

Court of Appeals No.10-55644

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

ARC MUSIC, INC.
Plaintiff-Appellee

vs.

WAYNE HENDERSON, SR.
Defendant-Appellant

Appeal from the United States District Court
Central District of California
District Court No. CV09-07967DSF (CWx)
The Honorable Dale S. Fischer

APPELLANT'S REPLY IN OPPOSITION TO APPELLEE'S MOTION TO
DISMISS APPEAL FOR LACK OF JURISDICTION

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I. INTRODUCTION

Appellant Wayne Henderson, Sr., appeals from the district court's decision and order in which the district court committed reversible error by finding Henderson's copyright infringement claim was time-barred (granting summary adjudication and declaratory judgment to Plaintiff Arc Music, Inc. ("Arc")), therefore dismissing Henderson's copyright infringement claim, as well as the district court's erroneous refusal to deny or continue Arc's motions to permit Henderson essential discovery pursuant to Rule 56(f).

Although the district court's order granting summary adjudication, thereby granting declaratory judgment in favor of Arc, is a final judgment pursuant to the statutory definition contained in 28 U.S.C. §2201, this is **not** the only basis for the Ninth Circuit Court of Appeals to exercise jurisdiction.

Jurisdiction is proper in the Ninth Circuit pursuant to 28 U.S.C. § 1292(a)(1) which states that, "*Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court.*"

The district court's decision and order effectively deny the injunction sought by Henderson and permanently deprive Henderson of any method to halt Arc Music

Inc.'s and counterdefendants' brazen copyright infringement. Because an the district court's grant of summary adjudication and dismissal of Henderson's copyright infringement claim effectively permanently denies Henderson injunctive relief, 28 U.S.C. §1291 is **not** utilized as the sole basis for jurisdiction despite the citation of the statute as such by Arc Music, Inc. ("Arc") in its motion to dismiss.

The "collateral-order doctrine" also requires the exercise of jurisdiction in this instance. Because the district court refused to deny or continue Arc's motions so that essential discovery could be conducted, the court conclusively determined whether Arc committed acts of infringement within the statutory three year period prior to Henderson's filing of his claim before Henderson had the opportunity to conduct **any** discovery. Therefore, the court effectively denied discovery which adversely impacted the merits of the action, and because discovery cannot be obtained after final judgment nor can it be obtained regarding dismissed claims, the district court's action is unreviewable on appeal from final judgment. Furthermore, the district court's decision may remove its jurisdiction, thus effectively denying Henderson district court jurisdiction and ending his action.

Therefore, pursuant to United States Code §1292, §1291, the collateral order doctrine, and a rare exception permitting the Courts of Appeals to exercise jurisdiction without a final order, Henderson opposes Arc Music, Inc.'s motion to

dismiss for lack of jurisdiction and asks this Court of Appeals to allow the appeal.

II. ARGUMENT

A. Jurisdiction is proper pursuant to 28 U.S.C. §1292(a)(1)

The court of appeals has jurisdiction to hear an appeal only when a federal statute confers jurisdiction. *See, United States v. Pedroza*, 355 F.3d 1189, 1190 (9th Cir. 2004) (*per curiam*). In civil appeals, the court has jurisdiction over final decisions pursuant to 28 U.S.C. § 1291.

Because rigid application of this principle was found to create undue hardship in some cases, however, Congress created certain exceptions to it...One of these exceptions, 28 U.S. C. § 1292 (a)(1), permits appeal as of right from "[interlocutory] orders of the district courts . . .granting, continuing, modifying, refusing or dissolving injunctions . . ." (*internal citations omitted*) *Carson v. American Brands, Inc.*, 450 U.S. 79, 83-84 (1981).

In *Carson*, as in the instant case, the district court's order did not refuse an injunction in specific terms, the order nonetheless had the practical effect of doing so. *See, Ibid.* Although the district court dismissed Henderson's seventh claim (for injunctive relief) without prejudice, the claim for an injunction against all counterdefendants, Henderson cannot cure by amendment because of the dismissal of the sixth claim for copyright infringement. Therefore, the district court's decision and order eradicates the premise for injunctive relief by dismissing the underlying claim for copyright infringement and as a result the district court

effectively denied injunctive relief permanently.

The substantial effect of the order, not its terminology, is determinative. *See, Tagupa v. East-West Ctr., Inc.*, 642 F.2d 1127, 1129 (9th Cir. 1981) (finding denial of mandamus appealable where substantial effect was to refuse an injunction).

