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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

AUTODESK, INC.,
Plaintiff,
v.
JOSEPH ALTER, et al.,
Defendants.

Case No. [16-cv-04722-WHO](#)

**ORDER DENYING PLAINTIFF'S
MOTION FOR JUDGMENT ON THE
PLEADINGS AND GRANTING AND
DENYING VARIOUS SEALING
MOTIONS**

Re: Dkt. Nos. 52, 51, 59, 61, and 68

INTRODUCTION

Plaintiff Autodesk, Inc. brings this action against defendants Joseph Alter and Joseph Alter, Inc. (collectively, "Alter") for declaratory judgment of license and non-infringement of U.S. Patent No. 6,720,962 (the "'962 Patent"), which Alter had previously licensed to The Walt Disney Company ("Disney"), who licensed it to Autodesk. In turn, Alter asserts counterclaims against Autodesk for declaratory judgment of no license or exhaustion, direct and indirect infringement, and intentional and negligent interference with prospective economic advantage. Autodesk now moves for judgment on the pleadings because: (1) it is licensed to the '962 Patent pursuant to Alter's Settlement and License Agreement with Disney ("the '962 License Agreement"), (2) Alter's rights to enforce the '962 Patent are exhausted, and (3) Alter's counterclaims are barred, estopped, and foreclosed by the express terms of the '962 License Agreement. However, the record does not contain sufficient information for me to make such a ruling; it is missing, among other things, the license agreement between Disney and Autodesk, the scope of which is in

1 dispute. Although the language in the '962 License Agreement is broad, there needs to be more
2 factual development before I can determine as a matter of law that Autodesk is correct. I DENY
3 its motion for judgment on the pleadings.

4 BACKGROUND¹

5 I. FACTUAL BACKGROUND

6 Autodesk is a Delaware corporation with its principal place of business in San Rafael,
7 California. Complaint (“Compl.”) (Dkt. No. 1) ¶ 4. It is a global industry-leader in digital design
8 technologies and develops “Maya” software, a program that enables film and design professionals
9 to “create lifelike images, realistic animations, extraordinary visual effects, and full-length feature
10 films.” *Id.*

11 Joseph Alter is a resident of Westlake Village, California who invents and develops
12 computer animation software. *Id.* ¶ 5; Counterclaim and Answer (“Countercl.”) (Dkt. No. 34)
13 ¶ 39. He is the sole inventor of, and owner of rights in, the '962 Patent. Compl. ¶ 5. The '962
14 Patent, entitled “Hair Generation and Other Natural Phenomena with Surface Derived Control
15

16 ¹ The parties dispute whether I can consider various documents that are extrinsic to the
17 pleadings. I admit the '962 License Agreement (Dkt. No. 52-3[redacted]; Dkt. No. 51-6[under
18 seal]) under the incorporation by reference doctrine. Autodesk’s complaint expressly refers to and
19 extensively relies on the '962 License Agreement, *see* Compl. ¶¶ 14, 21, 27, 32, 34-36, as does
20 Alter’s Counterclaim, *see* Countercl. ¶¶ 14, 32, 36, 48, 51, 66-89.

21 I take judicial notice of Alter’s October 5, 2011 complaint against Disney (Dkt. No. 52-2),
22 filed in *Joseph Alter v. The Walt Disney Company*, Case No. 11-cv-08277-PA (C.D. Cal. Oct. 5,
23 2011). It is a matter of public record.

24 I decline to consider the eleven extraneous exhibits attached to Alter’s Declaration in
25 support of its Opposition (*see* Alter Decl., Dkt. No. 63, Exs. 1-11), the undated screenshot of
26 Autodesk’s website (*see* Bartlett Decl., Dkt. No. 62-1, Ex. A), excerpts from Autodesk’s 2016
27 Form 10-K (*see id.*, Ex. B), and Autodesk’s “Licenses and Services Agreement” downloaded on
28 March 22, 2017 (*see id.*, Ex. C). None of these documents are referenced in the pleadings or the
subject of judicial notice.

I do not take judicial notice of Autodesk’s August 9, 2011 press release (Dkt. No. 52-1)
regarding its agreement with Disney to license XGen. Although both parties’ pleadings
acknowledge that in 2011, an XGen license agreement between Disney and Autodesk was
“announced,” the parties do not refer to this document anywhere in the pleadings, and there
appears to be disagreement as to what is covered by the XGen license agreement, which is not part
of the record. While the fact of the 2011 announcement of the XGen license agreement may be
undisputed, the contents of Autodesk’s press release regarding that agreement are nonetheless
subject to reasonable dispute.

