20-127:2. Making this one copy of Mac OS X to allow it to run on an Apple computer is lawful and was not challenged by Apple. However, after making this initial copy, Psystar copied Mac OS X again, without authorization to do so, and transferred this “master copy” to a non-Apple computer used as an “imaging station.” ER 455, 681-682, 703-704; *Apple v. Psystar*, 673 F. Supp. 2d 931, 934 (N.D. Cal. 2009) (SER 51). Apple’s expert identified at least five distinct master copies of Mac OS X used by Psystar. ER 682, 703. As discussed below, Psystar also modified the copies of Mac OS X resident on the imaging station.

Unauthorized Copy Two. As it admits, Psystar then used hard drive imaging to install copies of the master copy (a modified version of Mac OS X) from the imaging station onto each of the computers Psystar assembled from generic components and eventually sold to the public.⁵ SER 51, 123:19-125:20, 126:20-127:2; ER 704.

Unauthorized Copy Three. Each time Psystar turned on any of the Psystar computers running Mac OS X, Psystar necessarily made a separate operational

⁵ Hard drive imaging is the literal, bit for bit copying of data from one hard drive to another to make a second “image” of the first drive.

copy of Mac OS X in Random Access Memory, or “RAM.” ER 684-685, 703-704; SER 162-163.⁶

The district court found that Psystar “infringed Apple’s reproduction right” by making multiple copies of Mac OS X on its imaging station and when its computers ran the software. *Apple v. Psystar*, 673 F. Supp. 2d at 935 (SER 49). Although Psystar argued that this copying was permitted by the “essential step” defense (17 U.S.C. §117), the district court found this defense to be both waived and “frivolous.” *Id.* at 936 (SER 50).

2. Psystar’s Unauthorized Distribution Of Mac OS X

Psystar infringed Apple’s exclusive distribution right by selling to the public the modified, “unauthorized copies [of Mac OS X]” described above “that were installed on individual Psystar computers.” *Id.* at 937 (SER 51). Psystar argued that because it distributed those preinstalled copies together with a second, boxed copy of Mac OS X, its conduct was protected under the first sale doctrine (17 U.S.C. § 109).

Apple, however, proved that the preinstalled version of Mac OS X on the Psystar computers could not have originated from the media in the boxed copy.

⁶ The district court also found Psystar liable for contributory infringement based on the copies of Mac OS X that Psystar’s customers made in RAM when they operated the Psystar computers. *Apple v. Psystar*, 673 F. Supp. 2d at 947 (SER 62).

ER 411, 682. Although Psystar briefly contested the issue below, Psystar now concedes that the boxed copies were still sealed when shipped to consumers—a concession that precludes any claim that the preinstalled copies originated from the boxed copies. Opening Br. at 7. And as noted above, Apple licensed those boxed copies solely for the purpose of upgrading an existing copy of Mac OS X. SER 132:3-134:5.

The court, moreover, rejected Psystar’s first-sale defense and found that (a) Psystar failed to provide evidentiary support for its affirmative defense, and (b) the “first-sale defense does not apply to [] unauthorized copies.” *Apple v. Psystar*, 673 F. Supp. 2d at 937 (SER 51).

3. Psystar’s Unauthorized Modification Of Mac OS X

Psystar also violated Apple’s exclusive right to make derivative works when Psystar modified Apple’s copyrighted software by “replacing original files in Mac OS X with unauthorized software files.” *Id.* at 938 (SER 52). Psystar added its own bootloader and kernel extensions to Mac OS X on the imaging station.⁷ ER 679-680, 682-683. Consequently, the district court held that Psystar “infringed Apple’s exclusive right to create derivative works of Mac OS X.” *Apple v.*

⁷ A “bootloader” is a program that runs when the computer is first turned on, and that program locates parts of the operating system and loads them into memory. One of the components of the operating system is known as the “kernel,” and “kernel extensions” are used to provide additional functionality to the kernel.

Psystar, 673 F. Supp. 2d at 938 (SER 52). The court found that Psystar made three modifications resulting in a “substantial variation from the underlying copyrighted work”:

(1) replacing the Mac OS X bootloader with a different bootloader to enable an unauthorized copy of Mac OS X to run on Psystar’s computers; (2) disabling and removing Apple kernel extension files; and (3) adding non-Apple kernel extensions. These modifications enabled Mac OS X to run on a non-Apple computer.

Id. The court correctly found that if Psystar had not made these modifications, “the operating system would not work on Psystar’s computers.”⁸ *Id.*; ER 682-685.

D. Psystar’s Circumvention Of Apple’s Technological Protection Measure

The DMCA specifically provides that a party may use a technological protection measure (“TPM”) to prevent unauthorized access to and copying of copyrighted software. Apple employs a type of “lock-and-key” TPM that prevents a user from copying and successfully running Mac OS X on a non-Apple computer. *Apple v. Psystar*, 673 F. Supp. 2d at 934 (SER 49); ER 675-677; SER

⁸ Psystar now asserts that installation of Psystar’s bootloader and numerous kernel extensions is unnecessary to run Mac OS X on Psystar computers absent the existence of Apple’s TPM. Opening Br. at 27. But this claim is contrary to the unchallenged factual record. For example, even if Apple did not implement its TPM, Psystar would still be required to modify Mac OS X by replacing the bootloader and modifying certain Mac OS X kernel extension files to force the operating system to run on non-Apple hardware. ER 682-684, 704-705.

158:12-24. More specifically, Apple has encrypted crucial files in Mac OS X to prevent them from being run on non-Apple computers. ER 675; SER 158:12-24.

Psystar circumvented Apple's TPM by adding "decryption software" to break Apple's protection. Psystar's decryption software modules were all made for the purpose (and with the effect) of circumventing the TPM in Mac OS X. ER 685-686. Each of these modules generates a decryption key that is necessary to decrypt some of the most creative portions of Mac OS X. ER 679-80. By adding these modules, Psystar circumvented the TPM in Mac OS X that otherwise prevents copying and use of the software on non-Apple computers. The district court found: "Psystar has used decryption software to obtain access to Mac OS X and to circumvent Apple's technological measures when modifying Mac OS X in its production process. This is a violation of the Section 1201[(a)(1)] anti-circumvention provision of the DMCA." *Apple v. Psystar*, 673 F. Supp. 2d at 941 (SER 54). The court also found that Psystar violated Section 1201(a)(2) when it installed its circumvention technology on Psystar computers and sold them with Mac OS X. *Id.* Finally, the district court found that Psystar violated Section 1201(b)(1) because "Psystar's circumvention technology has not only provided access but also resulted in copies in RAM"—i.e., copies created in the random access memory of the Psystar computer running the modified version of Mac OS X. *Id.* (SER 54-55).

E. The District Court's Injunction

After the district court granted summary judgment, Apple moved for a permanent injunction on November 23, 2009. Following full briefing and a hearing, the district court granted Apple's motion. Noting Psystar's pattern of unlawful conduct and the significant risk of future violations, the district court entered a nationwide injunction prohibiting Psystar from infringing Apple's copyrights in Mac OS X and from circumventing Apple's TPM. *Apple v. Psystar*, 673 F. Supp. 2d at 950-957 (SER 65-71). The court expressly enjoined Psystar from making or selling computers capable of running any version of Mac OS X—which includes Mac OS X version 10.6 Snow Leopard. *Id.* at 950-954 (SER 65-68).

Although Psystar requested that the district court exclude from the injunction “Rebel EFI”—Psystar software that enables Snow Leopard to run on non-Apple computers—the court refused that request. The court found that Psystar had failed to supply sufficient information about Rebel EFI for the court to evaluate the merits of the request. *Id.* at 953-957 (SER 67-71). The court stated, “it is not only inappropriate, but impossible, to determine on this record whether Rebel EFI falls within ‘the same type or class of unlawful acts’ found at summary judgment.” *Id.* at 954-955 (SER 69). The court invited Psystar to file a further motion to specifically exclude Rebel EFI from the scope of the injunction and, in

conjunction therewith, to submit information sufficient to enable the court to make such a determination. The court concluded, “until such a motion is brought, Psystar will be selling Rebel EFI at its peril, and risks finding itself held in contempt if its new venture falls within the scope of the injunction.” *Id.* at 955 (SER 70). Psystar never brought any such motion—likely because, as discussed below, Psystar now admits that Rebel EFI is a direct successor to its prior methods of infringement.

IV. SUMMARY OF THE ARGUMENT

Psystar does not contest the district court’s holding that Psystar violated the Copyright Act by its “mass reproduction” and installation of Mac OS X onto Psystar computers. *Apple v. Psystar*, 673 F. Supp. 2d at 934 (SER 49). Nor does Psystar deny it infringed Apple’s copyrights by distributing unauthorized copies of Mac OS X, *id.* at 937, and by creating derivative works when it “replac[ed] original files in Mac OS X with unauthorized software files.” *Id.* at 939 (SER 52). Likewise, Psystar does not challenge the district court’s ruling that it violated the DMCA by circumventing Apple’s TPM in order to modify Mac OS X and force it to run on non-Apple computers. *Id.* at 941 (SER 54-55). Instead, Psystar argues that Apple should have been prohibited from enforcing its copyrights and DMCA rights due to alleged copyright misuse. Psystar also asserts that the permanent injunction and certain sealing orders were overbroad. These arguments all fail.

The district court correctly rejected Psystar’s defense of copyright misuse. Psystar based its assertion of this defense on two meritless arguments: (a) Apple’s licensing of its software solely for use on Apple hardware was *per se* copyright misuse; and (b) Apple’s lawsuit against Psystar was so baseless as to constitute “sham” litigation filed for an improper purpose. But the license limitations Psystar challenges are not only standard in the industry, they are identical to terms upheld by this Court as valid and enforceable in *Triad Sys. Corp. v. Southeastern Exp Co.*, 64 F.3d 1330, 1337 (9th Cir. 1995). Those limitations do not constitute copyright misuse. Nor did Psystar make any showing that Apple, by its licensing terms or its litigation conduct, impaired competition or undermined the public policy of promoting invention and creative expression. Likewise, Apple’s claims against Psystar are nothing like the “sham” allegations that some courts have recognized as misuse. To the contrary, Apple’s claims were successful. *Apple v. Psystar*, 673 F. Supp. 2d at 939 (SER 53-54). The district court properly concluded that Psystar failed to prove copyright misuse.

Psystar’s challenge to the scope of the district court’s permanent injunction is both meritless and waived. Where, as here, there is a clear pattern of copyright infringement and a threat of further infringements, it is proper to enter a broad injunction against infringing acts—even as to products that have not yet been presented to the court. Psystar was found to have repeatedly, and brazenly,

infringed Apple's copyrights in Mac OS X. Mac OS X Snow Leopard is a derivative work of Mac OS X. Thus, Psystar's conduct—and threatened conduct—that infringes Apple's rights in Snow Leopard falls easily within the proper scope of the injunction. The district court acted well within its discretion.

Moreover, the district court offered Psystar the opportunity to seek to exempt specific products from the scope of the injunction by showing that those products did not infringe Apple's rights. *Apple v. Psystar*, 673 F. Supp. 2d at 954-955 (SER 69-70). The court noted that Psystar's injunction briefing had failed to disclose any details about its newest products, especially Rebel EFI. *Id.* at 953-955 (SER 68-70). The court therefore invited Psystar to present a subsequent motion accompanied by factual details sufficient to enable the court to assess whether products, like Rebel EFI, were outside the scope of the injunction. *Id.* Psystar never filed such a motion. Because Psystar declined at least two opportunities to demonstrate the legality of Rebel EFI to the district court, Psystar waived its right to challenge on appeal the scope of the injunction.

Psystar's challenge to the district court's sealing orders is also groundless. There is no case in which a court has refused to shield from public view the details of a software company's proprietary encryption method or an infringer's means of circumventing it. Psystar also waived this appellate challenge by failing to advise the district court or Apple that the sealing orders were over-inclusive.