This Court of Appeals permitted an appeal, pursuant to 28 U.S.C. §1292(a)(1), in a case in which the district court order granted summary judgment to the federal government where the district court's ruling, that the government had until a certain date to publish regulations, effectively denied the plaintiff environmental group's request for an injunction requiring publication by an earlier date, *see, Oregon Natural Resources Council, Inc., v. Kantor*, 99 F.3d 334, 336-37 (9th Cir. 1996). This Court also determined that an order not denominated as an injunction, but which barred the defendant from discussing settlement in parallel class litigation, was in substance an injunction and thus immediately appealable under § 1292(a)(1). *See, Negrete v. Allianz Life Ins. Co. of North America*, 523 F.3d 1091, 1096-98 (9th Cir. 2008).

Because the district court's order denies Henderson the right to an injunction permanently, the order is reviewable on an interlocutory appeal. *See, Marathon Oil Co. v. United States*, 807 F.2d 759, 764-65 (9th Cir. 1986), *cert. denied*, 480 U.S. 940 (1987) (the grant of partial summary judgment to defendant was reviewable on

appeal from permanent injunction for defendant where the summary judgment order provided the basis for issuing the injunction by applying the “inextricably bound” standard; although the injunction was permanent, the appeal was interlocutory because the district court retained jurisdiction to conduct an accounting).

Because § 1292 (a)(1) was intended to carve out only a limited exception to the final-judgment rule, the Supreme Court has construed the statute narrowly to ensure that appeal as of right under § 1292 (a)(1) will be available only in circumstances where an appeal will further the statutory purpose of “[permitting] litigants to effectually challenge interlocutory orders of serious, perhaps irreparable, consequence.” (*internal citations omitted*) *Carson v. American Brands, Inc.*, 450 U.S. 79, 84 (1981).

Unless a litigant can show that an interlocutory order of the district court might have a “serious, perhaps irreparable, consequence,” and that the order can be “effectually challenged” only by immediate appeal, the general congressional policy against piecemeal review will preclude interlocutory appeal. *Ibid.*

Although the district court dismissed Henderson’s claim for injunctive relief without prejudice, the district court permitted the acts which Henderson sought to enjoin because the district court erroneously held Henderson’s copyright infringement claim was time-barred. Consequently, the district court effectively denied Henderson an injunction to abate the continuing copyright infringement involving the persistent sale, exploitation, manufacture and public performance of Henderson’s copyrighted song “Loneliest Man in Town” (the “Song”) as embodied

in the derivative work “It’s Alright” (the “New Song”), because the district court deemed Henderson’s claim “time-barred” by granting declaratory judgment in favor of Arc, which effectively precludes Henderson’s amendment of the claim for injunctive relief. The *res judicata* effect of the district court’s decision would bar a claim for injunctive relief in this instance.

Although counterdefendants other than Arc engaged in the sale, reproduction or public performance of the New Song, which embodies the Song, during the three year period prior to Henderson’s filing of his claim, Arc expressly authorized these activities by its license to the other counterdefendants. Because Arc has not revoked its license, Arc continues to authorize these actions and continues to benefit from them, and because the rights in and to the Song belong to Henderson pursuant to the express provisions of 17 U.S.C. §204(a), Arc has no rights in and to the Song whatsoever.

The district court’s decision permits Arc’s infringement to continue unabated and denies Henderson injunctive relief permanently. This Court of Appeals exercised jurisdiction in a case where the district court granted a dismissal without prejudice because the Ninth Circuit deemed the dismissal a “final order” because the statute of limitations bar could not be cured by amendment. *Martinez v. Gomez*, 137 F.3d 1124 (9th Cir. 1998) (*per curiam*). Similarly, Henderson is

incapable of curing his claim for injunctive relief by amendment because of the statute of limitations bar cited erroneously in the district court's decision.

Because the district court's decision leaves Henderson no remedy to abate the continuing copyright infringement by the counterdefendants, the decision has the effect of giving Arc ownership rights in the copyright in and to the Song contrary to copyright law (by permitting Arc to exercise and even license the exclusive rights of the copyright owner, pursuant to 17 U.S.C. §106, even though Arc lacks a valid written transfer of ownership or assignment of rights from Henderson as required pursuant to 17 U.S.C. §204(a)). Moreover, the district court's decision has the effect of giving Arc ownership in the New Song, when Arc's only claim to any ownership in and to the New Song is as a purported owner of the Song. So, despite the absence of a valid written transfer of ownership by Henderson to Arc in and to the Song required by 17 U.S.C. §204(a), the district court's decision effectively grants rights to Arc in and to the Song and the New Song in express contradiction to the terms of Copyright Act. This is a serious and irreparable consequence of the district court's decision.