1 Volumes in Computer Graphics and Animation,” was filed on December 4, 2000, and issued to
2 him on April 13, 2004. *Id.*; Compl., Ex. A (’962 Patent) (Dkt. No. 1-1) at 2. The ’962 Patent
3 discloses and claims certain methods for creating simulated human and animal hair using
4 computer graphics and animation. Countercl. ¶ 55.

5 Defendant Joseph Alter, Inc., Joseph Alter’s eponymous small business, is a California
6 corporation with its principal place of business in Westlake Village, California. Compl. ¶ 5. It
7 makes, markets, and sells “Shave and a Haircut” software, a computer graphics program for
8 simulating realistic animation of hair and fur that moves naturally. *Id.* ¶¶ 6, 12; Countercl. ¶ 45.
9 Shave and a Haircut is sold as an extension (or “plug-in”) to Autodesk’s Maya software. Compl.
10 ¶¶ 6, 12. The core technology underlying the Shave and a Haircut software is claimed in Alter’s
11 ’962 Patent. Countercl. ¶ 45. Joseph Alter, Inc. is listed as the assignee of rights in the ’962
12 Patent. Compl. ¶¶ 5, 13.

13 Former counter-defendant Disney is a Delaware corporation with its principal place of
14 business in Burbank, California. Countercl. ¶ 41. Disney created “XGen” software, a procedural
15 geometry instancing tool used in computer generated animation, which is sold as a plug-in to
16 Autodesk’s Maya software. *Id.* ¶ 47. In developing XGen, Disney “incorporated features that
17 practice the [’962] Patent.” Compl., Ex. B (2016 Alter v. Disney Complaint) (Dkt. No. 1-2) ¶ 8.
18 Alter’s Shave and a Haircut software competes with Disney’s XGen software. Countercl. ¶¶ 49,
19 64, 79.

20 In August 2011, Autodesk announced that it had signed an agreement with Disney to
21 license and sell Disney’s XGen software as a plug-in to Maya. Compl. ¶ 14. On October 5, 2011,
22 Alter, proceeding pro se, filed an infringement action against Disney in the Central District of
23 California, alleging that Disney’s development and licensing of XGen to Autodesk infringed the
24 claims in the ’962 Patent. *Id.* ¶ 15; *see* Motion for Judgment on the Pleadings (“MJP”) (Dkt. No.
25 52[redacted]; Dkt. No. 51-4[under seal]), Ex. B (2011 Alter v. Disney Complaint) (Dkt. No. 52-2).
26 Alter and Disney resolved the litigation by entering into a Settlement and License Agreement
27 (“’962 License Agreement”), dated January 31, 2012, under which the parties stipulated to dismiss
28 with prejudice all claims and counterclaims asserted in the action. Compl. ¶ 5; *see* MJP, Ex. C

1 ('962 License Agreement) (Dkt. No. 52-3[redacted]; Dkt. No. 51-6[under seal]) at 2. Pursuant to
2 the '962 License Agreement, in exchange for “a small settlement payment” Alter granted Disney a
3 perpetual license to the '962 Patent, released all claims regarding Disney’s use of the '962 Patent,
4 and covenanted not to sue Disney or its affiliates, customers, and other third parties in connection
5 with the '962 Patent. Countercl. ¶ 48; *see* MJP, Ex. C §§ 2.1-2.3, 2.5.

6 **II. PROCEDURAL HISTORY**

7 The procedural history of this case is somewhat complex. On July 22, 2016, one month
8 before Autodesk brought the instant action, Alter filed a complaint for monetary damages against
9 Disney in Superior Court of California, County of Los Angeles, which Disney removed to the
10 Central District of California. Compl. ¶ 16; Reply to Countercl. (Dkt. No. 37) ¶ 53. The
11 complaint asserted four causes of action related to Disney’s alleged breach of the '962 License
12 Agreement by licensing XGen to Autodesk: (1) breach of contract; (2) breach of the implied
13 covenant of good faith and fair dealing; (3) intentional interference with prospective economic
14 advantage; and (4) negligent interference with prospective economic advantage. *See* Compl., Ex.
15 B ¶¶ 13-29. The complaint alleged that after January 31, 2012, with Disney’s knowledge and
16 consent, “Autodesk developed and expanded upon the features of XGen and created essentially a
17 new product by the same name, which at its core is still infringing the ['962] Patent.” *Id.* ¶ 11.

