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12 IN THE UNITED STATES DISTRICT COURT  
 FOR THE NORTHERN DISTRICT OF CALIFORNIA  
 13 SAN FRANCISCO DIVISION

14 APPLE INC., a California corporation,

*Plaintiff,*

15 v.

16 PSYSTAR CORPORATION,

*Defendants.*

17  
 18 AND RELATED COUNTERCLAIMS  
 19

CASE NO. CV-08-03251-WHA

**PSYSTAR’S REPLY IN SUPPORT  
 OF ITS MOTION FOR SUMMARY  
 JUDGMENT**

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1 **I. PSYSTAR OWNS THE COPIES OF OS X THAT IT BUYS**

2 Apple admits that Psystar owns the copies of OS X that it buys. In discussing the SLA  
3 provision that says “[y]ou own the media on which the Apple software is recorded” in its response  
4 brief, Apple writes: “The plain meaning of this phrase is that Psystar owns only the disk, not the  
5 software written upon it.” R. at 8. This is correct. Psystar does not claim to own OS X. Psystar  
6 only claims to own a copy of OS X, which the Copyright Act defines as a physical object on which  
7 OS X is recorded. When Apple agreed that “Psystar owns . . . the disk,” R. at 8, Apple thereby  
8 conceded that Psystar is the owner of copies of OS X for purposes of applying §§ 109 and 117.  
9

10 **II. THE ENTIRELY UNREMARKABLE PRINCIPLE THAT 'USES' THAT VIOLATE  
11 A LICENSE AGREEMENT CONSTITUTE COPYRIGHT INFRINGEMENT ONLY  
12 WHEN THOSE USES WOULD INFRINGE IN THE ABSENCE OF ANY LICENSE  
13 AGREEMENT AT ALL**

14 The Federal Circuit in *StorageTek* considered whether a breach of a copyright license  
15 agreement could give rise to a claim for copyright infringement. That court held that a breach of a  
16 license agreement could only give rise to a claim for copyright infringement if the act that was the  
17 breach of the agreement was, itself, without regard to the license agreement, an infringement:

18 StorageTek's argument conflates a claim based on copyright infringement and an action  
19 based on breach of contract. **To succeed in a copyright action, [1] “the copying must  
20 be beyond the scope of a license possessed by the defendant,” and [2] the source of  
21 the copyright owner's complaint must be grounded in a right protected by the  
22 Copyright Act, such as unlawful reproduction or distribution.** See 17 U.S.C. § 106.  
23 In contrast, the rights granted by contract can be much broader. As an example,  
24 consider a license in which the copyright owner grants a person the right to make one  
25 and only one copy of a book with the caveat that the licensee may not read the last ten  
26 pages. Obviously, a licensee who made a hundred copies of the book would be liable  
27 for copyright infringement because the copying would violate the Copyright Act's  
28 prohibition on reproduction and would exceed the scope of the license. Alternatively, if  
the licensee made a single copy of the book, but read the last ten pages, the only cause  
of action would be for breach of contract, because reading a work does not violate any  
right protected by copyright law.

25 *Storage Technology Corp. v. Custom Hardware Engineering & Consulting, Inc.* 421 F.3d 1307, 1315–  
26 16 (Fed. Cir. 2005) (internal citations omitted) (emphasis added). If the act that was the breach would  
27 not independently be an infringement, then the breach is a breach of contract and nothing more. This  
28 reflects the "entirely unremarkable principle" that "'uses' that violate a license agreement constitute

1 copyright infringement only when those uses would infringe in the absence of any license agreement  
2 at all." *Id.* at 1316; *see also Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1121 (9th Cir.  
3 1999).

4 **III. APPLE DOES NOT HAVE AN ACTIONABLE DMCA CLAIM BECAUSE APPLE**  
5 **CANNOT SHOW THAT CIRCUMVENTION LED TO INFRINGEMENT**