Furthermore, the damage to Henderson, and to the integrity of the Copyright Act, is irreparable because the actions of Arc and the counterdefendants may not be undone. One of the exclusive rights of a copyright owner pursuant to 17 U.S.C.

§106, is the right to create derivative works. Henderson never consented to the derivative work created nor did Arc seek his consent prior to granting the license. Arc brazenly authorized the creation of the derivative work “It’s Alright” as if Arc were the actual copyright owner. The derivative work was created pursuant to Arc’s illegal and invalid authorization and thus Henderson’s exclusive right to create derivative works as the copyright owner has been irreversibly usurped by Arc. Although Arc’s license can be terminated, the usurpation of exclusive rights under copyright law cannot be undone, and therefore the damage is irreparable.

The district court’s order operates, in effect, as a stay of the *status quo*, which permits the continued infringement of Henderson’s copyright. The only possibility to diminish the damage is to permit immediate appeal to reverse the erroneous decision of the district court. A decision months or years into the future only serves to devalue Henderson’s exclusive rights as the copyright owner in and to the Song further and to destroy the monopoly rights granted to copyright owners pursuant to the Copyright Act. Thus, immediate appeal is essential.

B. Jurisdiction is also proper pursuant to the “collateral order doctrine”

The “collateral order doctrine” permits a litigant to appeal from a “narrow class of decisions that do not terminate the litigation, but must, in the interest of achieving a healthy legal system, nonetheless be treated as final.” *Digital*

Equipment Corp. v. Desktop Direct, Inc., 511 U.S. 863, 867 (1994) (*internal quotations and citations omitted*).

The doctrine ... applies to a small class of decisions, which finally determine claims of right separable from, and collateral to, rights asserted in the action, too important to be denied review and too independent of the cause itself to require that appellate consideration be deferred until the whole case is adjudicated.” (*internal citations omitted*) *Copley Press, Inc. v. Higuera- Guerrero (In re Copley Press, Inc.)*, 518 F.3d 1022, 1025 (9th Cir. 2008).

A collateral order must “conclusively determine the disputed question, resolve an important issue completely separate from the merits of the action, and be effectively unreviewable on appeal from a final judgment” in order for it to be immediately appealable. *Ibid.* All three requirements must be satisfied to qualify as collateral order for the purpose of appeal. *See, Cordoza v. Pacific States Steel Corp.*, 320 F.3d 989, 997 (9th Cir. 2003); *see also Truckstop.net, LLC v. Sprint Corp.*, 547 F.3d 1065, 1068 (9th Cir. 2008).

In the instant case, the district court declined to deny or continue Arc’s motion in response to Henderson’s request pursuant to Federal Rule of Civil Procedure 56(f), despite a declaration presented which specified that Henderson could not present certain evidence essential to his claim because the evidence, which certainly existed, was in the hands of the counterdefendants. As previously noted herein, Henderson filed his amended answer and counterclaims on Feb 1,

2010 and Arc responded with its motions on February 8, 2010. Consequently, Henderson did not serve his initial discovery request to Arc to produce documents until a short time later (within a few weeks).

Thus, sales information showing unit sales of the New Song during the three year period prior to Henderson's filing of his claim, manufacturing information during the three year period and public performance royalty statements, all evidence of direct infringement during the three year period prior to Henderson's filing, were not available to Henderson. Although, due to the time limitations for reply to motions, unauthenticated reports from a company which monitors sales of albums showing weekly sales of the New Song, and therefore exploitation of the Song, by the counterdefendants within the three year period prior to filing was attached to Henderson's response to Arc's motions, the district court seemed to disregard such evidence.

Because Henderson did not have the opportunity to conduct **any** discovery prior to answering Arc's motions, not due to any lack of diligence on Henderson's part, Henderson lacked essential documents to prove infringement within the three year period prior to Henderson's filing. Consequently, the district court clearly erred and/or abused its discretion in declining to deny or continue Arc's motions.