18 Meanwhile, on August 17, 2016, Autodesk filed the instant action against Alter for
19 declaratory judgment of license and non-infringement of the '962 Patent. Alter moved to dismiss
20 for lack of subject matter jurisdiction, or in the alternative, to stay the action pending resolution of
21 its earlier-filed action against Disney. Dkt. No. 14. Alter’s motion was denied on November 14,
22 2016. That same day, Alter voluntarily dismissed its action in the Central District. *See* Dkt. Nos.
23 31, 35.

24 On November 28, 2016, Alter filed an answer to Autodesk’s complaint and asserted
25 counterclaims for: (1) declaratory judgment of no license to, or exhaustion of, the '962 Patent
26 against Disney and Autodesk; (2) infringement of the '962 Patent against Autodesk; (3) indirect
27 infringement of the '962 Patent against Disney; (4) breach of contract against Disney; (5) breach
28 of the implied covenant of good faith and fair dealing against Disney; (6) intentional interference

1 with prospective economic advantage against Autodesk and Disney; and (7) negligent interference
2 with prospective economic advantage against Autodesk and Disney. Countercl. ¶¶ 65-97.

3 Autodesk filed an answer to Alter’s counterclaims on December 19, 2016. Dkt. No. 37.

4 After Autodesk filed the motion for judgment on the pleadings, Disney moved to sever and
5 transfer Alter’s counterclaims against it to the Central District of California pursuant to the forum
6 selection clause contained in the ’962 License Agreement. Dkt. No. 60[redacted]; Dkt. No. 59-
7 4[under seal]. Alter opposed transfer; Autodesk did not take a position. Following an initial
8 review of the briefing, I ordered the parties to show cause why this entire action should not be
9 transferred to the Central District of California on the basis that the claims in this case are
10 premised on the ’962 License Agreement, which was negotiated, drafted, executed, and performed
11 in the Central District by parties who are located in the Central District. Dkt. No. 77. Disney
12 responded that it had reached an agreement with Alter to dismiss Alter’s counterclaims against it
13 with prejudice (Dkt. No. 78); Alter, in light of its stipulation with Disney, requested that this case
14 be resolved in this District (Dkt. No. 80); and Autodesk similarly opposed transfer (Dkt. No. 79).
15 Pursuant to the stipulation between Alter and Disney, I dismissed counter-defendant Disney with
16 prejudice. Dkt. No. 82.

17 LEGAL STANDARD

18 Under Federal Rule of Civil Procedure 12(c), “[a]fter the pleadings are closed—but early
19 enough not to delay trial—a party may move for judgment on the pleadings.” Fed. R. Civ. P.
20 12(c). Rule 7(a) provides that the only pleadings allowed are: “(1) a complaint; (2) an answer to a
21 complaint; (3) an answer to a counterclaim designated as a counterclaim; (4) an answer to a
22 crossclaim; (5) a third-party complaint; (6) an answer to a third-party complaint; and (7) if the
23 court orders one, a reply to an answer.” Fed. R. Civ. P. 7(a). “Judgment on the pleadings is
24 properly granted when, accepting all factual allegations in the complaint as true, there is no issue
25 of material fact in dispute, and the moving party is entitled to judgment as a matter of law.”
26 *Chavez v. United States*, 683 F.3d 1102, 1108 (9th Cir. 2012) (internal quotation marks omitted).
27 When deciding such a motion, “the allegations of the non-moving party must be accepted as true,
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1 while the allegations of the moving party which have been denied are assumed to be false.” *Hal*
2 *Roach Studios, Inc. v. Richard Feiner & Co., Inc.*, 896 F.2d 1542, 1550 (9th Cir. 1989).

3 A motion for judgment on the pleadings under Rule 12(c) utilizes the same standard as a
4 motion to dismiss for failure to state a claim under Rule 12(b)(6). *Id.* A party must allege facts to
5 state a claim for relief that is plausible on its face. *See Ashcroft v. Iqbal*, 556 U.S. 662, 677
6 (2009). A claim has “facial plausibility” when the party seeking relief “pleads factual content that
7 allows the court to draw the reasonable inference that the defendant is liable for the misconduct
8 alleged.” *Id.* Although the court must accept as true the well-pled facts in a complaint, conclusory
9 allegations of law and unwarranted inferences will not defeat an otherwise proper Rule 12(b)(6) or
10 12(c) motion. *See Sprewell v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001).