V. STANDARDS OF REVIEW

This Court reviews *de novo* the district court's grant of summary judgment, viewing the evidence in the light most favorable to the non-moving party to determine the presence of any issues of material fact. *See Kouf v. Walt Disney Pictures & Television*, 16 F.3d 1042, 1044 (9th Cir. 1994). The district court's grant of a permanent injunction and its orders sealing portions of the record are reviewed for an abuse of discretion. *Perfumebay.com Inc. v. eBay, Inc.*, 506 F.3d 1165, 1173 (9th Cir. 2007); *United States v. Shryock*, 342 F.3d 948, 983 (9th Cir. 2003).

ARGUMENT

I. THE DISTRICT COURT CORRECTLY REJECTED PSYSTAR'S AFFIRMATIVE DEFENSE OF COPYRIGHT MISUSE

In this appeal, Psystar does not contest the district court's findings that it infringed Apple's copyrights through its unauthorized wholesale reproduction, substantial modification, and mass distribution of Mac OS X. Rather, Psystar argues that its infringements are shielded by the defense of copyright misuse. Because Psystar has no proof that Apple has inhibited competition or suppressed creativity, Psystar urges this Court to abandon long-standing precedent and create a new doctrine of *per se* copyright misuse. Under this doctrine, any license agreement—such as Apple's SLA—that restricts the use of copyrighted software to particular hardware is *per se* copyright misuse. Alternatively, Psystar insists

that Apple’s successful copyright infringement claims were a baseless sham constituting copyright misuse. Neither argument has any merit.

Psystar’s grossly overbroad *per se* theory of copyright misuse would eliminate fundamental rights guaranteed by the Copyright Act—the rights to control the reproduction, modification, and distribution of copyrighted works. The protection of such rights has fostered pro-competitive activities, such as the massive investments required to create high-quality products that tightly integrate software and hardware. If Psystar’s position were adopted, copiers would be free to ignore license terms, circumvent TPMs, extract software from a variety of products—from cell phones to computer systems—and modify it for use in other products. The new doctrine Psystar advocates, which would dramatically undermine well-established rights and expectations, finds no support in case law. The law is clear that copyright misuse must improperly cause harm to competition outside the use of the copyright owner’s work or inhibit the independent creativity that copyright policy is intended to protect.

In the district court, Psystar did not—and could not—muster any evidence suggesting that Apple’s software license agreement damaged competition or restrained independent creative activity. Likewise, Psystar’s argument that Apple has misused its copyrights by asserting them in this lawsuit is specious because, as the district court held, “Apple’s claims are valid” 673 F. Supp. 2d at 939 (SER

52). Accordingly, the district court's decision rejecting Psystar's copyright misuse defense should be upheld.

A. Courts Have Rejected Psystar's *Per Se* Theory

Psystar insists that a license restricting the use of copyrighted software to particular hardware is *per se* copyright misuse. Under this theory, the defense does not require a showing that the license restrictions have caused injury to competition or to the creative development of other works; instead, the license restrictions constitute *per se* copyright misuse and may not be enforced. In *Triad Systems Corp. v. Southeastern Express Co.*, 64 F.3d at 1337 (9th Cir. 1995),⁹ the Ninth Circuit squarely rejected this *per se* theory. There, this Court held that the copyright owner's requirement that its software be used exclusively with its hardware and services was not copyright misuse. Psystar ignored this key authority in briefing below, and it does so again on appeal.

Triad licensed its copyrighted operating and diagnostic software for use by its licensees in the operation of computers sold and maintained by Triad. *Id.* at 1333. Triad's software licenses strictly prohibited any other use. *Id.* Triad alleged that Southeastern, an independent service organization, infringed Triad's

⁹ In *Gonzales v. Texaco Inc.*, 344 Fed.App'x 304, 306 (9th Cir. 2009), the Ninth Circuit noted that a peripheral holding of *Triad* (applying the collateral order doctrine to allow an immediate appeal by an attorney sanctioned under Rule 11) was effectively overruled. This aspect of *Triad* has no bearing on copyright misuse or any other issue in this case.

copyrights when Southeastern technicians serviced a licensee's computer because copies of Triad's operating and service software were loaded into memory when the computer was being serviced. *Id.* Southeastern asserted a copyright misuse defense, claiming "that Triad ha[d] used its intellectual property monopoly over Triad software to leverage its position in the Triad computer maintenance market." *Triad Sys. Corp. v. Southeastern. Exp. Co.*, 1994 WL 446049, at *13-14 (N.D. Cal. Mar. 18, 1994). The district court rejected this argument because "Southeastern failed to demonstrate that Triad's practices are anticompetitive" and "cannot dispute that copyright owners like Triad are within their rights in using and enforcing restrictive license agreements." *Id.*

On appeal, the Ninth Circuit affirmed. This Court held that Southeastern could not prove copyright misuse because "Triad did not attempt to prohibit Southeastern or any other ISO [independent service operator] from developing its own service software to compete with Triad." *Triad*, 64 F.3d at 1337. This Court also explained that Triad's copyright fairly extended into the service market: "Triad invented, developed, and marketed its software to enable its customers and its own technicians to service Triad computers. Southeastern is getting a free ride when it uses that software to perform precisely the same service." *Id.*

Other courts also have rejected copyright misuse claims based on licenses restricting use of copyrighted software to particular hardware. In *Service &*

Training, Inc. v. Data General Corp., 963 F.2d 680 (4th Cir. 1992), the Fourth Circuit upheld the copyright owner’s right to specify the computer hardware on which its proprietary software could be run. The court found that there could be no copyright misuse where “appellants [] offered no evidence that Data General did anything beyond limiting the use of the software to repair and maintenance of specific computer hardware, activity that is protected as an exclusive right of a copyright owner.” *Id.* at 690.

Numerous district courts also have adopted similar reasoning to reject misuse defenses based on “leveraging” or “tying” the use of copyrighted software to specified services or hardware. *See Atari Games v. Nintendo of Am., Inc.*, Nos. 88-4805, 89-0027, slip op. at 5-6 (N.D. Cal. Mar. 5, 1991) (no misuse where no proof that license “restrictions restrain[ed] the creativity of Nintendo licensees and thereby thwart[ed] the intent of the patent and copyright laws”), *aff’d on other grounds, Atari Games Corp. v. Nintendo of Am., Inc.*, 975 F.2d 832, 846 (Fed. Cir. 1992); *In re Indep. Serv. Orgs. Antitrust Litig.*, 910 F. Supp. 1537, 1542 (D. Kan. 1995) (no misuse where there was “no evidence that Xerox’s licensing agreement prohibit[ed] CSU from developing its own diagnostic software for Xerox copiers”); *Advanced Computer Servs. of Mich., Inc. v. MAI Sys. Corp.*, 845 F. Supp. 356 (E.D. Va. 1994) (no copyright misuse where MAI’s license restrictions were not designed to prevent infringer from developing competing software);

Microsoft Corp. v. BEC Computer Co., 818 F. Supp. 1313, 1316-17 (C.D. Cal. 1992) (rejecting copyright misuse defense where “Microsoft’s License Agreements do not prohibit defendants from independently implementing programs similar to MS-DOS and WINDOWS” or “selling their computers without accompanying software operating system”).

Psystar’s *per se* theory of copyright misuse is a far more radical and sweeping attack on the rights guaranteed by copyright than the misuse defenses soundly rejected by other courts. By urging this theory, Psystar asks this Court to compel Apple to license its proprietary software to competitors for use on their own computer hardware. Such a compulsory license is contrary to the constitutional and statutory framework for copyrights, which explicitly grants copyright owners the right to exclude others as an incentive to create new works. 17 U.S.C. § 106; *Stewart v. Abend*, 495 U.S. 207, 228-29 (1990) (“[N]othing in the copyright statutes would prevent an author from hoarding all of his works during the term of the copyright.”); *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932) (“The owner of the copyright, if he pleases, may refrain from vending or licensing and content himself with simply exercising the right to exclude others from using his property.”). Like the defendant in *Triad*, Psystar is seeking a “free ride” on the extraordinary investments Apple has made in the development of Mac OS X,

investments encouraged and protected by copyright. This Court should affirm the rule in *Triad* and reject Psystar's *per se* theory.

B. Copyright Misuse Requires Proof That The Copyright Owner Has Exceeded Its Rights And Injured Competition Or Inhibited Creativity

Because there is no *per se* copyright misuse defense, a defendant asserting the affirmative defense of copyright misuse must prove that the copyright owner exploited its copyright “to secure an exclusive right or limited monopoly not granted by the [Copyright] Office and which is contrary to public policy” *Altera Corp. v. Clear Logic, Inc.*, 424 F.3d 1079, 1090 (9th Cir. 2005) (citing *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 792 (5th Cir. 1999)). The defense is narrowly limited to actions that extend the copyright owner's monopoly beyond the bounds granted by law. Otherwise, the defense would eviscerate the owner's fundamental right to control the reproduction, modification, and distribution of the copyrighted work. *See Triad*, 1994 WL 446049, at *13-14 (“copyright owners like Triad are within their rights in using and enforcing restrictive license agreements”).

As demonstrated below, the copyright misuse defense is properly restricted to circumstances where the copyright owner has improperly leveraged power in the market for the copyrighted work in order to harm competition in another market or imposed restrictions that inhibit creativity in a manner contrary to the basic

policies of the Copyright Statute. As also shown below, Psystar has not proven that it is entitled to the copyright misuse defense on either of those two bases.

1. A Misuse Defense Based On Harm To Competition From A Tying Arrangement Requires At Least A Showing Of Abuse Of Power In The Market For The Copyrighted Work

Copyright misuse is based on, and shares a common jurisprudence with, patent misuse. Courts uniformly recognize that the defense of patent misuse is not available to challenge a tying arrangement unless the defendant shows that the patent owner has wielded power in the market for the patented product to injure competition in the market for the tied product. Similarly, the defense of copyright misuse is not available to challenge such license restrictions unless the defendant demonstrates that the copyright owner has power in the market for the copyrighted work that the owner has exercised to harm competition in the market for the tied product.

The first case to recognize the defense of copyright misuse, *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 977 (4th Cir. 1990), expressly based the defense on the doctrine of patent misuse established in *Morton Salt Co. v. G. S. Suppiger*, 314 U.S. 488 (1942). In *Lasercomb*, the Fourth Circuit stated, “Since copyright and patent law serve parallel interests, a ‘misuse’ defense should apply to infringement actions brought to vindicate either right.” 911 F.2d at 976.

The Fourth Circuit observed in *Lasercomb* that Congress later codified and limited the patent misuse defense in the 1988 Patent Misuse Reform Act. *Id.* at 976. That act provides, in relevant part:

No patent owner . . . shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having: . . .
(5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

35 U.S.C. § 271(d)(5). In other words, requiring a consumer to purchase the patented device together with a separate product does not constitute patent misuse unless there is at least a showing of actual power in the market for the patented product. As the Fourth Circuit explained, the “primary effect of the Patent Misuse Reform Act is to **eliminate the presumption** that use of a patent license to create a tie-in is *per se* misuse.” *Lasercomb*, 911 F.2d at 976 n.15 (emphasis added).

Subsequent case law confirms that patent misuse does not prohibit tying in the absence of market power. *See, e.g., County Materials Corp. v. Allan Block Corp.*, 502 F.3d 730, 734 (7th Cir. 2007) (“[t]oday, the concept of patent misuse is cabined . . . by statute . . . which essentially eliminates from the field of ‘patent misuse’ claims based on tying and refusals to deal, unless the patent owner has market power”); *Semiconductor Energy Lab. Co. v. Chi Mei Optoelectronics Corp.*, 531 F. Supp. 2d 1084, 1101 (N.D. Cal. 2007) (“the accused infringer must

present evidence of market power in order to establish that a tying arrangement constitutes patent misuse”).

The Supreme Court eliminated any theoretical basis for a *per se* rule against tying in the antitrust laws when it abrogated *Morton Salt* and a number of its other opinions in *Illinois Tool Works Inc. v. Independent Ink, Inc.*, 547 U.S. 28 (2006). The Court explained that “[w]ithout any analysis of actual market conditions,” the Court’s earlier patent misuse decisions had assumed that by tying the purchase of unpatented goods to the sale of patented goods the patentee was restraining competition or securing a limited monopoly in the unpatented good. *Id.* at 38. But the Court noted that “[o]ver the years, [its] strong disapproval of tying arrangements has substantially diminished.” *Id.* at 35.