6 Circumvention is only actionable under the DMCA if the circumvention leads to an  
7 infringing activity. Circumventing in order to commit copyright infringement violate the DMCA,  
8 while circumventing in order to exercise one’s rights under the Copyright Act or a copyright license  
9 does not violate the DMCA. Apple denies that copyright infringement is an element of a DMCA  
10 anti-circumvention claim in its response, R. at 19, but this is simply incorrect. In *Facebook, Inc. v.*  
11 *Power Ventures, Inc.*, this Court clearly held that “infringement because of the circumvention” is an  
12 element of a DMCA anti-circumvention claim. No. C-08-5780-JF-RS, 2009 WL 1299698 at \*5  
13 (N.D. Cal. 2009). This rule applies even when the circumvention is to exercise a right granted by §  
14 117. In *Storage Technology*, the Federal Circuit concluded that “CHE’s conduct appears to fall  
15 within the safe harbor of 17 U.S.C. § 117” and that, therefore, there could be no DMCA anti-  
16 circumvention claim:  
17

18 We held above that it is unlikely StorageTek will succeed on the merits of its  
19 copyright claim. To the extent that CHE's activities do not constitute copyright  
20 infringement or facilitate copyright infringement, StorageTek is foreclosed from  
21 maintaining an action under the DMCA. See Chamberlain, 381 F.3d at 1202.

22 *Storage Technology*, 421 F.2d at 1318.

23 Apple cannot show that Psystar’s circumvention of the Apple-encrypted binaries led to  
24 infringement. [REDACTED]

25 [REDACTED]  
26 And running OS X is the core of what § 117 protects. The DVD-CSS cases that Apple cites are all  
27 inapposite because there is no right to copy a DVD containing a movie, but there is a right to run a  
28

1 copy of a computer program that you own. Because of that right, the right granted by § 117, the  
2 circumvention in this case is not circumvention that leads to infringement. The alleged  
3 infringements that Apple spends most of its pages complaining about — the imaging process for  
4 installing OS X on Psystar computers, the installation of Psystar’s software on Psystar computers in  
5 addition to OS X, and the sale of Psystar computers to end users — all have nothing to do with  
6 circumvention. Circumvention occurs only in order to run OS X, and this is protected by § 117.

#### 8 **IV. PSYSTAR DOES NOT CREATE ADAPTATIONS OR DERIVATIVE WORKS**

9 Apple contends that Psystar creates adaptations and derivative works when it installs its own  
10 software — the Psystar boot loader and kernel extensions, now sold separately as Rebel EFI — in  
11 addition to OS X on Psystar computers. This contention is unpersuasive because, by installing its  
12 own software in addition to OS X, Psystar is simply combining two interoperable pieces of software,  
13 not modifying OS X to create a kind of “OS Eleven.” If what Psystar does is the creation of a  
14 derivative work, then users create derivative works all the time. For example, if Apple’s view is the  
15 law, it creates a derivative work for me to install Microsoft Word, replace Apple’s Safari web  
16 browser with Google’s Chrome or Mozilla’s Firefox, or use a digital camera that installs its own  
17 drivers (kernel extensions).

19 The Ninth Circuit rejected Apple’s view of the world for precisely this reason in *Lewis*  
20 *Galob Toys*. Galob made a device, the Game Genie, that, when combined with Nintendo video  
21 games, modified the resulting games. For example, Game Genie could give players extra “lives” in  
22 the game, or speed them up, or give them special powers. Nintendo argued that, by doing this, the  
23 Game Genie was creating derivative works of the games on which it was operating. The Ninth  
24 Circuit rejected this argument, distinguishing the combination of interoperable programs from the  
25 modification of a program to create a derivative work:  
26

27 [T]echnology often advances by improvement rather than replacement. **Some time ago,**  
28 **for example, computer companies began marketing spell-checkers that operate**  
**within existing word processors by signaling the writer when a word is misspelled.**

1 **These applications, as well as countless others, could not be produced and**  
2 **marketed if courts were to conclude that the word processor and spell-checker**  
3 **combination is a derivative work based on the word processor alone.** The Game  
4 Genie is useless by itself, it can only enhance, and cannot duplicate or recast, a  
5 Nintendo game's output. It does not contain or produce a Nintendo game's output in  
6 some concrete or permanent form, nor does it supplant demand for Nintendo game  
7 cartridges. Such innovations rarely will constitute infringing derivative works under the  
8 Copyright Act.

9 *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965, 969 (9th Cir. 1992).