11 “If, on a motion under Rule 12(b)(6) or 12(c), matters outside the pleadings are presented
12 to and not excluded by the court, the motion must be treated as one for summary judgment under
13 Rule 56.” Fed. R. Civ. P. 12(d). However, a court may “consider certain materials—documents
14 attached to the complaint, documents incorporated by reference in the complaint, or matters of
15 judicial notice—without converting the motion to dismiss [or motion for judgment on the
16 pleadings] into a motion for summary judgment.” *United States v. Ritchie*, 342 F.3d 903, 908 (9th
17 Cir. 2003); *see also Rice v. Ralph Foods*, No. C 09-02650 SBA, 2010 WL 5017118, at *3 (N.D.
18 Cal. Dec. 3, 2010).

19 **DISCUSSION**

20 **I. RULE 12(C) MOTION FOR JUDGMENT ON THE PLEADINGS**

21 Autodesk moves for judgment on the pleadings against Alter on its claims for declaratory
22 judgment of non-infringement and license on the grounds that: (1) Autodesk is licensed and
23 released under the '962 License Agreement; (2) Disney's authorized sale of XGen to Autodesk
24 exhausted Alter's rights to enforce the '962 Patent; and (3) Alter's counterclaims against Autodesk
25 (declaratory judgment of no license or exhaustion, infringement of the '962 Patent, and intentional
26 and negligent interference with prospective economic advantage) are barred and estopped as a
27 matter of law, and foreclosed by the express terms of the '962 License Agreement. MJP at 4.
28 Alter responds that the '962 License Agreement does not extend to Autodesk, the doctrine of

1 patent exhaustion is inapplicable, and there is no estoppel. Opposition to MJP (“Oppo.”) (Dkt.
2 No. 62[redacted]; Dkt. No. 61-4[under seal]) at 8-14. On this record, Autodesk has not
3 established that there is no issue of material fact in dispute.

4 **A. Declaration of License to the ’962 Patent**

5 Pursuant to the terms of the ’962 License Agreement, Alter granted Disney and its
6 Affiliates “a non-exclusive, irrevocable, perpetual, worldwide, fully paid-up, non-royalty bearing
7 license to make, have made, use, import, have imported on their behalf, sell, offer for sale, and to
8 otherwise commercially exploit and distribute any invention claimed, directly or indirectly, in the
9 [’962 Patent].” MJP, Ex. C § 2.1. In arguing their respective positions, both parties rely heavily
10 on Section 2.1 of the ’962 License Agreement, which provides in relevant part:

11 The licenses granted in this Section 2.1 extend to (a) third parties to the extent
12 necessary for such third parties to provide (i) services or perform work on behalf of
13 Licensee and its Affiliates with respect to the Licensed Products and/or (ii) the third
14 party’s products to the extent those products are incorporated or part of a Licensed
15 Product; (b) direct or indirect customers or end-users of the Licensed Products to
16 the extent necessary to implement or use the Licensed Products; or (c) to third
17 parties to the extent such third parties have rights under the doctrine of exhaustion.
18 . . . For the avoidance of doubt, this section 2.1 and the licenses granted hereunder
19 shall not extend to any products or services of third parties beyond which is
20 specified in this Section 2.1.

21 *Id.* The ’962 License Agreement defines “Licensed Products” as “any products, services,
22 methods, apparatuses, or systems made, used, sold or otherwise distributed or performed by or for
23 Licensee [i.e., Disney] and its Affiliates (including all activities performed at Licensee or Affiliate
24 facilities).” *Id.* at § 1.3.

25 Autodesk argues that Disney’s license to the ’962 Patent (granted pursuant to the ’962
26 License Agreement) “extends to Autodesk as a ‘third party’ whose ‘products are incorporated or
27 part of a Licensed Product,’ i.e., XGen, as a ‘direct or indirect customer’ of XGen, and as a third
28 party with ‘rights under the doctrine of exhaustion.’” MJP at 4-5. Alter argues that Autodesk is
not licensed under the ’962 License Agreement and that the third party rights granted in Section
2.1 are inapplicable to Autodesk because: (1) Autodesk is not providing “services or perform[ing]
work” for Disney as to a “Licensed Product”; (2) Maya (or any portion of Maya) is not a Disney
“Licensed Product,” as “it is not sold or distributed by Disney,” but rather it is “made, sold, and

1 distributed by and for Autodesk”; (3) XGen is not Disney “Licensed Product,” as it “is not
2 something that can be purchased or licensed from Disney”; and (4) the doctrine of exhaustion is
3 inapplicable because Disney has not made an “authorized sale” of XGen to Autodesk. *Oppo*. at
4 10-13.