“After considering the congressional judgment reflected in” the Patent Misuse Reform Act, the Supreme Court found that tying arrangements should not be evaluated under the *per se* standard applied in *Morton Salt* and the related antitrust opinions. Instead, a finding of unlawfulness “must be supported by proof of power in the relevant market.” *Id.* at 42-43. The Court further noted that “[m]any tying arrangements, even those involving patents and requirements ties, are fully consistent with a free, competitive market.” *Id.* at 45. Finally, the Court noted that antitrust guidelines issued jointly by the Department of Justice and the Federal Trade Commission state that those agencies “will not presume that a

patent, copyright or trade secret necessarily confers market power upon its owner.”

Id.

The Supreme Court has never specifically addressed the copyright misuse doctrine. However, the circuit court decision that established the doctrine, the Congressional restrictions imposed on the analogous patent misuse doctrine, and Supreme Court precedent in the patent misuse and antitrust contexts point to one conclusion for copyright misuse: a party challenging an arrangement tying a copyrighted work to another product must show that the copyright owner has power in the market for the copyrighted work which the owner has leveraged to harm competition in the market for the tied product.

2. Alternatively, The Misuse Defense Requires Proof That The Owner’s Actions Have Suppressed Creativity In The Independent Development Of Other Works

In the absence of a showing of abuse of market power, the misuse defense requires proof that the copyright owner has acted to suppress creativity in the independent development of other works. *Lasercomb* exemplifies this requirement. Lasercomb’s CAD/CAM software license agreement forbade creation of competing software for a period of 99 years—whether or not such creation involved the use of Lasercomb’s CAD/CAM software. As the Fourth Circuit noted,

Lasercomb undoubtedly has the right to protect against copying of the [copyrighted] code. Its standard licensing agreement, however, goes

much further and essentially attempts to suppress any attempt by the licensee to independently implement the idea which [the copyrighted code] expresses. The agreement forbids the licensee to develop or assist in developing **any** kind of computer-assisted die-making software.

Each time Lasercomb sells its [CAD/CAM] program to a company and obtains that company's agreement to the noncompete language, the company is required to forego utilization of the creative abilities of all its officers, directors and employees in the area of CAD/CAM software. Of yet greater concern, these creative abilities are withdrawn from the public. The period for which this anticompetitive restraint exists is ninety-nine years, which could be longer than the life of the copyright itself.

Lasercomb, 911 F.2d at 978 (footnotes omitted). Lasercomb's misuse did not arise from its limitation on how the copyrighted work could be used; rather, that misuse arose from Lasercomb's attempt to restrict creative expression that did not involve the use of Lasercomb's copyrighted work.

C. Apple's Software License Does Not Constitute Copyright Misuse Because It Does Not Restrain Competition Or Inhibit Creativity

Apple's software license agreement is consistent with the fundamental protections provided by copyright law: the right to exclude competitors from appropriating the copyrighted work. As the district court correctly found, "Apple's [software license] agreement simply attempts to control the use of Apple's own software – an area that is the focus of the copyright." *Apple v. Psystar*, 673 F. Supp. 2d at 940 (SER 54).

Psystar did not, and could not, proffer any evidence whatsoever that Apple had market power, nor did Psystar offer evidence that Apple’s license restriction had any anticompetitive effect. Indeed, as Psystar concedes, there is robust competition in the markets for personal computers and computer operating systems. *Apple v. Psystar*, 586 F. Supp. 2d at 1199 (SER 11). The district court, moreover, found that Psystar failed to define a relevant market in which Apple had established market power and dismissed Psystar’s antitrust counterclaims. *Id.* at 1203-1204 (SER 15). Psystar does not appeal that finding and does not argue that Apple has market power.

Nor does Apple’s SLA contain any direct restraint on independent creative activity. As the district court found (and Psystar does not contest), “Apple has not prohibited others from independently developing and using their own operating systems.” 673 F. Supp. 2d at 939 (SER 53). Nor has it “prohibited purchasers of Mac OS X from *using* competitor’s products.” *Id.* at 940 (SER 54) (emphasis in original). The limited restriction in Apple’s SLA is not the type of direct restriction of creative expression that is required to establish misuse in the absence of market power. As the district court noted, “the egregious examples of copyright misuse in the decisions cited by Psystar further support . . . that Apple has *not* engaged in copyright misuse.” *Id.* (emphasis in original).

Apple restricts the use of its software to its hardware for the pro-competitive purpose of ensuring that its integrated products provide consumers with the best possible user experience. Apple creates this superlative customer experience by conducting extensive testing and customization of its software to its hardware and vice versa. This approach has yielded great success and customer satisfaction. ER 668-669; SER 334-335, 347-348. In contrast, the record shows that Psystar, which does little or no testing or integration, was flooded with numerous customer complaints. ER 686; SER 303-323, 337-338. Apple's beneficial licensing practices do not constitute copyright misuse.

D. Psystar's Authorities Do Not Support A Finding Of Misuse

Psystar argues that two cases support its misuse theory: *Practice Management Info. Corp. v. American Medical Ass'n*, 121 F.3d 516 (9th Cir. 1997), and *Alcatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 772 (5th Cir. 1999). Psystar is mistaken. Both cases involved direct restraints on creative activity that far exceed the limited restriction of Apple's SLA.

In *Practice Management*, the copyright owner licensed its copyrighted system of diagnostic codes on the condition that the licensees use those diagnostic codes exclusively and "promise not to use competitors' products"—restrictions that directly restrained creative activity in the development of competing diagnostic coding systems regardless of whether the competitor used the

copyrighted diagnostic codes. *Id.* at 521. Apple secures no similar promise from its licensees: they are free to buy and use operating systems created by other companies and to create competing operating systems.

Nor does *Alcatel* establish the *per se* rule—“using a copyright in operating-system software to mandate the use of particular hardware is copyright misuse” (Opening Br. at 22)—that Psystar advocates. There, the plaintiff (formerly known as “DSC”) manufactured telephone switching systems comprising numerous components, including so-called “microprocessor cards”—physical cards containing microprocessors and other electronics. If an owner of an Alcatel switching system sought to expand the system’s capacity, the owner had to obtain additional microprocessor cards for insertion into the system. *Alcatel*, 166 F.3d at 777-78.

The Alcatel switching systems ran Alcatel’s copyrighted operating system software. Based on the particular operational characteristics of Alcatel’s switching systems, the court found that any microprocessor card added to a switching system would necessarily infringe Alcatel’s copyright in its operating system software. This was true even for third party cards created without the slightest infringement of Alcatel’s rights. As a result, Alcatel’s copyright was expanded beyond controlling the use of its software on systems manufactured and sold by Alcatel

and impeded independent creativity in a secondary market for expansion microprocessor cards.

By contrast, Apple's license agreement does not directly or indirectly preclude the owner of an Apple computer from purchasing and using non-Apple components with that Apple computer—e.g., additional memory, a different hard disk drive, or a replacement microprocessor. Aftermarket components used to expand an Apple computer are the proper analog to the microprocessor cards in *Alcatel*—i.e., these are components used to expand the system rather than replacements for the entire system. *Alcatel* never holds, or even implies, that Alcatel could not limit the use of its operating system to Alcatel's switching system. Nor does *Alcatel* suggest that Alcatel's competitors could copy Alcatel's operating system to create competing switching systems.

Even assuming that Apple computers were, as Psystar would have it, analogous to the microprocessor cards in *Alcatel*, Apple's license restrictions have not provided any “patent-like” control or monopoly over the manufacture of competing computers. Apple's SLA does not have the effect of precluding others from making competing computer hardware or operating system software.

ER 669-670. Indeed, Psystar competed with Apple by selling Psystar computers

that ran Linux and Windows operating systems.¹⁰ ER 894; *Apple v. Psystar*, 586 F. Supp. 2d at 1193 (SER 4-5).

Finally, to the extent that *Alcatel* suggests that limiting the use of a copyrighted work to the copyright owner's product is *per se* copyright misuse, the case must be considered wrongly decided and contrary to this Circuit's decision in *Triad*. *Alcatel* was decided prior to the abrogation of *Morton Salt* by *Illinois Tool Works*, moreover, so the Fifth Circuit did not have the benefit of the Supreme Court's extensive discussion, described *supra*, of the contemporary approach to tying arrangements in the patent misuse and antitrust contexts.

E. There Was No Copyright Misuse Based On “Sham” Litigation

Even though Apple succeeded in its copyright and DMCA claims, Psystar contends the judgment must be reversed because Apple misused its copyrights by asserting “invalid claims.” Opening Br. at 35-39. Psystar's “sham litigation” theory is based on legal arguments that Psystar lost in the district court, and Psystar has not presented any legal or factual basis on which the court's rejection of those arguments was error. Furthermore, “sham litigation” requires either the assertion

¹⁰*Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, 381 F.3d 1178 (Fed. Cir. 2004), which Psystar cites at page 35 of its brief, is likewise inapposite. In *Chamberlain*, the product was not subject to a license agreement, the plaintiff did not allege copyright infringement, and the defendant did not assert a misuse defense. Moreover, Psystar's quotation from *Chamberlain* concerned a hypothetical DMCA claim relating to aftermarket products containing no significant copyrighted content.

of an invalid copyright or the assertion of a copyright by one who does not own that copyright. Neither occurred here.

1. Psystar Lost On The Claims Forming The Basis Of Its Misuse Argument

Psystar alleges three instances when Apple misstated fact or law to the district court. Opening Br. at 37-39. But Apple prevailed on each of these arguments, and Psystar has made no effort to demonstrate that the district court's rulings were error.

First, Psystar asserts that its "mass reproduction" of Apple's copyrighted work is authorized by the "first sale" doctrine. Opening Br. at 37-38. Apple proved in the district court that this doctrine did not apply, ER 716-717, and the district court agreed. *Apple v. Psystar*, 673 F. Supp. 2d at 937-38 (SER 51-52).

Second, Psystar contends that its customers were allowed to make copies of Mac OS X as an "essential step" in using that software on Psystar's computers. Apple demonstrated in its summary judgment briefs that this argument completely mischaracterized the "essential step" provisions in the Copyright Act. ER 714-716. The district court agreed, characterizing Psystar's argument as

“frivolous in the true context of how Psystar has used Mac OS X” *Apple v. Psystar*, 673 F. Supp. 2d at 936 (SER 50).¹¹

Third, Psystar claims that Apple was required to prove copyright infringement as a predicate to proving that Psystar’s circumvention of Apple’s TPM in Mac OS X violated the DMCA. Opening Br. at 38-39. Apple demonstrated that Psystar’s unprecedented interpretation of the DMCA is wrong, ER 489-490, and the district court rejected it as irrelevant “[b]ecause unauthorized copying and access have been proven” by Apple. *Apple v. Psystar*, 673 F. Supp. 2d at 941 (SER 55).

2. It Is Not An Abuse Of Process To Assert Valid Copyrights

While some courts have recognized that copyright misuse can arise from an abuse of process, none has found misuse on facts similar to those presented here. Rather, copyright misuse has been found only when the material sought to be protected was not copyrightable or when the plaintiff did not actually own the copyrights it was asserting. An examination of each of the cases cited by Psystar demonstrates this fact.

In *qad. Inc. v. ALN Associates, Inc.*, 770 F. Supp. 1261 (N.D. Ill. 1991), the plaintiff qad registered copyrights in computer programs for which a large portion

¹¹ The district court also ruled that Psystar had waived this defense by failing to plead it. *Id.*

of the underlying source code had been copied from a Hewlett Packard program. Qad nonetheless represented to the Copyright Office that the programs were original works and never mentioned that it had copied a substantial amount of the code from HP. Qad then sued its competitor, ALN, for infringement, and “led th[e] Court down the garden path” to enter a preliminary injunction against ALN on the strength of the wrongly obtained copyrights and the material copied from HP. 770 F. Supp. at 1266-67 and n.15. Among other things, qad represented during the preliminary injunction hearing that “all of [the program] was qad’s original work.” *Id.* at 1267. The court found that “it was mostly that copied material [from HP] that formed the focus of qad’s case against ALN for copyright infringement...when qad sought and received injunctive relief against ALN,” and that quad’s presentation at the preliminary injunction hearing “was grounded in knowing falsehood.” *Id.* at 1267, 1270-71.