10 Combining computer programs that work together cannot possibly create derivative works  
11 because otherwise, to put it starkly, everyone would need a license from everyone — and innovators  
12 like Psystar, that are no one when they start out, won't ever get the licenses they need. Apple's rule  
13 would "chill innovation and fail to 'protect society's competing interest in the free flow of ideas,  
14 information, and commerce'". *Lewis Galoob*, 964 F.2d 965, 969. Psystar's software has all the  
15 attributes identified by the Ninth Circuit in holding that the Game Genie did not create derivative  
16 works: Psystar's software is useless by itself; does not contain or produce OS X's output in some  
17 concrete or permanent form; and does not supplant demand for OS X. Indeed, Psystar's kernel  
18 extensions can only increase demand for OS X. (Psystar's software reduces demand for Apple  
19 hardware, which is why this case is here, but that, of course, is not a right protected by copyright.)  
20 Like the spell-checker that interoperates with the word processor, Psystar's software does not create a  
21 new derivative work of OS X. Psystar's software simply interoperates with OS X to extend the  
22 range of machines on which an end user can run OS X under § 117.

23 If the word processor and the spellchecker, operating together, do not transform the  
24 spellchecker into a derivative work of the word processor (or vice versa), then certainly the files  
25 stored on disk that contain the software code for the word processor and spellchecker also do not  
26 form a derivative work. Similarly, the files that make up the software distribution from Psystar do  
27 not somehow merge with OS X to form a new derivative work incorporating OS X. Psystar's kernel  
28 extensions and OS X are two separate works that coexist on the computer and that interoperate when

1 they run, just like the word processor and spellchecker. Further, Psystar’s kernel extensions are not  
2 adaptations under § 117, since Psystar makes no modifications to OS X and, having no access to the  
3 source code of OS X, could not have made any such modifications. This means that a Psystar  
4 computer, which contains unmodified OS X plus Psystar’s own software, can be transferred in  
5 accord with § 117(b) without the authorization of Apple. Under the Copyright Act:

7 **Any exact copies prepared in accordance with the provisions of § 117(b) may be**  
8 **leased, sold, or otherwise transferred, along with the copy from which such copies were**  
9 **prepared, only as part of the lease, sale, or other transfer of all rights in the**  
10 **program.** Adaptations so prepared may be transferred only with the authorization of  
11 the copyright owner.

12 17 U.S.C. § 117(b) (emphasis added).

13 Psystar sells OS X unmodified and installed on a hard drive, with its own software included  
14 and ready to load at runtime. Along with the copy of OS X installed on the hard drive, Psystar  
15 transfers an original DVD of OS X purchased from a retailer. Since only permanent adaptations,  
16 such as a modification of the original program code, entail a restriction on transfer, Psystar is entitled  
17 to transfer the original DVD and all § 117 prepared copies as long as it transfers all rights in the  
18 software, which it does. If Apple’s view of the law were correct, one could never sell a used  
19 computer with more than one piece of software installed because the two pieces of software would  
20 somehow be “adaptations” of each other, barring resale under § 117.

## 21 **V. PSYSTAR INCLUDES AN OS X DVD WITH EVERY COMPUTER IT SELLS**

22 Apple makes the unfounded allegation in its response that Psystar does not buy one copy of  
23 OS X for every computer it sells. This is flatly inconsistent with Apple’s own motion for summary  
24 judgment, in which Apple wrote: “As a result, Psystar actually transfers two copies of Mac OS X  
25 with every computer it sells. Psystar includes both a Mac OS X DVD . . . and a hard drive copy of  
26 Mac OS X on the Psystar computer.” Apple M. at 7 (citing Kelly Declaration). This admission  
27 binds Apple. Moreover, the allegation that Psystar does not include one copy of OS X with every  
28 computer it sells is one that goes to infringement and, hence, one on which Apple has the burden of

1 proof. But the only evidence that Apple offers in its response is a declaration of counsel for Apple,  
 2 Mehrnaz Boroumand Smith (a declaration buried amidst paragraphs of “X is a true and correct copy  
 3 of X”). R. at 11-12, 12 n.21. Ms. Smith is an undisclosed witness on whom Apple cannot rely to  
 4 support its response. Ms. Smith’s testimony should disqualify her and Townsend & Townsend &  
 5 Crew as counsel in this case. And her testimony is, anyway, expert testimony from a layman,  
 6 consisting of summaries of unidentified Psystar financial documents.  
 7

#### 8 **VI. PSYSTAR’S PRODUCTION PROCESS AND HARD DRIVE IMAGING ARE ALSO 9 FAIR USE**

10 The Ninth Circuit addressed incidental infringement for efficiency purposes in *Wall Data*.  
 11 Such incidental infringement is protected by the fair use doctrine to the extent that the infringement  
 12 is not part of a greater scheme of infringement:

13 To be clear, we do not hold that a fair use defense is not available simply because the  
 14 infringer uses technology to make efficient use of its licenses. The problematic aspect  
 15 of the Sheriff’s Department’s use is that it took in excess of what it bargained for, not  
 16 that it was technologically efficient. Thus, for example, **if the Sheriff’s Department  
 had saved time and money by hard drive imaging RUMBA software onto the  
 number of computers for which it had licenses, its ‘efficiency’ would not create a  
 problem.**

17 *Wall Data Inc. v. Los Angeles County Sheriff’s Dep’t*, 447 F.3d 769, 779 n.6 (9th Cir. 2006).  
 18 (emphasis added).

19 Everything Psystar does can be done by loading each computer individually, as a single user  
 20 would if they bought a copy of OS X and decided to convert their PC into an OS X machine. The  
 21 production process that excites Apple so much, detailed with pictures and descriptions of the three  
 22 “unauthorized” copies, changes not an iota the balance of legal rights. If Psystar is in its rights to do  
 23 what it does on a single machine with hand installation of the software, its incorporation of efficient  
 24 production techniques should not change the legal outcome. Apple gets paid the same amount in  
 25 either scenario, and the customer receives the same machine.  
 26

#### 27 **VII.** [REDACTED]

1 [REDACTED] Judge Hand in *Reiss v. National Quotation*  
2 *Bureau* held that "spontaneous ejaculations" of words that express "nothing" are copyrightable. 276  
3 F. 717, 718 (D.C.N.Y. 1921). The corollary of Hand's analysis is that functional elements like a  
4 decryption key, which is essentially a very large number with no semantic meaning, do not become  
5 protected merely because the number is expressed in ASCII code as an intelligible fragment of  
6 writing. See *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 387 F.3d 522, 536, 544 (6th Cir.  
7 2004) ("[A] poem in the abstract could be copyrightable. But that does not mean that the poem  
8 receives copyright protection when it is used in the context of a lock-out code."). What matters is  
9 the function (is it creative expression, in which case copyright protection applies, or functional use,  
10 in which case there is no copyright protection), not the form.

11  
12 The CONTU report stated that material that is essential to accomplishing a task can be copied  
13 without liability for copyright infringement:

14  
15 In the computer context this means that when specific instructions, even though  
16 previously copyrighted, are the only and essential means of accomplishing a given task,  
their later use by another will not amount to an infringement.

17 CONTU Report at 20. [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]

## 21 **VIII. COPYRIGHT MISUSE**

22 Apple misused its copyrights by using them to assert exclusive rights that go beyond the  
23 exclusive rights granted by the Copyright Act. See, e.g., *A&M Records, Inc. v. Napster, Inc.*, 239  
24 F.3d 1004, 1026 (9th Cir. 2001) ("The defense of copyright misuse forbids a copyright holder from  
25 securing an exclusive right or limited monopoly not granted by the Copyright Office.") (internal  
26 brackets and quotation marks omitted) (collecting cases); *Lasercomb America, Inc. v. Reynolds*, 911  
27 F.2d 970, 976–77 (4th Cir. 1990) (seminal case). In particular, Apple misused its copyrights by  
28 PSYSTAR'S REPLY IN SUPPORT OF ITS MOTION FOR SUMMARY JUDGMENT 7  
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1 asserting copyright-infringement claims that attempt to expand Apple's exclusive rights over  
2 copying, distribution, and the creation of derivative works to include an exclusive right that  
3 customers run OS X only on a specific brand of personal computers, namely, Apple Macintoshes.

4         The Copyright Act no more grants Apple an exclusive right to control what kind of computer  
5 a customer uses than it grants Simon & Schuster the right to control where I read my copy of *War*  
6 *and Peace*. The assertion of even otherwise valid copyright claims for the purpose of protecting an  
7 exclusive right not granted by the Copyright Act is precisely what copyright misuse prevents. The  
8 Ninth Circuit applied this rule in *Practice Management*: "Conditioning the license on HCFA's  
9 promise not to use competitors' products constituted a misuse of the copyright by the AMA."  
10 *Practice Management Information Corp. v. American Medical Ass'n*, 121 F.3d 516, 520–21 (9th Cir.  
11 1997). This was because the Copyright Act gave the AMA no right to exclusivity.  
12