5 Notwithstanding the substantive arguments, making a judgment based on the pleadings
6 would be premature. “Judgment on the pleadings is proper when the moving party clearly
7 establishes on the face of the pleadings that no material issue of fact remains to be resolved and
8 that it is entitled to judgment as a matter of law.” *Hal Roach Studios*, 896 F.2d at 1550. In this
9 case, construing the factual allegations in Alter’s Counterclaim as true, material facts remain in
10 dispute.

11 As an initial matter, resolving the arguments raised by the parties requires information not
12 presently in the record. Autodesk asks me to find that it is a “third party” whose “products are
13 incorporated or part of a Licensed Product,” yet the XGen license agreement between Autodesk
14 and Disney is not a part of the record, nor are the contents of that agreement discussed in the
15 pleadings. *MJP* at 4-5. Moreover, Autodesk does not make this “third party” allegation in its
16 complaint. *See generally* *Compl.*

17 Alter’s arguments regarding the applicability of the ’962 License Agreement likewise
18 require further factual development. Alter argues that Maya is not a Disney “Licensed Product,”
19 because it is “not sold or distributed by Disney” but rather is “made, sold, and distributed by and
20 for Autodesk.” *Oppo*. at 10; *see also* *Countercl.* ¶ 36 (“when Autodesk makes and sells instances
21 of XGen to its Maya customers, it is making and selling an unlicensed Autodesk product, not a
22 Disney product”). Again, I cannot make any legal determination as to this point without knowing,
23 for example, the nature of the license relationship between Disney and Autodesk. The facts
24 surrounding the “sale” or “licensure” of XGen have not been included in any pleadings. Similarly,
25 I cannot determine whether “Autodesk is not a customer of Disney with respect to XGen in its
26 current form” under the ’962 License Agreement without reference to the XGen license agreement
27 between Disney and Autodesk, which is neither included in the pleadings nor in the record. *See*
28 *Countercl.* ¶ 70. Alter states as much in its Counterclaim; in responding to Autodesk’s allegation

1 that “Autodesk is a customer of Disney and/or end-user of XGen” (Compl. ¶ 33), Alter asserts that
2 it “does not understand in what respect Autodesk is a ‘customer . . . and/or end user . . .’ of XGen”
3 as it “is not aware of the legal relationship between Disney and Autodesk because, despite many
4 requests, neither Disney nor Autodesk has heretofore been willing to disclose any Disney-
5 Autodesk agreement relating to XGen.” Countercl. ¶ 37.

6 **B. Declaration of Non-Infringement of the ’962 Patent**

7 Autodesk’s declaratory judgment claim of non-infringement turns upon the same facts as
8 its claim for declaratory judgement of license. Alter alleges that Autodesk continues to directly
9 and indirectly infringe “one or more of the ’962 Patent’s claims by making and selling XGen as
10 part of the Maya software suite and providing support and training for its users in the use of XGen
11 to animate hair, fur, and other large systems of geometry.” Countercl. ¶ 77. Autodesk alleges that
12 it does not directly or indirectly infringe the claims of the ’962 Patent because (1) “Maya cannot
13 be used to perform all steps of the method claims in the ’962 Patent,” and (2) “Disney’s authorized
14 sale of XGen under license from Alter exhausted Alter’s ability to enforce the ’962 patent against
15 purchasers and users of XGen, including Autodesk.” Compl. ¶¶ 26-27. Autodesk further asserts
16 that pursuant to the terms of the ’962 License Agreement, Alter “released all past, present, and
17 future claims of infringement, known or unknown, that in any way relate to or arise out of the
18 products of services used or distributed by or for ‘Licensee Releasees,’ which includes XGen and
19 Autodesk.” MJF at 5.

20 Autodesk’s claim that it does not directly or indirectly infringe the claims of the ’962
21 patent suffers from insufficient factual development; it turns largely upon the existence of an
22 “authorized sale of XGen under license” from Disney to Autodesk. The existence of such a
23 transaction is at the center of the dispute between the parties—Alter claims that there was not a
24 sale but rather a licensure, and that, as such, the exhaustion doctrine does not apply. Because the
25 parties dispute issues of fact material to this claim, judgment on the pleadings with respect to this
26 claim must be denied. *See Chavez*, 683 F.3d at 1108 (“Judgment on the pleadings is properly
27 granted when, accepting all factual allegations in the complaint as true, there is no issue of
28 material fact in dispute.”) (internal quotation marks omitted).