When the truth was revealed, the district court vacated the injunction and barred qad from any relief on its copyright claims. As the court explained,

Qad began to misuse its copyright over [the software] when it attempted to extend its rights over material over which it had no copyright: those portions of its software that it copied from [HP’s software]. Yet it did not reveal that fact to its adversary or to this Court. Using its weapon of falsehood, qad pursued ALN in this court—something that it could not have done without the advantage of its copyright.

Id. at 1267. Psystar’s reliance on *qad* is therefore misplaced. It is uncontested that Apple owns a valid copyright in Mac OS X. Nor has Psystar ever claimed, nor could it claim, that Apple has misled the Copyright Office or the court regarding the extent of that copyright.

Nor is Psystar’s position supported by *Shloss v. Sweeney*, 515 F. Supp. 2d 1068 (N.D. Cal. 2007). There, the court let stand at the motion to dismiss stage a copyright misuse claim asserted against the estate of James Joyce by the author of a scholarly work about James Joyce’s daughter. The court found that the author’s misuse claim was viable based on her allegations that the Joyce estate had “made veiled threats of copyright litigation to enforce [its] underlying purpose of protecting the Joyce’s family’s privacy” and purported to forbid the author from using medical records and letters written by third parties—even though the Joyce estate had no copyright over those materials. The court noted that the Joyce’s estate’s threats “significantly undermined the copyright policy of ‘promoting invention and creative expression’” because it inhibited the author’s ability to “write a scholarly work . . . the type of creativity that the copyright laws exist to facilitate.” *Id.* at 1080. By contrast, Apple seeks to enforce only valid copyrights that it owns and is not using this lawsuit to exercise control over works that were not or could not be copyrighted. Furthermore, unlike the author in *Schloss*,

Psystar's admitted infringement of Apple's Mac OS X copyrights does not constitute the "type of creativity that the copyright laws exist to facilitate."

Assessment Technologies of WI, LLC v. WIREdata, Inc., 350 F.3d 640 (7th Cir. 2003) also does not support Psystar's copyright misuse defense. The plaintiff, AT, had copyrighted a compilation format designed for organizing and presenting real estate data for tax-assessment purposes. The data that eventually populated the copyrighted format, however, were not subject to copyright; moreover, they were not collected by AT, the copyright holder, but by appraisers working for municipalities licensed to use AT's compilation format. *Id.* at 642. WIREdata, a real-estate information service, sought access to the data, which was public. AT sued for an injunction to restrain its licensees from disclosing the data to WIREdata, contending that that the data could not be accessed without infringing WIREdata's copyrights in the compilation format. The Seventh Circuit found that "[t]he data in the municipalities' tax-assessment databases are beyond the scope of AT's copyright," described four ways in which WIREdata could obtain the data without infringing the copyright, and vacated the injunction. *Id.* at 647. The court also noted, without deciding, that if AT's license agreements contractually precluded the municipalities from revealing their own data, it might constitute copyright misuse. Thus, the potential misuse was not related to any litigation

conduct. In any event, Apple has done nothing remotely similar to the copyright holder in *Assessment Technologies*.

There is thus no similarity between the cases Psystar cites and this case. Apple has not misrepresented the scope or content of its copyrights, and Psystar has alleged no harm to copyright policy arising from Apple's successful assertion of its rights. Nor did Apple abuse any process by asserting its copyrights through litigation. The Copyright Act grants Apple the exclusive right to control the reproduction, modification, and distribution of its copyrighted works. And Apple is entitled to enforce these rights by bringing good faith claims against infringers, like Psystar. *See Prof'l Real Estate Invs., Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 64 (1993) (Columbia "entitled to press" copyright infringement claims where its "infringement action was an objectively plausible effort to enforce rights"). Moreover, Apple's victory on these claims in the district court confirms that Apple did not misuse the rights it possesses under the Copyright Act. *Id.* at 61 n.5 ("A winning lawsuit is by definition a reasonable effort at petitioning for redress and therefore not a sham").

II. THE DISTRICT COURT CORRECTLY ENJOINED PSYSTAR'S CONTINUING INFRINGEMENT AND DMCA VIOLATIONS

"The district court's injunctive relief is reviewed for an abuse of discretion. The grant of a permanent injunction will be reversed only when the district court based its decision on an erroneous legal standard or on clearly erroneous findings

of fact.” *Perfumbay.com Inc. v. eBay, Inc.*, 506 F.3d 1165, 1173 (9th Cir. 2007) (quoting *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 941 (9th Cir. 2002)) (internal citations and quotation marks omitted).

The district court’s injunction flows directly from Psystar’s conduct: it prohibits Psystar from “copying, selling, offering to sell, distributing or creating derivative works of [Apple’s] copyrighted Mac OS X software without authorization from the copyright holder” or inducing others to do so. *Apple v. Psystar*, 673 F. Supp. 2d at 955-956 (SER 70). It also prohibits Psystar from circumventing the TPM in Mac OS X or from trafficking in any technology that circumvents the TPM. *Id.* The scope of the injunction was wholly commensurate with the violations of law established by the evidence before the district court.

Psystar claims the district court should have excluded from the injunction Psystar’s more recent products, such as Rebel EFI, that use Apple’s latest version of Mac OS X (Snow Leopard). Psystar argues for exclusion on the ground that these products are “at issue” in Psystar’s later-filed action in Florida. But Psystar seeks to turn the proper analysis on its head: the question is not whether some purportedly new conduct or product should be excluded from the injunction; the question is what infringing conduct was proven and what injunctive relief flows from that proof. Because Apple demonstrated repeated, egregious infringement by Psystar, the district court correctly enjoined Psystar’s future infringements of

Apple's copyrighted works and circumventions of Apple's TPM. Moreover, as discussed below, Psystar waived any challenge to the scope of the injunction by failing to provide information requested by the district court.

A. The District Court Did Not Abuse Its Discretion By Enjoining Psystar's Unlawful Acts

It is uncontested that Psystar copied Mac OS X and created and distributed derivative works of Mac OS X without Apple's consent. *Apple v. Psystar*, 673 F. Supp. 2d at 946-947 (SER 61-62); *Apple v. Psystar*, 673 F. Supp. 2d at 934-938 (SER 49-52). It is also uncontested that Psystar intentionally induced or encouraged others to directly infringe Apple's copyrights in Mac OS X. *Id.* at 939 (SER 53), *Apple v. Psystar*, 673 F. Supp. 2d 947-948 (SER 153). And Psystar does not dispute that it used decryption software to circumvent Apple's TPM and obtain access to Mac OS X, and that it trafficked in circumvention devices by marketing to the public computers with the decryption software installed. *Id.* at 934, 940-942 (SER 49, 54-55). The district court's injunction is tailored to prevent Psystar from repeating these violations. *Apple v. Psystar*, 673 F. Supp. 2d at 955-956 (SER 70). Nothing in the law or the facts supports Psystar's claim that "any injunction in this case should exclude those products that are the subject of the case that Psystar filed against Apple in . . . Florida." Opening Br. at 47-48, 53.

1. *AMC Entertainment Does Not Preclude A Nationwide Injunction To Prohibit Psystar's Pattern Of Unlawful Conduct*

Psystar argues that the injunction should somehow be limited by *United States v. AMC Entertainment, Inc.*, 549 F.3d 760 (9th Cir. 2008). Psystar bases this argument on the district court's purported ruling that the Florida case is the first-filed as to Psystar's Rebel EFI product. Psystar's arguments are baseless.

First, Psystar mischaracterizes the record by stating that "the district court had already correctly decided that the Florida case was the first-filed case with respect to Snow Leopard and Rebel EFI." Opening Br. at 53. There was never such a ruling. ER 54-55. When Psystar made this identical claim at the permanent injunction hearing, the district court responded, "I didn't say that." ER 84:3-8. The district court later noted that, "Psystar continues to grossly mischaracterize prior rulings in this case to justify their position on this issue." *Apple v. Psystar*, 673 F. Supp. 2d at 953 (SER 67). The court made clear that its earlier rulings were intended to "to maintain the discovery deadline and the overall case schedule (without reaching any issues as to what would or would not be within the scope of a later injunction) (Dkt. No. 128). Psystar cannot turn a bullet into a missile." *Id.*

Second, *AMC Entertainment*, the only case Psystar cites to support its argument, is inapposite. There, the Ninth Circuit reviewed a nationwide injunction entered by a California district court requiring AMC Theatres to provide

comparable seating for wheelchair-bound and ambulatory patrons pursuant to the Americans with Disabilities Act (“ADA”). This Court remanded for a modification of the remedial order because, prior to issuance of the California injunction, the Fifth Circuit had reviewed the same claims against AMC Theatres under the ADA and had declined to enter a similar injunction. This remand was based on comity principles, because “[a] district court in the Ninth Circuit should not ‘negate something that has already been determined in adversary proceedings’ before the United States Court of Appeals of the Fifth Circuit.” *AMC Entm’t*, 549 F.3d at 773 (quoting *Ramirez & Feraud Chili Co. v. Las Palmas Food Co.*, 146 F. Supp. 594, 602 (S.D. Cal. 1956)). The panel added, “Courts in the Ninth Circuit should not grant relief that would cause substantial interference with the established judicial pronouncements of . . . sister circuits.” *Id.* (emphasis added).

Despite the clear language in *AMC Entertainment*, Psystar insists that “nothing in the rationale of *AMC* suggests [a] distinction” between decided and pending cases. Opening Br. at 52. Psystar argues that the district court was obliged to have anticipated and avoided a potential conflict with some future ruling by the Florida district court. *Id.* Psystar is wrong. *AMC Entertainment* makes abundantly clear that comity requires tailoring of an injunction only where there is a *prior* ruling; mere pendency of a second lawsuit does not require tailoring of an

injunction to avoid conflict with a future ruling that may never occur and whose content cannot be known.

The district court's injunction does not conflict with any ruling by the court in Florida. To date, nothing of substance has occurred in the Florida action. Apple filed a Motion to Dismiss or Transfer the action on November 24, 2009. There has been no hearing of, or ruling on, the motion. No answer to the complaint has been filed, no discovery has occurred, and now the parties have stipulated to a stay of the case. *See* Request for Judicial Notice filed herewith, Exs. C and D. And there is certainly no ruling from the Florida district court on Psystar's conduct, let alone a ruling approving that conduct. *AMC Entertainment* does not support Psystar's position.