13  
14         The same reasoning applies in the case at bar. Apple's exclusive rights in OS X extend to  
15 copying, distribution, and the creation of derivative works. But they do not extend to control over  
16 the computers on which Apple's customers run OS X. That is simply not a right that the Copyright  
17 Act grants. In a case on point, the Fifth Circuit held that it was misuse for the author of an operating  
18 system to require that customers use the operating system only on the author's hardware:

19             DGI reasons that, as DSC's software is licensed to customers to be used only in  
20 conjunction with DSC-manufactured hardware, DSC indirectly seeks to obtain patent-  
21 like protection of its hardware — its microprocessor card — through the enforcement  
22 of its software copyright. . . . We agree with the *DSC I* panel's conjecture and the jury's  
23 finding that DSC's licensing agreement for its operating system constitutes misuse. . . .  
A reasonable juror could conclude, based on the licensing agreement, that DSC has  
used its copyrights to indirectly gain commercial control over products DSC does not  
have copyrighted,' namely, its microprocessor cards.

24 *Alcatel USA, Inc. v. DGI Technologies, Inc.*, 166 F.3d 772, 793 (5th Cir. 1999). Apple does exactly  
25 the same thing here: "[Apple's operating system] is licensed to customers to be used only in  
26 connection with [Apple]-manufactured hardware." *Id.* For the same reasons, this "licensing  
27 agreement for its operating system constitutes misuse." *Id.*  
28

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

26 [REDACTED]

27 [REDACTED]

28 [REDACTED]

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED] Because  
7 that contract term is a contract right only, and not a right granted by the Copyright Act, this  
8 constitutes copyright misuse.

9         It was also misuse for Apple to assert superficially plausible but ultimately unfounded  
10 copyright claims in litigation in an attempt to intimidate Psystar into leaving the market. In *Shloss v.*  
11 *Sweeney*, this Court held that it was misuse to even threaten copyright-infringement litigation when  
12 the plaintiff asserted baseless claims in order to “intimidate[] [the defendant] from using (1) non-  
13 copyrightable fact works such as medical records and (2) works to which Defendants did not own or  
14 control copyrights.” 515 F. Supp. 2d 1068, 1080–81 (N.D. Cal. 2007). And, as with all forms of  
15 copyright misuse, misuse by the assertion of baseless infringement claims bars any enforcement of  
16 the copyright, even if other infringement claims would otherwise be valid. “When a copyright  
17 holder attempts to use legal proceedings to protect an improper extension of a copyright, the court  
18 may refuse to enforce the copyright.” *qad, inc. v. ALN Associates, Inc.*, 770 F. Supp. 1261, 1266–67  
19 (N.D. Ill. 1991).  
20  
21

22         Again and again in this litigation, Apple has asserted baseless infringement claims. For  
23 example: (1) Apple asserted that Psystar did not own the copies of OS X that it bought, even though  
24 Apple admits that Psystar owns the so-called retail DVD’s containing OS X, which the Copyright  
25 Act defines as “copies” of OS X; (2) Apple asserted that Psystar and its end users infringe by  
26 running OS X on their computers, when § 117 of the Copyright Act expressly grants purchasers the  
27 right to run a purchased copy of a computer program on the their computers; (3) Apple asserted that  
28

1 Psystar was somehow infringing by reselling copies of OS X that it bought from Apple and third-  
2 party resellers, when §§ 109 and 117 of the Copyright Act expressly permits such resale; and (4)  
3 Apple asserted that copyright infringement is not a predicate for a DMCA violation, when the law is  
4 clear that infringement is an element and there was even a case from this Court directly on point.  
5 Whether or not this Court believes that some details of Psystar's process, like the use of the imaging  
6 station or the incidental renaming of some Apple kernel extensions during the installation of  
7 Psystar's software, present close questions, it is clear that many of the infringement claims that  
8 Apple asserted are simply baseless.