The district court's collateral order refusing to deny or continue Arc's

motions pursuant to Federal Rule of Civil Procedure Rule 56(f) deprived Henderson of discovery related to his claims and the collateral order deprived Henderson of the ability to conclusively prove his claim. As a consequence of the district court's dismissal of Henderson's copyright infringement claim and the grant of summary adjudication to Arc, the district court deprived Henderson of exclusive rights as the copyright owner and income related to the exercise of those exclusive rights. The district court's refusal to deny or continue Arc's motion pursuant to Federal Rule of Civil Procedure Rule 56(f) is unreviewable upon appeal from final judgment because although discovery orders are reviewable on appeal from final judgment, this order precluding discovery was not a discovery order *per se*. Thus, as a result of the district court's error or abuse of discretion regarding its collateral order refusing to deny or continue Arc's motion for summary adjudication and motion to dismiss pursuant to Rule 56(f), Henderson has suffered harm and cannot seek redress on appeal from final judgment. As a result, the collateral order doctrine permits Henderson's appeal and jurisdiction is proper in this Court of Appeals.

Also, Henderson seeks relief pursuant to the collateral order rule from the district court's holding that "collecting royalties during the limitations period that are earned only because of actions taken outside of the limitations period cannot

form the basis for an independent claim for direct copyright infringement.” Order Granting Plaintiff’s Motion for Summary Adjudication, page 4. The district court itself cites no controlling case law directly addressing this issue, yet the district court permits the wrongful collection of royalties by someone other than the copyright owner and claims that such action is not copyright infringement.

"By establishing a marketable right to the use of one's expression, copyright supplies the economic incentive to create and disseminate ideas." *Harper & Roe, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985). "The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in Science and useful Arts." *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 576 (1977). In glaring contrast, the district court’s decision in this case permits anyone to wrongfully collect royalties rightfully due to the copyright owner without penalty pursuant to the Copyright Act. Therefore, affirming the district court’s decision opposes the philosophy behind the Copyright Act and eliminates the economic incentive to create and disseminate ideas described in the Act.

C. The district court order may remove the district court’s jurisdiction which would terminate the action

A dismissal without prejudice is also appealable where it “effectively sends the party out of [federal] court.” *See, Ramirez v. Fox Television, Inc.*, 998 F.2d 743, 747 (9th Cir. 1993). A district court decision may also be considered final where its result is that appellant is “effectively out of court.” *Moses H. Cone Mem’l Hosp. v. Mercury Construction Corp.*, 460 U.S. 1, 9 (1983) (citations omitted).

In the instant case, the district court’s decision may not permit amendment of the copyright infringement claims because of the *res judicata* effect of the district court’s decision regarding the statute of limitations. Consequently, the district court’s decision seems to preclude Henderson’s remaining declaratory judgment claims. If so, the district court’s decision effectively knocks Henderson out of district court because Henderson’s remaining claims are state law claims, thereby terminating the action because Henderson would lack the requisite claim(s) to invoke federal jurisdiction. As a result, the district court’s decision may be considered “final.”

D. Jurisdiction is proper in this instance without a final order

In rare cases, appellate jurisdiction has been held to be proper despite a lack of a final order where: (1) the order was “marginally final;” (2) it disposed of “an unsettled issue of national significance,” (3) review of the order implemented the same policy Congress sought to promote in 28 U.S.C. § 1292(b); and (4) judicial

economy would not be served by remand. *Southern Cal. Edison Co. v. Westinghouse Elec. Corp. (In re Subpoena Served on Cal. Pub. Util. Comm'n)*, 813 F.2d 1473, 1479-80 (9th Cir. 1987); *see also, Nehmer v. U.S. Dept. of Agriculture*, 494 F.3d 846, 856 n.5 (9th Cir. 2007).

In the instant case, the district court's decision was marginally final because it effectively permanently denied injunction; dismissed essential claims with prejudice and even when claims were dismissed without prejudice amending may be impossible due to the *res judicata* effect of the decision; and may effectively remove this case from the jurisdiction of the district court. The district court's decision seems to dispense with exclusive rights of copyright owners in certain instances and the economic incentives provided to such copyright owners pursuant to the Copyright Act, both issues of national significance. Immediate appeal would advance the policy Congress sought to promote in 28 U.S.C. §1292(b) because immediate appeal would determine a controlling question of law over which there is a clear difference of opinion. Finally, judicial economy would be served by immediate appeal because it would eliminate the need to revive a dismissed claim at the conclusion of the proceedings.

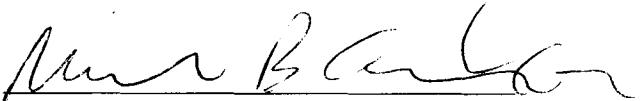
III. CONCLUSION

For the foregoing reasons, Henderson respectfully requests that the Court

should hear the appeal, reverse the district court, reinstate Henderson's copyright infringement claim, claim for injunctive relief and deny declaratory judgment to Arc.

RESPECTFULLY SUBMITTED this 10th Day of May, 2010.

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