2. The District Court Did Not Abuse Its Discretion By Refusing A Carve-Out For Mac OS X Snow Leopard And Rebel EFI

Psystar's adjudged acts not only justify but compel a broad injunction. As this Court has held, "a district court has 'broad power to restrain acts which are of the same type or class as unlawful acts which the court has found to have been committed or whose commission in the future, unless enjoined, may be fairly anticipated from the defendant's conduct in the past.'" *Orantes-Hernandez v.*

Thornburgh, 919 F.2d 549, 564 (9th Cir. 1990) (quoting *N.L.R.B. v. Express Pub. Co.*, 312 U.S. 426, 435 (1941)).¹²

Walt Disney Co. v. Powell, 897 F.2d 565 (D.C. Cir. 1990), is instructive. The defendant had infringed Walt Disney’s copyrights in Mickey and Minnie Mouse by manufacturing and distributing t-shirts featuring those cartoon characters’ images. The defendant argued that the district court abused its discretion by permanently enjoining him from infringing Walt Disney copyrights in its cartoon characters—including Donald Duck, Pluto, Goofy, and Roger Rabbit—because those copyrights were not at issue in the suit. Even though it was clear that the only adjudged infringements were of copyrights in Mickey and Minnie Mouse, the court of appeal rejected the defendant’s argument and upheld the injunction, stating when “there has been a history of continuing infringement and a significant threat of future infringement remains, it is appropriate to permanently enjoin the future infringement of works owned by the plaintiff but not

¹² See also *Perfumebay.com*, 506 F.3d at 1176-77 (granting broad injunction which included multiple permutations of name “perfumebay”); *CBS Broad., Inc. v. EchoStar Commc’ns Corp.*, 450 F.3d 505, 523-27 (11th Cir. 2006) (granting a nationwide injunction); *JTH Tax, Inc. v. H & R Block E. Tax Servs., Inc.*, 359 F.3d 699, 701 (4th Cir. 2004) (same); *Washington v. Reno*, 35 F.3d 1093, 1103-04 (6th Cir. 1994) (“[T]he appropriate relief to be granted to the plaintiffs on their . . . claim necessarily implicates nationwide relief.”); *McLendon v. Cont’l Can Co.*, 908 F.2d 1171, 1182 (3d Cir. 1990) (“Full relief required a nationwide injunction ordering Continental to cease its use of this discriminatory LAP.”).

in suit.” *Id.* at 566-68; *see also Princeton Univ. Press v. Mich. Document Servs., Inc.*, 99 F.3d 1381, 1392-93 (6th Cir. 1996) (“The weight of authority supports the extension of injunctive relief to future works”); *Olan Mills, Inc. v. Linn Photo Co.*, 23 F.3d 1345, 1349 (8th Cir. 1994) (“Courts have traditionally crafted broad injunctions to protect copyright holders Injunctions have even prohibited infringement of works not yet in existence.”) (internal citation omitted).¹³

Psystar’s infringement compels the same result.

a. Mac OS X Version 10.6 Snow Leopard

Based on Psystar’s conduct, the district court properly included all versions of Mac OS X, including Snow Leopard, within the scope of the permanent injunction. *Apple v. Psystar*, 673 F. Supp. 2d at 953 (SER 67). As the court found:

Psystar has been found liable of not only direct infringement of Apple’s copyrights in numerous releases of Mac OS X, but contributory infringement and multiple violations of the DMCA related to Apple’s protected works. Additionally, a continuing threat to Apple’s future works — specifically, future versions of Mac OS X — is clearly evidenced by the very existence of Psystar’s Rebel EFI product, and Psystar’s various tactical decisions over the course of this litigation (*See* Dkt. Nos. 152, 237).

¹³ *See also i4i Ltd. P’ship v. Microsoft Corp.*, 670 F. Supp. 2d 568, 598, 602 (E.D. Tex. 2009) (permanently enjoining “selling, offering to sell and/or importing in or into the United States any Infringing and Future Word Products”), *aff’d*, 598 F.3d 831, 861 (Fed. Cir. 2010) (affirming the scope of the nationwide permanent injunction); *Picker Int’l Corp. v. Imaging Equip. Servs., Inc.*, 931 F. Supp. 18 (D. Mass. 1995) (holding permanent injunction may extend to future works), *aff’d*, 94 F.3d 640 (1st Cir. 1996); *Sony Pictures Home Entm’t Inc. v. Lott*, 471 F. Supp. 2d 716 (N.D. Tex.) (same), *aff’d*, 255 Fed. Appx. 878 (5th Cir. 2007).

Id. Snow Leopard, the latest version of Mac OS X, “is a software program that, either independently or as a derivative work of Mac OS X, qualifies for protection under the Copyright Act and the DMCA.” *Id.* at 952 (SER 66); *see also* SER 328-331. Psystar does not contest these findings on appeal. Hence, under *Orantes-Hernandez* and *Walt Disney*, all versions of Mac OS X, including Snow Leopard, were properly included within the scope of injunction.

b. Rebel EFI

The district court also properly declined to create a special exemption from the scope of the injunction for Psystar’s “new” Rebel EFI product. As discussed above, the proper legal analysis focuses on the adjudged behavior of the infringer to determine the scope of the injunction. *See, e.g., Orantes-Hernandez*, 919 F.2d at 558. Psystar offers no authority for the proposition that an injunction must do no more than prohibit past acts. Indeed, “a district court has broad power to restrain acts which are of the same type or class as unlawful acts which the court has found to have been committed or whose commission in the future, unless enjoined, may be fairly anticipated from the defendant’s conduct in the past.” *Id.* at 564.

Furthermore, Psystar’s opening brief concedes that Rebel EFI is a continuation of the adjudged infringing activity. Psystar acknowledges that it developed software to force Mac OS X to run on Psystar’s computers. Opening

Br. at 13. Psystar later states that Rebel EFI is a “*subsequent version*” of that same software: “[s]ubsequent versions of this software, bundled together and branded as Rebel EFI, are one of the products at issue in the Florida case.” *Id.* Because Psystar now admits that Rebel EFI is a subsequent version of the code that Psystar previously used to infringe Apple’s copyrights and violate the DMCA, Psystar cannot credibly contend that Rebel EFI falls outside the scope of the injunction. Psystar’s marketing of Rebel EFI is clearly “of the same type or class as unlawful acts which the court has found have been committed.” *See Orantes-Hernandez*, 919 F.2d at 564.

B. Psystar Forfeited Its Opportunity To Limit The Scope Of The Injunction

Psystar also waived its right to seek from this Court a modification of the injunction by deliberately failing to provide to the district court requested evidence. This Circuit has repeatedly rejected challenges to the scope of an injunction when the appellant failed to allow the district court to first address the issue. *See Barrientos v. 1801-1825 Morton LLC*, 583 F.3d 1197, 1215-16 (9th Cir. 2009) (“We agree with [appellees] that [appellant] waived the objection to the scope of relief by failing to raise it before the district court. Accordingly, we decline to address it.”); *United States v. Bowen*, 172 F.3d 682, 689 (9th Cir. 1999) (“defendant did not challenge the government’s request for a recall before the district court entered its order. Instead, defendant challenged the recall order only

after the fact, in a motion to stay the order pending appeal. . . . Because defendant gave the district court no opportunity to reach the merits of the question that he now asks us to reach, he did not preserve the challenge before this court.”).

This Court has also declined to address similar issues when the district court did not have a reasonable opportunity to consider the underlying facts on a fully developed record. *See, e.g., Moreno Roofing Co., Inc. v. Nagle*, 99 F.3d 340, 343 (9th Cir. 1996) (declining to consider an issue even if counsel raised it during oral arguments because it was insufficiently developed); *A-1 Ambulance Serv., Inc. v. County of Monterey*, 90 F.3d 333, 337-39 (9th Cir. 1996) (declining to consider legal theory that may have required further development of the factual record). As this Court recently explained, “this forfeiture rule ‘is essential in order that the parties may have the opportunity to offer all the evidence they believe relevant to the issues which the trial tribunal is alone competent to decide.’” *Moore v. Czerniak*, 574 F.3d 1092, 1116 (9th Cir. 2009) (quoting *Hormel v. Helvering*, 312 U.S. 552, 556 (1941)).

As Psystar admits in its opening brief, the district court expressly invited Psystar to pursue by motion the carve-out it now seeks on appeal from this Court. Opening Br. at 51. The district court requested additional briefing because it found that Psystar had deliberately avoided providing information on Rebel EFI, making it impossible for the court to determine whether that product should be excluded

from the injunction. *Apple v. Psystar*, 673 F. Supp. 2d at 954-955 (SER 69-70).

The court stated that the record presented by Psystar was “so sketchy, I can’t tell” (ER 85:1) and that “Psystar’s opposition brief appears to purposefully avoid providing a straightforward description of what Rebel EFI actually *does*” (SER 69-70) (*italics in original*). The court invited Psystar to file

a new motion before the undersigned that includes real details about Rebel EFI, and [to] open[] itself up to formal discovery thereon. This would serve the purpose — akin to post-injunction motion vetting a ‘design-around’ in a patent action — of potentially vetting (or not vetting) a product like Rebel EFI under this order’s decree. Moreover, Psystar may raise in such a motion any defenses it believes should apply to the factual circumstances of its new product, such as the 17 U.S.C. 117 defense raised in its opposition and at oral argument.

Apple v. Psystar, 673 F.Supp. 2d at 955 (SER 70).

Psystar chose not to file such a motion presumably because, as its opening brief concedes, Rebel EFI was a clear continuation of Psystar’s past infringing activity. Psystar thus deprived the district court of the evidence it needed to address this issue and abandoned the request for a carve-out of Rebel EFI. By doing so, Psystar waived its right to appeal this issue. *See Foti v. City of Menlo Park*, 146 F.3d 629, 638 (9th Cir. 1998) (appellant picketers waived their right to a preliminary injunction since they failed to provide additional briefing the district court requested because it needed a fuller explanation of the issues).

III. THE SEALING ORDERS SHOULD NOT BE VACATED

A. Apple Has A Compelling Interest In Keeping Its Technological Protection Measure Confidential

Apple requested that the court seal portions of the summary judgment filings relating to the TPM and other proprietary technology Apple uses to restrict access to its copyrighted Mac OS X. The information that Apple sought to seal included details regarding Apple's implementation of its TPM and Psystar's circumvention of the TPM. Publicly disclosing that information would not only reveal Apple's trade secrets, it would invite and instruct others to engage in the same unlawful conduct as Psystar and facilitate, if not encourage, the illegal copying of Mac OS X. As even Psystar must admit, sealing of trade secrets is appropriate. *See* Opening Br. at 41.

Nonetheless, Psystar argues that the court's orders sealing this information should be reversed because there is not a compelling reason to keep the information from the public. According to Psystar, Apple's TPM, including its encryption and anti-circumvention methods, is already "widely available" and therefore Apple is not entitled to maintain as a trade secret the details of how it technically limits its software to its hardware. Psystar's argument mischaracterizes the facts and is unsupported by law.

Apple's TPM is not "widely available" to the public. Apple's TPM is comprised of trade secrets that Apple assiduously seeks to protect. SER 350-356;

ER 368-370, 502-504, 508-548, 573-577. Nevertheless, websites exist where individuals speculate about Apple's TPM and how it works. Some of these websites are created by computer science students and engineers, while others are created by malicious hackers. But none of these websites is authorized or endorsed by Apple, nor has Apple confirmed any of the public speculation regarding Apple's TPM.

Furthermore, Psystar cites no authority for the radical proposition that speculation on the internet deprives Apple of the right to protect its trade secrets. To the contrary, courts addressing TPMs have been careful to shield the technical details of those TPMs even where those measures were otherwise available on the internet. For example, in *RealNetworks, Inc. v. DVD Copy Control Ass'n*, 641 F. Supp. 2d 913, 932 (N.D. Cal. 2009), the court granted the plaintiff's motion to seal information relating to the plaintiff's encryption system even though the encryption keys at issue had been hacked and made available on the internet some nine years earlier. *See also 321 Studios v. Metro Goldwyn Mayer Studios, Inc.*, 307 F. Supp. 2d 1085, 1089 (N.D. Cal. 2004) (withholding decryption keys "broadly available on the Internet"); *Universal City Studios, Inc. v. Corley*, 273 F.3d 429, 437 (2d Cir. 2001) (noting that keys are kept "confidential" and withholding them despite widespread knowledge on the internet); *Universal City*

Studios, Inc. v. Reimerdes, 111 F. Supp. 2d 294, 310 (S.D.N.Y. 2000) (withholding technical details of TPM even though these details were available on the internet).

Finally, maintaining the confidentiality of Apple's TPM does not prevent the public from understanding "the judicial process" and "significant public events." Opening Br. at 40 (citing *Kamakana v. City & Cty of Honolulu*, 447 F.3d 1172, 1179 (9th Cir. 2006)). Apple ultimately sought to seal an extremely narrow subset of information that described the details of its TPM. That Apple uses a TPM, and that Psystar circumvented it, are still publicly available facts, and the public's understanding of the judicial process will not be inhibited if Apple's TPM details remain confidential.