9  
10 The question is unavoidable why Apple chose to pursue copyright-infringement claims in this  
11 motion for summary judgment rather than the breach-of-contract claims on which liability is so  
12 clear. And the answer is that Apple stretched to assert copyright infringement because, by its own  
13 decision, in violation of the discovery rules, to refuse to testify about profit margins, Apple  
14 foreclosed any actual damages. Apple asserted baseless infringement claims in an attempt to  
15 intimidate Psystar with the threat of millions of dollars in statutory damages. It is the possibility that  
16 threats like this will scare defendants into submission — look how rarely these issues come to  
17 judgment, much less the Courts of Appeal — that makes it proper to punish baseless infringement  
18 claims not merely by denying them, but by refusing to enforce the underlying copyright altogether.  
19

20  
21 As Judge Posner puts it for the Seventh Circuit:

22 The argument for applying copyright misuse beyond the bounds of antitrust, besides  
23 the fact that confined to antitrust the doctrine would be redundant, is that **for a**  
24 **copyright owner to use an infringement suit to obtain property protection, here in**  
**data, that copyright law clearly does not confer, hoping to force a settlement or**  
**even achieve an outright victory over an opponent that may lack the resources or**  
**the legal sophistication to resist effectively, is an abuse of process.**

25 *Assessment Technologies of WI, LLC v. WIREdata, Inc.*, 350 F.3d 640, 647 (7th Cir. 2003)  
26 (emphasis added). Apple is free to contract for the right to restrict use of OS X to Apple  
27 Macintoshes. It did, in fact, contract for this right. And it is free to enforce its contract by a claim  
28

1 for breach of contract on which it can obtain contract remedies. *See id.* at 646 (distinguishing  
2 contract rights from copyright rights). But it is misuse for Apple to attempt to convert that contract  
3 claim into a claim for infringement and thereby gain the right to punitive statutory damages.

4 Apple completely failed to respond to these arguments in its opposition brief. The first  
5 paragraph of the section on misuse argues that Psystar has failed to establish an antitrust claim. R. at  
6 17. But misuse is not antitrust. As the Ninth Circuit explained in rejecting Apple’s argument:

7  
8 The AMA argues the copyright misuse defense fails because Practice Management did  
9 not establish an antitrust violation. We agree with the Fourth Circuit that **a defendant  
in a copyright infringement suit need not prove an antitrust violation to prevail on  
a copyright misuse defense.**

10 *Practice Management*, 121 F.3d at 521 (emphasis added). As the Fourth Circuit put it in the seminal  
11 case on point, the question is whether the copyright owner is using copyrights to protect that which  
12 the Copyright Act does not protect. An owner can commit misuse by violating the antitrust laws, but  
13 can also commit misuse in other ways:

14  
15 So while it is true that the attempted use of a copyright to violate antitrust law probably  
16 would give rise to a misuse of copyright defense, the converse is not necessarily true —  
17 **a misuse need not be a violation of antitrust law** in order to comprise an equitable  
18 defense to an infringement action. The question is not whether the copyright is being  
used in a manner violative of antitrust law (such as whether the licensing agreement is  
“reasonable”), but whether the copyright is being used in a manner violative of the  
public policy embodied in the grant of a copyright.

19 *Lasercomb*, 911 F.2d at 978 (emphasis added).

20 Apple then quotes this Court’s statement that, “Apple asks its customers to purchase Mac OS  
21 knowing that it is to be used only with Apple computers. It is certainly entitled to do so.” R. at 17.  
22 This is true, but irrelevant to the present motions. Apple can contract with its customers to run OS X  
23 only on Apple Macintoshes. It can enforce these contracts by suing for breach of contract and  
24 receiving contract remedies. But it cannot use its contract to convert what is not infringement into  
25 infringement. Its attempt to do so constitutes copyright misuse.

26  
27 The rest of Apple’s argument is a claim that all its infringement allegations are valid and a  
28 giant string cite (with the best cases for Psystar relegated to a footnote) that attempts, in  
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1 parentheticals, to distinguish the misuse cases discussed. R. at 17–18, 17 n.29. Apple does not seem  
2 to understand that, if it has maintained baseless infringement claims, as it undoubtedly has, then even  
3 its arguably valid infringement claims will be barred by misuse. *See Shloss*, 515 F. Supp. 2d at  
4 1080–81; *qad*, 770 F. Supp. at 1266–67; *Assessment Technologies*, 350 F.2d at 647. And even if  
5 Apple’s claims are valid, if Apple has asserted them in order to secure an exclusive right not granted  
6 by the Copyright Act, such as the exclusive right to provide the hardware on which users use OS X,  
7 Apple’s claims will be barred by misuse. *See Practice Management*, 121 F.3d at 520–21; *Alcatel*,  
8 166 F.3d at 793. Apple’s complete failure to effectively address copyright misuse is fatal to its case.