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C. Estoppel

Autodesk argues that claim preclusion bars Alter from “reasserting the same fully-resolved patent infringement claim for making, using, selling, and/or distributing XGen as a plug-in to Autodesk’s Maya software product” that Alter asserted against Disney in the 2011 infringement action. MJP at 13. Alter contends that claim preclusion does not apply because “the infringing functionality of Maya was first introduced . . . in 2013, *after* the Alter-Disney settlement in 2012.” Oppo. at 15 (emphasis in original).²

“Claim preclusion prevents the relitigation of claims previously tried and decided,” and “bars the subsequent application of all defenses that could have been asserted in a previous action between the same parties on the same cause of action, even if such contentions were not raised.” *Littlejohn v. United States*, 321 F.3d 915, 919-20 (9th Cir. 2003) (internal citations omitted). Claim preclusion “applies when there is (1) an identity of claims; (2) a final judgment on the merits; and (3) identity or privity between the parties.” *Stewart v. U.S. Bancorp, Cell Therapeutics, Inc. v. Lash Grp., Inc.*, 586 F.3d 1204, 1212 (9th Cir. 2009). An analysis of whether successive lawsuits involve an “identity of claims,” or the “same cause of action” “is unnecessary, however, when a ground of recovery or defense could not have been asserted in the prior action. *Littlejohn*, 321 F.3d at 920. In such cases, the defense or ground of recovery falls outside the scope of claim preclusion.” *Id.* Here, Alter could not have raised the counterclaims it asserts against Autodesk in this action in its prior suit against Disney (to which Autodesk was not a party), as the counterclaims here are based on the ultimate conclusion of, and arise from conduct occurring after, that suit.

In Alter’s 2011 infringement suit against Disney, Alter alleged that “Defendant [Disney] has infringed and continues to infringe one or more claims in the ’962 patent by making use of said systems as a key part of their production pipeline on a number of films, as has as well a recently advertised licensing deal involving one of said systems (XGen) to Autodesk, Inc[.] for

² Alter also argues that issue preclusion does not bar its claims. Issue preclusion, which Autodesk does not argue applies here, “bars the relitigation of issues actually adjudicated in previous litigation between the same parties.” *Clark v. Bear Stearns & Co.*, 966 F.2d 1318, 1320 (9th Cir. 1992).

1 commercial sale and distribution as part of their Maya product worldwide in direct competition
 2 with Plaintiff [Alter].” MJP, Ex. B ¶ 20. In the instant action, Alter alleges that “Autodesk has
 3 infringed, and continues to infringe, directly and indirectly, one or more of the ’962 Patent’s
 4 claims by *making* and selling XGen as part of the Maya software suite.” Countercl. ¶ 77
 5 (emphasis added). The basis for Alter’s counterclaims here is that Autodesk’s post-’962 License
 6 Agreement development and expansion of XGen has essentially “converted XGen to an Autodesk
 7 product” and is not authorized under the ’962 License Agreement and infringes the claims of the
 8 ’962 Patent. Countercl. ¶¶ 49, 86. As Alter points out, “the Autodesk product at issue [i.e., the
 9 upgraded version of XGen] was not released until after the Alter-Disney litigation concluded.”
 10 Oppo. at 14; *see also* Compl., Ex. B ¶ 11 (“On or about August 8, 2013, Autodesk released an
 11 upgraded version of XGen.”). Thus, Autodesk’s claim preclusion argument fails because Alter’s
 12 claims here are based on alleged infringing activity arising after the January 31, 2012 resolution of
 13 the 2011 litigation (i.e., the effective date of the ’962 License Agreement). *See e.g., Frank v.*
 14 *United Airlines, Inc.*, 216 F.3d 845, 851 (9th Cir. 2000) (“A claim arising after the date of an
 15 earlier judgment is not barred, even if it arises out of a continuing course of conduct that provided
 16 the basis for the earlier claim.”). Because Alter could not assert its counterclaims against
 17 Autodesk during Alter’s 2011 litigation against Disney, claim preclusion does not apply.