B. The District Court's Sealing Orders Were Based on Adequate Proof of Trade Secret Content

There were seven sealing orders entered by the district court in connection with the parties' respective motions for summary judgment, oppositions, and replies. Psystar implies that all of the sealing orders are identical and argues that they should all be vacated. In so doing, Psystar conflates one broad order with the remaining narrowly tailored orders and fails to acknowledge the evidence of trade secret content Apple submitted for each of its filings and that the district court relied on in entering its orders. ER 508-520, 547, 365-372, 499-507, 573-580, 255-260; SER 358-360.

Psystar is correct in stating that the first sealing order, which Apple proposed in conjunction with Apple's opening summary judgment brief, protects more than Apple's trade secrets. This, however, is a consequence of Apple's inadvertent failure to submit a new proposed order and of Psystar's failure to challenge the order at the time when the district court could have corrected Apple's mistake. As Psystar's opening brief implies, the parties met and conferred following Apple's initial motion to seal its summary judgment motion. Opening Br. at 45. Apple agreed to limit its sealing request to trade secret details relating to Apple's TPM. Apple's position—requesting sealing of a subset of information more limited than requested when filing its opening brief—was memorialized in its reply in support of the motion to seal. ER 508-520, 547. At the reply stage, however, Apple did not submit a revised proposed order that reflected its new, more limited request. The court signed the original proposed order, and neither party informed the court that this particular sealing order was more expansive than Apple had ultimately requested. ER 51-52.

In its remaining summary judgment filings, Apple limited its sealing requests to the narrow subset of information relating to its TPM and provided the court with compelling reasons for sealing. ER 365-372, 499-507, 573-580, 255-260; SER 358-360. Additionally, when, in conjunction with its own summary judgment filings, Psystar indicated that it did not think sealing was necessary,

Apple submitted declarations demonstrating compelling reasons to seal carefully limited portions of those filings. ER 252-260, 573-583; SER 358-360. After having reviewed the record (ER 252-260, 365-372, 499-507, 508-548, 578-583; SER 358-360), the district court correctly ordered the sealing of information relating to Apple's TPM and its circumvention.

Psystar's assertion that the court's sealing orders should be vacated because "the district court failed to articulate the specific reasons that convinced it to seal the summary-judgment papers" is baseless. In granting the motions to seal, the court stated that it was doing so "[f]or good cause shown and based on compelling reasons." ER 51-52. The court had reviewed Psystar's and Apple's briefing on each of the motions to seal and, based on the factual showings made therein, determined that sealing portions of the filings was appropriate. ER 252-260, 365-372, 499-507, 508-548, 578-583; SER 358-360. This Court may affirm based on the same record. *Dittman v. California*, 191 F.3d 1020, 1027 n.3 (9th Cir. 1999) ("this court may affirm on any ground supported by the record").

Furthermore, Psystar had ample opportunity to notify Apple and the court that the first sealing order was broader than Apple had ultimately requested. Had Psystar done so, Apple would have submitted a revised proposed order and jointly moved for its entry. *See* Fed. R. Civ. P. 60. Psystar never raised this issue, nor

does Psystar provide any basis for vacating the order in its entirety. At most, the district court should be conferred jurisdiction to reform the order.

In any event, the public interest in understanding this dispute and the resulting law has been well served by the published decisions of the district court. Publishing the details of Apple's TPM, as Psystar requests, would directly harm Apple without serving any legitimate public interest.

CONCLUSION

For all of the foregoing reasons, the judgment of the district court should be affirmed.

Dated: July 8, 2010

Respectfully submitted,

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STATEMENT OF RELATED CASES

Apple is aware of no related case pending in this Court.

**CERTIFICATE OF COMPLIANCE
PURSUANT TO FED. R. APP. P. 32(a)(7)(C) AND CIRCUIT RULE 32-1
FOR APPEAL NO. 08-56200**

I certify that, pursuant to Fed. R. App. P. 32(a)(7)(C) and Ninth Circuit Rule 32-1, the attached Answering Brief of Plaintiff-Appellee Apple Inc. is proportionately spaced, has a typeface of 14 points or more and contains 13111 words.

Dated: July 8, 2010

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CERTIFICATE OF SERVICE

I declare that I am employed in the City and County of San Francisco, California, in the office of a member of the bar of this court at whose direction this service was made. I am over the age of 18 years and not a party to this action; my business address is Two Embarcadero Center, Eighth Floor, San Francisco, California, 94111. On the date set forth below, I served a true and accurate copy of the document(s) entitled:

ANSWERING BRIEF OF PLAINTIFF-APPELLEE APPLE INC.

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[By First Class Mail] I certify that some of the participants in the case are not registered CM/ECF users. I have mailed the foregoing document by First-Class Mail, postage prepaid, or have dispatched it to a third party commercial carrier for delivery within 3 calendar days to the following non-CM/ECF participants

[By Overnight Courier] I caused each envelope to be delivered by a commercial carrier service for overnight delivery to the offices of the addressee(s).

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[By Court's Electronic Filing System] I hereby certify that I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system. Participants in the case who are registered CM/ECF users will be served by the appellate CM/ECF system.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed this date at San Francisco, California.

Dated: July 8, 2010.

/s/Diane G. Sunnen
Diane G. Sunnen

CITED STATUTES



Effective: November 2, 2002

United States Code Annotated [Currentness](#)

Title 17. Copyrights ([Refs & Annos](#))

[Chapter 1](#). Subject Matter and Scope of Copyright ([Refs & Annos](#))

→ **§ 106. Exclusive rights in copyrighted works**

Subject to [sections 107](#) through [122](#), the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

CREDIT(S)

([Pub.L. 94-553, Title I, § 101](#), Oct. 19, 1976, 90 Stat. 2546; [Pub.L. 101-318](#), § 3(d), July 3, 1990, 104 Stat. 288; [Pub.L. 101-650, Title VII, § 704\(b\)\(2\)](#), Dec. 1, 1990, 104 Stat. 5134; [Pub.L. 104-39](#), § 2, Nov. 1, 1995, 109 Stat. 336; [Pub.L. 106-44](#), § 1(g)(2), Aug. 5, 1999, 113 Stat. 222; [Pub.L. 107-273](#), Div. C, Title III, § 13210(4)(A), Nov. 2, 2002, 116 Stat. 1909.)

Current through P.L. 111-191 (excluding P.L. 111-148, 111-152, 111-159, and 111-173) approved 6-15-10

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C**Effective: October 13, 2008**United States Code Annotated [Currentness](#)Title 17. Copyrights ([Refs & Annos](#))[Chapter 1](#). Subject Matter and Scope of Copyright ([Refs & Annos](#))**→ § 109. Limitations on exclusive rights: Effect of transfer of particular copy or phonorecord**

(a) Notwithstanding the provisions of [section 106\(3\)](#), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord. Notwithstanding the preceding sentence, copies or phonorecords of works subject to restored copyright under [section 104A](#) that are manufactured before the date of restoration of copyright or, with respect to reliance parties, before publication or service of notice under [section 104A\(e\)](#), may be sold or otherwise disposed of without the authorization of the owner of the restored copyright for purposes of direct or indirect commercial advantage only during the 12-month period beginning on--

(1) the date of the publication in the Federal Register of the notice of intent filed with the Copyright Office under [section 104A\(d\)\(2\)\(A\)](#), or

(2) the date of the receipt of actual notice served under [section 104A\(d\)\(2\)\(B\)](#),

whichever occurs first.

(b)(1)(A) Notwithstanding the provisions of subsection (a), unless authorized by the owners of copyright in the sound recording or the owner of copyright in a computer program (including any tape, disk, or other medium embodying such program), and in the case of a sound recording in the musical works embodied therein, neither the owner of a particular phonorecord nor any person in possession of a particular copy of a computer program (including any tape, disk, or other medium embodying such program), may, for the purposes of direct or indirect commercial advantage, dispose of, or authorize the disposal of, the possession of that phonorecord or computer program (including any tape, disk, or other medium embodying such program) by rental, lease, or lending, or by any other act or practice in the nature of rental, lease, or lending. Nothing in the preceding sentence shall apply to the rental, lease, or lending of a phonorecord for nonprofit purposes by a nonprofit library or nonprofit educational institution. The transfer of possession of a lawfully made copy of a computer program by a nonprofit educational institution to another nonprofit educational institution or to faculty, staff, and students does not constitute rental, lease, or lending for direct or indirect commercial purposes under this subsection.

(B) This subsection does not apply to--

(i) a computer program which is embodied in a machine or product and which cannot be copied during the ordinary operation or use of the machine or product; or

(ii) a computer program embodied in or used in conjunction with a limited purpose computer that is designed for playing video games and may be designed for other purposes.

(C) Nothing in this subsection affects any provision of chapter 9 of this title.

(2)(A) Nothing in this subsection shall apply to the lending of a computer program for nonprofit purposes by a nonprofit library, if each copy of a computer program which is lent by such library has affixed to the packaging containing the program a warning of copyright in accordance with requirements that the Register of Copyrights shall prescribe by regulation.

(B) Not later than three years after the date of the enactment of the Computer Software Rental Amendments Act of 1990, and at such times thereafter as the Register of Copyrights considers appropriate, the Register of Copyrights, after consultation with representatives of copyright owners and librarians, shall submit to the Congress a report stating whether this paragraph has achieved its intended purpose of maintaining the integrity of the copyright system while providing nonprofit libraries the capability to fulfill their function. Such report shall advise the Congress as to any information or recommendations that the Register of Copyrights considers necessary to carry out the purposes of this subsection.

(3) Nothing in this subsection shall affect any provision of the antitrust laws. For purposes of the preceding sentence, “antitrust laws” has the meaning given that term in the first section of the Clayton Act and includes section 5 of the Federal Trade Commission Act to the extent that section relates to unfair methods of competition.

(4) Any person who distributes a phonorecord or a copy of a computer program (including any tape, disk, or other medium embodying such program) in violation of paragraph (1) is an infringer of copyright under [section 501](#) of this title and is subject to the remedies set forth in [sections 502](#), [503](#), [504](#), and [505](#). Such violation shall not be a criminal offense under [section 506](#) or cause such person to be subject to the criminal penalties set forth in [section 2319 of title 18](#).

(c) Notwithstanding the provisions of [section 106\(5\)](#), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.

(d) The privileges prescribed by subsections (a) and (c) do not, unless authorized by the copyright owner, extend to any person who has acquired possession of the copy or phonorecord from the copyright owner, by rental, lease, loan, or otherwise, without acquiring ownership of it.

(e) Notwithstanding the provisions of sections 106(4) and 106(5), in the case of an electronic audiovisual game intended for use in coin-operated equipment, the owner of a particular copy of such a game lawfully made under this title, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game in coin-operated equipment, except that this subsection shall not apply to any work of authorship embodied in the audiovisual game if the copyright owner of the electronic audiovisual game is not also the copyright owner of the work of authorship.

CREDIT(S)

([Pub.L. 94-553, Title I, § 101](#), Oct. 19, 1976, 90 Stat. 2548; [Pub.L. 98-450](#), § 2, Oct. 4, 1984, 98 Stat. 1727; [Pub.L. 100-617](#), § 2, Nov. 5, 1988, 102 Stat. 3194; [Pub.L. 101-650, Title VIII, §§ 802](#), 803, Dec. 1, 1990, 104 Stat. 5134, 5135; [Pub.L. 103-465, Title V, § 514\(b\)](#), Dec. 8, 1994, 108 Stat. 4981; [Pub.L. 105-80](#), § 12(a)(5), Nov. 13, 1997, 111 Stat. 1534; [Pub.L. 110-403, Title II, § 209\(a\)\(1\)](#), Oct. 13, 2008, 122 Stat. 4264.)

Current through P.L. 111-191 (excluding P.L. 111-148, 111-152, 111-159, and 111-173) approved 6-15-10

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C

Effective: October 28, 1998

United States Code Annotated [Currentness](#)

Title 17. Copyrights ([Refs & Annos](#))

[Chapter 1](#). Subject Matter and Scope of Copyright ([Refs & Annos](#))

→ § 117. Limitations on exclusive rights: Computer programs

(a) Making of additional copy or adaptation by owner of copy.--Notwithstanding the provisions of [section 106](#), it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

(1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

(b) Lease, sale, or other transfer of additional copy or adaptation.--Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner.