## 10 IX. MOOTNESS

### 11 A. Disgorgement Is Not A Remedy For Breach Of Contract.

12 Apple responds to the argument that its damages claims are moot by arguing that California  
13 law allows disgorgement as a remedy for breach of contract. It does not. California law makes  
14 disgorgement available only under special circumstances, such as when the contract expressly  
15 provides for disgorgement. *See, e.g., State ex rel. Bowen v. Bank of America Corp.*, 126 Cal. App.  
16 4th 225, 242 (2005) (“Defendants . . . respond that whether their obligation was created by a breach  
17 of contract or a violation of statute, they would not, in either case, be required to disgorge the  
18 reconveyance fees . . . . There is no allegation that any of the contracts provided for the specific  
19 remedy of disgorgement . . . . The absence of such allegations is fatal to plaintiff’s claim.”).

21 In an unpublished decision, the Ninth Circuit held that an amendment to add an unfair-  
22 business-practices claim to a case in which the plaintiff asserted only breach of contract would be  
23 prejudicial precisely because such a claim, unlike a claim for breach of contract, might lead to the  
24 remedy of disgorgement:  
25

26 Richmond argues that Alliance was not prejudiced by the delay in asserting the new  
27 claim. We disagree. The new claim would substantially change the lawsuit. **If the new**  
28 **claim were added, instead of a simple breach of contract claim, this case would**  
**allege a much broader claim for unfair business practices, where an injunction**  
**and disgorgement of profits would be the remedy.**

1 *Richmond v. Allianz Life Ins. Co.*, No. 97-56059, 1999 WL 96499 at \*1 (9th Cir. 1999)  
2 (unpublished) (emphasis added); *Watson Laboratories, Inc. v. Rhone-Poulenc Rorer, Inc.*, No. CV-  
3 99-7947-AHM, 2001 WL 1673258 at \*1 (C.D. Cal. 2001) (“with the issue now squarely before it,  
4 the Court concludes that Watson is not entitled to the ‘disgorgement’ of Cardizem profits as a  
5 remedy for breach of contract”).

6  
7 Apple’s cases relate not to breach of contract *simpliciter*, but to breach of contract coupled  
8 with a claim for trade-secret misappropriation. See *Ajaxo Inc. v. E\*Trade Group, Inc.*, 135 Cal. App.  
9 4th 21, 56–57 (2005) (breach of a non-disclosure agreement); *Martone v. Burgess*, No. C-08-2379-  
10 CW, 2008 WL 3916022 at \*4 (N.D. Cal. 2008) (misappropriation claim; discusses restitution (return  
11 of moneys paid) not disgorgement (transfer of profits)); *Foster Poultry Farms, Inc. v. Suntrust Bank*,  
12 No. 1:4-cv-5513-OWW-SMS, 2008 WL 160960 at \*49 (E.D. Cal. 2008) (“disgorgement of  
13 improperly obtained profits is a remedy for breach of a contract **protecting trade secrets and**  
14 **proprietary confidential information**”) (emphasis added). *Foster* goes on to use the example of a  
15 disgorgement as a remedy for breach of fiduciary duty. 2008 WL 160960 at \*50. There is no  
16 suggestion in these cases that disgorgement is available for ordinary breaches of contract.

17  
18 **B. Any Injunction Should Be Limited To Leopard.**

19 Apple is correct that injunctions in a copyright case should be broad enough to prevent the  
20 defendant not only from doing what the defendant did, but also from doing what the defendant did in  
21 a different way. But Apple takes this principle to a new and unsupported extreme when it suggests  
22 an injunction that would apply to all Apple software, whether or not the subject of this case, whether  
23 or not covered by the parallel litigation in Florida, and whether now existing or hereafter created.  
24 See *Chicago Board of Education v. Substance, Inc.*, 354 F.3d 624, 632 (7th Cir. 2003) (“The  
25 inclusion in the injunction of all other examinations that the school board may someday create . . . is  
26 overbroad.”); *Nihon Keizai Shimbun, Inc. v. Comline Business Data, Inc.*, 166 F.3d 65, 74–75 (2d  
27  
28

1 Cir. 1999) (limiting injunction to copyrightable parts of works in question); *Princeton University*  
2 *Press v. Michigan Document Services, Inc.*, 99 F.3d 1381, 1397 (6th Cir. 1996) (“In sum, the  
3 injunction imposed here — an injunction that provides blanket copyright protection for all the works  
4 of a given publisher without regard to the limitations on copyright protection — is overbroad.”).