18 **II. ADMINISTRATIVE MOTIONS TO FILE UNDER SEAL**

19 Courts have long recognized a “general right to inspect and copy public records and
 20 documents, including judicial records and documents.” *Nixon v. Warner Commc’s Inc.*, 435 U.S.
 21 589, 597 (1978). A party seeking to seal judicial records attached to a dispositive motion must
 22 “articulate[] compelling reasons supported by specific factual findings that outweigh the general
 23 history of access and the public policies favoring disclosure.” *Kamakana v. City & Cty. of*
 24 *Honolulu*, 447 F.3d 1172, 1178-79 (9th Cir. 2006) (alteration in original) (internal quotation marks
 25 and citations omitted). Examples of compelling reasons include when court records are used for
 26 “improper purposes,” such as “to gratify private spite, promote public scandal, circulate libelous
 27 statements, or release trade secrets.” *Id.* at 1179 (citing *Nixon*, 435 U.S. at 598). Similarly,
 28 “sources of business information that might harm a litigant’s competitive standing” may also

1 constitute a compelling reason to seal, *see Nixon*, 435 U.S. at 598, as may a company’s
2 confidential profit, cost, and pricing information that if publically disclosed could put the company
3 at a competitive disadvantage, *see Apple Inc. v. Samsung Elecs. Co.*, 727 F.3d 1214, 1225 (Fed.
4 Cir. 2013). The court must balance the competing interests of the public’s right of inspection
5 against litigants’ need for confidentiality, and “if the court decides to seal certain judicial records,
6 it must base its decision on a compelling reason and articulate the factual basis for its ruling,
7 without relying on hypothesis or conjecture.” *Kamakana*, 447 F.3d at 1179.

8 Parties seeking to seal judicial records in this District must additionally comply with Civil
9 Local Rule 79-5, which requires that sealing requests be “narrowly tailored to seek sealing only of
10 sealable material.” Civil L. R. 79-5(b). Where the submitting party seeks to file under seal a
11 document designated as confidential by another party, the designating party bears the burden of
12 articulating compelling reasons for sealing. *Id.* 79-5(e).

13 Here, Autodesk seeks to file under seal the ’962 License Agreement, attached as Exhibit C
14 (Dkt. No. 51-6[under seal]) to the Krause Declaration in support of Autodesk’s motion for
15 judgment on the pleadings, and portions of its Motion (Dkt. No. 51-4[under seal]) and Reply (Dkt.
16 No. 68-4[under seal]) which contain quotations from Exhibit C.³ *See* Autodesk’s Admin. Mots.
17 (Dkt. Nos. 51, 68). According to Autodesk’s declaration in support of sealing, Exhibit C was
18 designated by Alter and Disney as “highly confidential outside counsel only” pursuant to the
19 parties’ Protective Order (Dkt. No. 39), and the Court previously granted Alter’s motion to seal
20 portions of that document submitted in support of Alter’s motion to dismiss. Krause Decl. ISO
21 Autodesk’s Admin. Mot. (Dkt. No. 51-1) ¶ 2. Alter and Disney also filed declarations in support
22 of Autodesk’s administrative motion to seal. *See* Alter Decl. ISO Autodesk’s Admin. Mot. (Dkt.
23 No. 54); Phillips Decl. ISO Autodesk’s Admin. Mot. (Dkt. No. 57).

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³ Disney also moved to file under seal the ’962 License Agreement, attached as Exhibit B (Dkt. No. 59-9[under seal]) to the Phillips Declaration in support of Disney’s motion to sever and transfer, and portions of its Motion (Dkt. No. 59-4[under seal]) that quote from the agreement. *See* Disney’s Admin. Mot. to Seal (Dkt. No. 59). Because Disney is no longer a party to this action, its administrative motion to file under seal is DENIED as moot.

1 Alter seeks to file under seal portions of its Opposition (Dkt. No. 61-4[under seal]) that
 2 quote from Exhibit C, as well as Exhibits 4, 8, and 9 (Dkt. Nos. 61-5, 61-6, 61-7 [all under seal])
 3 attached to Alter’s declaration submitted in support of its Opposition. *See* Alter’s Admin. Mot. to
 4 Seal Oppo. (Dkt. No. 61). Autodesk filed a declaration in support of sealing Exhibits 9 and 8, *see*
 5 Krause Decl. ISO Alter’s Admin. Mot. to Seal Oppo. (Dkt. No. 64-1), and Disney filed a
 6 declaration in support of sealing the unredacted version of Alter’s Opposition and Exhibit 4, *see*
 7 Phillips Decl. ISO Alter’s Admin. Mot. to Seal Oppo. (Dkt. No. 65).