(c) Machine maintenance or repair.--Notwithstanding the provisions of [section 106](#), it is not an infringement for the owner or lessee of a machine to make or authorize the making of a copy of a computer program if such copy is made solely by virtue of the activation of a machine that lawfully contains an authorized copy of the computer program, for purposes only of maintenance or repair of that machine, if--

(1) such new copy is used in no other manner and is destroyed immediately after the maintenance or repair is completed; and

(2) with respect to any computer program or part thereof that is not necessary for that machine to be activated, such program or part thereof is not accessed or used other than to make such new copy by virtue of the activation of the machine.

(d) Definitions.--For purposes of this section--

(1) the "maintenance" of a machine is the servicing of the machine in order to make it work in accordance with its original specifications and any changes to those specifications authorized for that machine; and

(2) the "repair" of a machine is the restoring of the machine to the state of working in accordance with its original specifications and any changes to those specifications authorized for that machine.

CREDIT(S)

([Pub.L. 94-553, Title I, § 101](#), Oct. 19, 1976, 90 Stat. 2565; [Pub.L. 96-517](#), § 10(b), Dec. 12, 1980, 94 Stat. 3028; [Pub.L. 105-304, Title III, § 302](#), Oct. 28, 1998, 112 Stat. 2887.)

Current through P.L. 111-191 (excluding P.L. 111-148, 111-152, 111-159, and 111-173) approved 6-15-10

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C**Effective: November 29, 1999**United States Code Annotated [Currentness](#)Title 17. Copyrights ([Refs & Annos](#))[Chapter 12](#). Copyright Protection and Management Systems→ **§ 1201. Circumvention of copyright protection systems**

(a) Violations regarding circumvention of technological measures.--(1)(A)No person shall circumvent a technological measure that effectively controls access to a work protected under this title. The prohibition contained in the preceding sentence shall take effect at the end of the 2-year period beginning on the date of the enactment of this chapter.

(B) The prohibition contained in subparagraph (A) shall not apply to persons who are users of a copyrighted work which is in a particular class of works, if such persons are, or are likely to be in the succeeding 3-year period, adversely affected by virtue of such prohibition in their ability to make noninfringing uses of that particular class of works under this title, as determined under subparagraph (C).

(C) During the 2-year period described in subparagraph (A), and during each succeeding 3-year period, the Librarian of Congress, upon the recommendation of the Register of Copyrights, who shall consult with the Assistant Secretary for Communications and Information of the Department of Commerce and report and comment on his or her views in making such recommendation, shall make the determination in a rulemaking proceeding for purposes of subparagraph (B) of whether persons who are users of a copyrighted work are, or are likely to be in the succeeding 3-year period, adversely affected by the prohibition under subparagraph (A) in their ability to make noninfringing uses under this title of a particular class of copyrighted works. In conducting such rulemaking, the Librarian shall examine--

- (i)** the availability for use of copyrighted works;
- (ii)** the availability for use of works for nonprofit archival, preservation, and educational purposes;
- (iii)** the impact that the prohibition on the circumvention of technological measures applied to copyrighted works has on criticism, comment, news reporting, teaching, scholarship, or research;
- (iv)** the effect of circumvention of technological measures on the market for or value of copyrighted works; and
- (v)** such other factors as the Librarian considers appropriate.

(D) The Librarian shall publish any class of copyrighted works for which the Librarian has determined, pursuant to the rulemaking conducted under subparagraph (C), that noninfringing uses by persons who are users of a copyrighted work are, or are likely to be, adversely affected, and the prohibition contained in subparagraph (A) shall not apply to such users with respect to such class of works for the ensuing 3-year period.

(E) Neither the exception under subparagraph (B) from the applicability of the prohibition contained in subparagraph (A), nor any determination made in a rulemaking conducted under subparagraph (C), may be used as a de-

fense in any action to enforce any provision of this title other than this paragraph.

(2) No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that--

(A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

(B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or

(C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.

(3) As used in this subsection--

(A) to "circumvent a technological measure" means to descramble a scrambled work, to decrypt an encrypted work, or otherwise to avoid, bypass, remove, deactivate, or impair a technological measure, without the authority of the copyright owner; and

(B) a technological measure "effectively controls access to a work" if the measure, in the ordinary course of its operation, requires the application of information, or a process or a treatment, with the authority of the copyright owner, to gain access to the work.

(b) Additional violations.--(1) No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that--

(A) is primarily designed or produced for the purpose of circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof;

(B) has only limited commercially significant purpose or use other than to circumvent protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof; or

(C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing protection afforded by a technological measure that effectively protects a right of a copyright owner under this title in a work or a portion thereof.

(2) As used in this subsection--

(A) to "circumvent protection afforded by a technological measure" means avoiding, bypassing, removing, deactivating, or otherwise impairing a technological measure; and

(B) a technological measure "effectively protects a right of a copyright owner under this title" if the measure, in the ordinary course of its operation, prevents, restricts, or otherwise limits the exercise of a right of a copyright owner under this title.

(c) Other rights, etc., not affected.--(1) Nothing in this section shall affect rights, remedies, limitations, or defenses to copyright infringement, including fair use, under this title.

(2) Nothing in this section shall enlarge or diminish vicarious or contributory liability for copyright infringement in connection with any technology, product, service, device, component, or part thereof.

(3) Nothing in this section shall require that the design of, or design and selection of parts and components for, a consumer electronics, telecommunications, or computing product provide for a response to any particular technological measure, so long as such part or component, or the product in which such part or component is integrated, does not otherwise fall within the prohibitions of subsection (a)(2) or (b)(1).

(4) Nothing in this section shall enlarge or diminish any rights of free speech or the press for activities using consumer electronics, telecommunications, or computing products.

(d) Exemption for nonprofit libraries, archives, and educational institutions.--(1) A nonprofit library, archives, or educational institution which gains access to a commercially exploited copyrighted work solely in order to make a good faith determination of whether to acquire a copy of that work for the sole purpose of engaging in conduct permitted under this title shall not be in violation of subsection (a)(1)(A). A copy of a work to which access has been gained under this paragraph--

(A) may not be retained longer than necessary to make such good faith determination; and

(B) may not be used for any other purpose.

(2) The exemption made available under paragraph (1) shall only apply with respect to a work when an identical copy of that work is not reasonably available in another form.

(3) A nonprofit library, archives, or educational institution that willfully for the purpose of commercial advantage or financial gain violates paragraph (1)--

(A) shall, for the first offense, be subject to the civil remedies under [section 1203](#); and

(B) shall, for repeated or subsequent offenses, in addition to the civil remedies under [section 1203](#), forfeit the exemption provided under paragraph (1).

(4) This subsection may not be used as a defense to a claim under subsection (a)(2) or (b), nor may this subsection permit a nonprofit library, archives, or educational institution to manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, component, or part thereof, which circumvents a technological measure.

(5) In order for a library or archives to qualify for the exemption under this subsection, the collections of that library or archives shall be--

(A) open to the public; or

(B) available not only to researchers affiliated with the library or archives or with the institution of which it is a part, but also to other persons doing research in a specialized field.

(e) Law enforcement, intelligence, and other government activities.--This section does not prohibit any lawfully authorized investigative, protective, information security, or intelligence activity of an officer, agent, or employee of the United States, a State, or a political subdivision of a State, or a person acting pursuant to a contract with the

United States, a State, or a political subdivision of a State. For purposes of this subsection, the term “information security” means activities carried out in order to identify and address the vulnerabilities of a government computer, computer system, or computer network.

(f) Reverse engineering.--(1) Notwithstanding the provisions of subsection (a)(1)(A), a person who has lawfully obtained the right to use a copy of a computer program may circumvent a technological measure that effectively controls access to a particular portion of that program for the sole purpose of identifying and analyzing those elements of the program that are necessary to achieve interoperability of an independently created computer program with other programs, and that have not previously been readily available to the person engaging in the circumvention, to the extent any such acts of identification and analysis do not constitute infringement under this title.

(2) Notwithstanding the provisions of subsections (a)(2) and (b), a person may develop and employ technological means to circumvent a technological measure, or to circumvent protection afforded by a technological measure, in order to enable the identification and analysis under paragraph (1), or for the purpose of enabling interoperability of an independently created computer program with other programs, if such means are necessary to achieve such interoperability, to the extent that doing so does not constitute infringement under this title.

(3) The information acquired through the acts permitted under paragraph (1), and the means permitted under paragraph (2), may be made available to others if the person referred to in paragraph (1) or (2), as the case may be, provides such information or means solely for the purpose of enabling interoperability of an independently created computer program with other programs, and to the extent that doing so does not constitute infringement under this title or violate applicable law other than this section.

(4) For purposes of this subsection, the term “interoperability” means the ability of computer programs to exchange information, and of such programs mutually to use the information which has been exchanged.

(g) Encryption research.--

(1) Definitions.--For purposes of this subsection--

(A) the term “encryption research” means activities necessary to identify and analyze flaws and vulnerabilities of encryption technologies applied to copyrighted works, if these activities are conducted to advance the state of knowledge in the field of encryption technology or to assist in the development of encryption products; and

(B) the term “encryption technology” means the scrambling and descrambling of information using mathematical formulas or algorithms.

(2) Permissible acts of encryption research.--Notwithstanding the provisions of subsection (a)(1)(A), it is not a violation of that subsection for a person to circumvent a technological measure as applied to a copy, phonorecord, performance, or display of a published work in the course of an act of good faith encryption research if--

(A) the person lawfully obtained the encrypted copy, phonorecord, performance, or display of the published work;

(B) such act is necessary to conduct such encryption research;

(C) the person made a good faith effort to obtain authorization before the circumvention; and

(D) such act does not constitute infringement under this title or a violation of applicable law other than this sec-

tion, including [section 1030 of title 18](#) and those provisions of title 18 amended by the Computer Fraud and Abuse Act of 1986.

(3) Factors in determining exemption.--In determining whether a person qualifies for the exemption under paragraph (2), the factors to be considered shall include--

(A) whether the information derived from the encryption research was disseminated, and if so, whether it was disseminated in a manner reasonably calculated to advance the state of knowledge or development of encryption technology, versus whether it was disseminated in a manner that facilitates infringement under this title or a violation of applicable law other than this section [17 U.S.C.A. § 1 et seq.], including a violation of privacy or breach of security;

(B) whether the person is engaged in a legitimate course of study, is employed, or is appropriately trained or experienced, in the field of encryption technology; and

(C) whether the person provides the copyright owner of the work to which the technological measure is applied with notice of the findings and documentation of the research, and the time when such notice is provided.

(4) Use of technological means for research activities.--Notwithstanding the provisions of subsection (a)(2), it is not a violation of that subsection for a person to--

(A) develop and employ technological means to circumvent a technological measure for the sole purpose of that person performing the acts of good faith encryption research described in paragraph (2); and

(B) provide the technological means to another person with whom he or she is working collaboratively for the purpose of conducting the acts of good faith encryption research described in paragraph (2) or for the purpose of having that other person verify his or her acts of good faith encryption research described in paragraph (2).

(5) Report to Congress.--Not later than 1 year after the date of the enactment of this chapter [17 U.S.C. 1201 et seq.], the Register of Copyrights and the Assistant Secretary for Communications and Information of the Department of Commerce shall jointly report to the Congress on the effect this subsection has had on--

(A) encryption research and the development of encryption technology;

(B) the adequacy and effectiveness of technological measures designed to protect copyrighted works; and

(C) protection of copyright owners against the unauthorized access to their encrypted copyrighted works.

The report shall include legislative recommendations, if any.

(h) Exceptions regarding minors.--In applying subsection (a) to a component or part, the court may consider the necessity for its intended and actual incorporation in a technology, product, service, or device, which--

(1) does not itself violate the provisions of this title; and

(2) has the sole purpose to prevent the access of minors to material on the Internet.