5 Each of Apple’s products and each of Psystar’s products are different. Each must be  
6 considered on its own facts. For example, Psystar now offers the software that it installs on Psystar  
7 computers to allow OS X to run on those computers as a separate product called Rebel EFI. End  
8 users can download Rebel EFI to run OS X on their own computers, whether or not those computers  
9 are purchased from Psystar. Rebel EFI presents whole new factual and legal questions. An  
10 injunction in this case that simply applies to all Apple software would be grossly overbroad as  
11 applied to new products like Rebel EFI. This is not a case about Apple’s “integrated business  
12 model” as a whole; it is a case about Psystar’s alleged infringement of OS X Leopard.

13 An injunction going beyond OS X Leopard would be particularly inappropriate in this case  
14 because it would invade the jurisdiction of the United States District Court for the Southern District  
15 of Florida, where the legality of several new Psystar products is presently being litigated. *See City of*  
16 *San Marcos v. International & G.N. Ry. Co.*, 167 S.W. 292, 293 (Tex. App. 1914) (“The effect of an  
17 injunction by the district court is to invade the jurisdiction of the justice and county courts, and to  
18 deny them the right to try causes triable in said courts under the Constitution and laws of this state.”).

19 Apple decided to make this case about OS X Leopard. But there is no need to restrain  
20 infringement of OS X Leopard because Psystar (and Apple) stopped selling OS X Leopard when  
21 Snow Leopard came out. Denial of an injunction would not result in a compulsory license because,  
22 again, Psystar does not sell OS X Leopard anymore. Leopard is not associated with any supposed  
23 “poor quality” of Psystar’s products, because Psystar sells no products that use OS X Leopard. In  
24 short, Apple cannot enjoin an activity in which Psystar is no longer engaged.

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Dated: October 28, 2009

Respectfully submitted,

CAMARA & SIBLEY LLP

By: /s/ K.A.D. Camara \_\_\_\_\_  
K.A.D. Camara

*Attorneys for Defendant / Counterclaimant  
Psystar Corporation*

1 **CERTIFICATE OF SERVICE**

2 I, Michael Wilson, declare I am employed in the City of Houston and County of Harris, Texas  
3 in the office of Camara & Sibley. I am over the age of eighteen and not a party to this action. My  
4 business address is Camara & Sibley, 2339 University Boulevard, Houston, Texas 77005.

5 I served the following document(s):

6 PSYSTAR'S REPLY IN SUPPORT OF PSYSTAR'S MOTION FOR SUMMARY JUDGMENT

7 Case No. CV 08-03251 WHA

8 on the interested parties in this action by placing a true and correct copy thereof, on the above date,  
9 enclosed in a sealed envelope, following the ordinary business practice of Camara & Sibley LLP. I  
10 sent the document(s) to the following:

<p>11 James G. Gilliland, Jr. 12 TOWNSEND AND TOWNSEND AND CREW LLP Two Embarcadero Center, 8<sup>th</sup> Floor San Francisco, California 94111 Telephone: (415) 576-0200 Facsimile: (415) 576-0300</p>	<p>email: jggilliland@townsend.com</p>
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13  [By First Class Mail] I am readily familiar with my employer's practice for collecting  
14 and processing documents for mailing with the United States Postal Service. On the date listed herein,  
15 following ordinary business practice, I served the within document(s) at my place of business, by  
16 placing a true copy thereof, enclosed in a sealed envelope, with postage thereon fully prepaid, for  
17 collection and mailing with the United States Postal Service where it would be deposited with the  
18 United States Postal Service that same day in the ordinary course of business.

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

21  [By Hand] I directed each envelope to the party(ies) so designated on the service list to  
22 be delivered by courier this date.

23  [By Facsimile Transmission] I caused said document to be sent by facsimile  
24 transmission to the fax number indicated for the party(ies) listed above.

25  [By Electronic Transmission] I caused said document to be sent by electronic  
26 transmission to the e-mail address indicated for the party(ies) listed above via the court's ECF  
27 notification system.

28 I declare under penalty of perjury under the laws of the United States of America that the  
foregoing is true and correct, and that this declaration was executed on October 28, 2009 at Houston,  
Texas.

*/s/ Michael Wilson*  
\_\_\_\_\_  
Michael Wilson