8 Alter and Disney, as the designating parties, must demonstrate a compelling reason for
 9 sealing. *See* Civil L. R. 79-5(e). The fact that portions of the ’962 License Agreement were
 10 previously ordered sealed by the Court does not relieve the parties of articulating a compelling
 11 reason for sealing at this time. *See Kamakana*, 447 F.3d at 1179 (“The ‘compelling reasons’
 12 standard is invoked even if the dispositive motion, or its attachments, were previously filed under
 13 seal or protective order.”). Disney argues that disclosing the contents of the ’962 License
 14 Agreement “would harm [Disney’s] commercial standing because it gives parties in future
 15 negotiations with [Disney] access to secret information about comparative settlement pricing and
 16 terms.” Phillips Decl. ISO Autodesk’s Admin. Mot. ¶ 8. Alter asserts that the ’962 License
 17 Agreement should be sealed (along with portions of the parties’ briefs discussing the agreement)
 18 because it is “competitively sensitive” and “contains financial terms of settlement and other
 19 license terms which Alter and Disney maintain confidential.” Alter Decl. ISO Autodesk’s Admin.
 20 Mot. ¶¶ 2, 3. Alter also argues that the unredacted version of its Opposition should remain sealed
 21 because it “discloses the financial terms of settlement and other sensitive information pertaining to
 22 the provisions [in the] license agreement.” Alter Decl. ISO Alter’s Admin. Mot. to Seal Oppo.
 23 (Dkt. No. 61-1) ¶ 2.

24 While I agree that the settlement amount Disney paid Alter should remain confidential, I
 25 find that the parties have failed to meet their burden of setting forth a compelling reason to seal the
 26 remaining provisions of the ’962 License Agreement. The express terms of the ’962 License
 27 Agreement are directly relevant to the merits of this case; the parties’ claims cannot be resolved
 28 without reference to those terms. *See Ctr. for Auto Safety v. Chrysler Grp., LLC*, 809 F.3d 1092,

1 1102 (9th Cir.) (holding that a “strong presumption of public access” applies to motions and their
2 attachments that are “more than tangentially related to the merits of the case”). This conclusion is
3 further supported by the fact that counsel for Autodesk—without objection from Alter’s counsel—
4 quoted extensively from the ’962 License Agreement in open court during the April 26, 2017
5 hearing. The parties have also failed to “narrowly tailor” their sealing requests “to seek sealing
6 only of sealable material.” Civil L. R. 79-5(b). The parties seek to redact all but the introductory
7 paragraph and signature blocks of the ’962 License Agreement, and all portions of their briefs
8 quoting from the agreement, without explaining, for example, why the forum selection clause
9 should remain under seal when the parties have cited to that provision extensively without seeking
10 redaction of those discussions.

11 Accordingly, Autodesk’s administrative motion to file under seal (Dkt. No. 51) is granted
12 to the limited extent that Section 3.1 of the ’962 License Agreement, which discusses the
13 settlement payment amount and terms, may be redacted. Autodesk’s administrative motion to file
14 under seal portions of its Reply (Dkt. No. 68) is denied. Alter’s administrative motion to file
15 under seal (Dkt. No. 61) is granted only with respect to the portion of its Opposition which
16 identifies the settlement amount. Alter’s request to seal three exhibits submitted in support of its
17 Opposition to Autodesk’s Rule 12(c) motion is terminated as moot; because I did not consider or
18 rely on those documents in ruling on Autodesk’s motion for judgment on the pleadings, they may
19 remain under seal at this time.

20 **CONCLUSION**

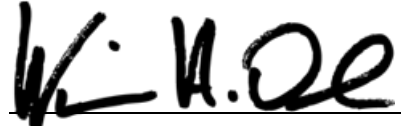
21 Autodesk’s motion for judgment on the pleadings is DENIED. The parties’ administrative
22 motions to file under seal are GRANTED to the limited extent that Section 3.1 of the ’962 License
23 Agreement, which discusses the settlement payment and terms, may be redacted, as may the
24 portion of Alter’s Opposition referencing that amount. The parties shall refile the documents
25 previously filed under seal in accordance with this Order within ten days of the date below.
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This Order disposes of Docket Nos. 51, 52, 59, 61, and 68.

IT IS SO ORDERED.

Dated: May 9, 2017



William H. Orrick
United States District Judge