(i) Protection of personally identifying information.--

(1) Circumvention permitted.--Notwithstanding the provisions of subsection (a)(1)(A), it is not a violation of that subsection for a person to circumvent a technological measure that effectively controls access to a work protected under this title, if--

(A) the technological measure, or the work it protects, contains the capability of collecting or disseminating personally identifying information reflecting the online activities of a natural person who seeks to gain access to the work protected;

(B) in the normal course of its operation, the technological measure, or the work it protects, collects or disseminates personally identifying information about the person who seeks to gain access to the work protected, without providing conspicuous notice of such collection or dissemination to such person, and without providing such person with the capability to prevent or restrict such collection or dissemination;

(C) the act of circumvention has the sole effect of identifying and disabling the capability described in subparagraph (A), and has no other effect on the ability of any person to gain access to any work; and

(D) the act of circumvention is carried out solely for the purpose of preventing the collection or dissemination of personally identifying information about a natural person who seeks to gain access to the work protected, and is not in violation of any other law.

(2) Inapplicability to certain technological measures.--This subsection does not apply to a technological measure, or a work it protects, that does not collect or disseminate personally identifying information and that is disclosed to a user as not having or using such capability.

(j) Security testing.--

(1) Definition.--For purposes of this subsection, the term “security testing” means accessing a computer, computer system, or computer network, solely for the purpose of good faith testing, investigating, or correcting, a security flaw or vulnerability, with the authorization of the owner or operator of such computer, computer system, or computer network.

(2) Permissible acts of security testing.--Notwithstanding the provisions of subsection (a)(1)(A), it is not a violation of that subsection for a person to engage in an act of security testing, if such act does not constitute infringement under this title or a violation of applicable law other than this section, including [section 1030 of title 18](#) and those provisions of title 18 amended by the Computer Fraud and Abuse Act of 1986.

(3) Factors in determining exemption.--In determining whether a person qualifies for the exemption under paragraph (2), the factors to be considered shall include--

(A) whether the information derived from the security testing was used solely to promote the security of the owner or operator of such computer, computer system or computer network, or shared directly with the developer of such computer, computer system, or computer network; and

(B) whether the information derived from the security testing was used or maintained in a manner that does not facilitate infringement under this title or a violation of applicable law other than this section, including a violation of privacy or breach of security.

(4) Use of technological means for security testing.--Notwithstanding the provisions of subsection (a)(2), it is

not a violation of that subsection for a person to develop, produce, distribute or employ technological means for the sole purpose of performing the acts of security testing described in subsection (2), [FN1] provided such technological means does not otherwise violate section [FN2] (a)(2).

(k) Certain analog devices and certain technological measures.--

(1) Certain analog devices.--

(A) Effective 18 months after the date of the enactment of this chapter, no person shall manufacture, import, offer to the public, provide or otherwise traffic in any--

(i) VHS format analog video cassette recorder unless such recorder conforms to the automatic gain control copy control technology;

(ii) 8mm format analog video cassette camcorder unless such camcorder conforms to the automatic gain control technology;

(iii) Beta format analog video cassette recorder, unless such recorder conforms to the automatic gain control copy control technology, except that this requirement shall not apply until there are 1,000 Beta format analog video cassette recorders sold in the United States in any one calendar year after the date of the enactment of this chapter;

(iv) 8mm format analog video cassette recorder that is not an analog video cassette camcorder, unless such recorder conforms to the automatic gain control copy control technology, except that this requirement shall not apply until there are 20,000 such recorders sold in the United States in any one calendar year after the date of the enactment of this chapter; or

(v) analog video cassette recorder that records using an NTSC format video input and that is not otherwise covered under clauses (i) through (iv), unless such device conforms to the automatic gain control copy control technology.

(B) Effective on the date of the enactment of this chapter, no person shall manufacture, import, offer to the public, provide or otherwise traffic in--

(i) any VHS format analog video cassette recorder or any 8mm format analog video cassette recorder if the design of the model of such recorder has been modified after such date of enactment so that a model of recorder that previously conformed to the automatic gain control copy control technology no longer conforms to such technology; or

(ii) any VHS format analog video cassette recorder, or any 8mm format analog video cassette recorder that is not an 8mm analog video cassette camcorder, if the design of the model of such recorder has been modified after such date of enactment so that a model of recorder that previously conformed to the four-line colorstripe copy control technology no longer conforms to such technology.

Manufacturers that have not previously manufactured or sold a VHS format analog video cassette recorder, or an 8mm format analog cassette recorder, shall be required to conform to the four-line colorstripe copy control technology in the initial model of any such recorder manufactured after the date of the enactment of this chapter, and thereafter to continue conforming to the four-line colorstripe copy control technology. For purposes of this subparagraph, an analog video cassette recorder "conforms to" the four-line colorstripe

copy control technology if it records a signal that, when played back by the playback function of that recorder in the normal viewing mode, exhibits, on a reference display device, a display containing distracting visible lines through portions of the viewable picture.

(2) Certain encoding restrictions.--No person shall apply the automatic gain control copy control technology or colorstripe copy control technology to prevent or limit consumer copying except such copying--

(A) of a single transmission, or specified group of transmissions, of live events or of audiovisual works for which a member of the public has exercised choice in selecting the transmissions, including the content of the transmissions or the time of receipt of such transmissions, or both, and as to which such member is charged a separate fee for each such transmission or specified group of transmissions;

(B) from a copy of a transmission of a live event or an audiovisual work if such transmission is provided by a channel or service where payment is made by a member of the public for such channel or service in the form of a subscription fee that entitles the member of the public to receive all of the programming contained in such channel or service;

(C) from a physical medium containing one or more prerecorded audiovisual works; or

(D) from a copy of a transmission described in subparagraph (A) or from a copy made from a physical medium described in subparagraph (C).

In the event that a transmission meets both the conditions set forth in subparagraph (A) and those set forth in subparagraph (B), the transmission shall be treated as a transmission described in subparagraph (A).

(3) Inapplicability.--This subsection shall not--

(A) require any analog video cassette camcorder to conform to the automatic gain control copy control technology with respect to any video signal received through a camera lens;

(B) apply to the manufacture, importation, offer for sale, provision of, or other trafficking in, any professional analog video cassette recorder; or

(C) apply to the offer for sale or provision of, or other trafficking in, any previously owned analog video cassette recorder, if such recorder was legally manufactured and sold when new and not subsequently modified in violation of paragraph (1)(B).

(4) Definitions.--For purposes of this subsection:

(A) An “analog video cassette recorder” means a device that records, or a device that includes a function that records, on electromagnetic tape in an analog format the electronic impulses produced by the video and audio portions of a television program, motion picture, or other form of audiovisual work.

(B) An “analog video cassette camcorder” means an analog video cassette recorder that contains a recording function that operates through a camera lens and through a video input that may be connected with a television or other video playback device.

(C) An analog video cassette recorder “conforms” to the automatic gain control copy control technology if it--

(i) detects one or more of the elements of such technology and does not record the motion picture or transmission protected by such technology; or

(ii) records a signal that, when played back, exhibits a meaningfully distorted or degraded display.

(D) The term “professional analog video cassette recorder” means an analog video cassette recorder that is designed, manufactured, marketed, and intended for use by a person who regularly employs such a device for a lawful business or industrial use, including making, performing, displaying, distributing, or transmitting copies of motion pictures on a commercial scale.

(E) The terms “VHS format”, “8mm format”, “Beta format”, “automatic gain control copy control technology”, “colorstripe copy control technology”, “four-line version of the colorstripe copy control technology”, and “NTSC” have the meanings that are commonly understood in the consumer electronics and motion picture industries as of the date of the enactment of this chapter.

(5) Violations.--Any violation of paragraph (1) of this subsection shall be treated as a violation of subsection (b)(1) of this section. Any violation of paragraph (2) of this subsection shall be deemed an “act of circumvention” for the purposes of [section 1203\(c\)\(3\)\(A\)](#) of this chapter.

CREDIT(S)

(Added [Pub.L. 105-304, Title I, § 103\(a\)](#), Oct. 28, 1998, 112 Stat. 2863, and amended [Pub.L. 106-113](#), Div. B, § 1000(a)(9) [Title V, § 5006], Nov. 29, 1999, 113 Stat. 1536, 1501A-594.)

[\[FN1\]](#) So in original. Probably should be “subsection (a)(2)”.

[\[FN2\]](#) So in original. Probably should be “subsection”.

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Effective: December 8, 2003

United States Code Annotated [Currentness](#)

Title 35. Patents ([Refs & Annos](#))

[Part III](#). Patents and Protection of Patent Rights

[Chapter 28](#). Infringement of Patents ([Refs & Annos](#))

→ **§ 271. Infringement of patent**

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement; (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

(e)(1) It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913) which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products.

(2) It shall be an act of infringement to submit--

(A) an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act or described in section 505(b)(2) of such Act for a drug claimed in a patent or the use of which is claimed in a patent, or

(B) an application under section 512 of such Act or under the Act of March 4, 1913 ([21 U.S.C. 151-158](#)) for a drug or veterinary biological product which is not primarily manufactured using recombinant DNA, recombinant

RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques and which is claimed in a patent or the use of which is claimed in a patent,

if the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug or veterinary biological product claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.

(3) In any action for patent infringement brought under this section, no injunctive or other relief may be granted which would prohibit the making, using, offering to sell, or selling within the United States or importing into the United States of a patented invention under paragraph (1).

(4) For an act of infringement described in paragraph (2)--

(A) the court shall order the effective date of any approval of the drug or veterinary biological product involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed,

(B) injunctive relief may be granted against an infringer to prevent the commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug or veterinary biological product, and

(C) damages or other monetary relief may be awarded against an infringer only if there has been commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug or veterinary biological product.

The remedies prescribed by subparagraphs (A), (B), and (C) are the only remedies which may be granted by a court for an act of infringement described in paragraph (2), except that a court may award attorney fees under [section 285](#).

(5) Where a person has filed an application described in paragraph (2) that includes a certification under subsection (b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) of section 505 of the Federal Food, Drug, and Cosmetic Act ([21 U.S.C. 355](#)), and neither the owner of the patent that is the subject of the certification nor the holder of the approved application under subsection (b) of such section for the drug that is claimed by the patent or a use of which is claimed by the patent brought an action for infringement of such patent before the expiration of 45 days after the date on which the notice given under subsection (b)(3) or (j)(2)(B) of such section was received, the courts of the United States shall, to the extent consistent with the Constitution, have subject matter jurisdiction in any action brought by such person under [section 2201 of title 28](#) for a declaratory judgment that such patent is invalid or not infringed.

(f)(1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(g) Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States

a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use, offer to sell, or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after--

- (1) it is materially changed by subsequent processes; or
- (2) it becomes a trivial and nonessential component of another product.

(h) As used in this section, the term “whoever” includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(i) As used in this section, an “offer for sale” or an “offer to sell” by a person other than the patentee, or any designee of the patentee, is that in which the sale will occur before the expiration of the term of the patent.

CREDIT(S)

(July 19, 1952, c. 950, 66 Stat. 811; Sept. 24, 1984, [Pub.L. 98-417, Title II, § 202](#), 98 Stat. 1603; Nov. 8, 1984, [Pub.L. 98-622, Title I, § 101](#), 98 Stat. 3383; Aug. 23, 1988, [Pub.L. 100-418, Title IX, § 9003](#), 102 Stat. 1564; Nov. 16, 1988, [Pub.L. 100-670, Title II, § 201\(i\)](#), 102 Stat. 3988; Nov. 19, 1988, [Pub.L. 100-703, Title II, § 201](#), 102 Stat. 4676; Oct. 28, 1992, [Pub.L. 102-560](#), § 2(a)(1), 106 Stat. 4230; Dec. 8, 1994, [Pub.L. 103-465, Title V, § 533\(a\)](#), 108 Stat. 4988; Dec. 8, 2003, [Pub.L. 108-173, Title XI, § 1101\(d\)](#), 117 Stat. 2457.)

VALIDITY OF SUBSEC. (H)

<The United States Supreme Court, in [Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank](#), 119 S.Ct. 2199, 144 L.Ed. 2d 575, June 23, 1999, found unconstitutional the Patent and Plant Variety Protection Remedy Clarification Act, [Pub.L. 102-560](#), which added subsec. (h) to this section.>

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