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3
4 UNITED STATES DISTRICT COURT
5 NORTHERN DISTRICT OF CALIFORNIA
6

7 PHOENIX TECHNOLOGIES LTD.,

Case No.15-cv-01414-HSG

8 Plaintiff,

9 v.

10 VMWARE, INC.,

**ORDER DENYING PLAINTIFF'S
RENEWED MOTION FOR JUDGMENT
AS A MATTER OF LAW AND MOTION
FOR A NEW TRIAL AND
DEFENDANT'S MOTION FOR
ATTORNEY'S FEES AND COSTS**

11 Defendant.

12 Re: Dkt. Nos. 462, 467

13 Plaintiff Phoenix Technologies Ltd. and Defendant VMware, Inc. tried this copyright
14 infringement action before a jury between May 30, 2017 and June 12, 2017. On June 12, 2017,
15 the jury returned a verdict. Dkt. No. 450-1. The jury found that (1) Defendant did not commit
16 copyright infringement; (2) Defendant did not commit contributory copyright infringement; and
17 (3) even if Defendant had committed infringement, Plaintiff waived any such claims against
18 Defendant. See Dkt. No. 438.

19 Pending before the Court are two sets of post-trial motions: Plaintiff's renewed motion for
20 judgment as a matter of law and motion for a new trial, see Dkt. No. 467, and Defendant's motion
21 for attorneys' fees and costs, see Dkt. No. 462. For the reasons set forth below, Plaintiff's motions
22 are **DENIED** and Defendant's motion is **DENIED**.

23 **I. BACKGROUND**

24 Plaintiff initially filed this lawsuit on March 27, 2015. Dkt. No. 1 ("Complaint" or
25 "Compl."). The case arose out of Defendant's alleged unauthorized use of certain computer
26 programs that Plaintiff licensed to Defendant "for limited purposes." See *id.* ¶ 1. Plaintiff alleged
27 copyright infringement, *id.* ¶¶ 84-97, contributory infringement of copyright, *id.* ¶¶ 98-109, and
28 breach of contract, *id.* ¶¶ 110-17. The parties filed cross-motions for summary judgment in July

1 2016. See Dkt. Nos. 121, 129. On January 6, 2017, the Court denied Plaintiff’s motion for
2 summary judgment, and largely denied Defendant’s motion for summary judgment, granting it
3 only as to Plaintiff’s contract claims. Dkt. No. 222 at 16-17.

4 A two-week jury trial was held beginning on May 30, 2017. On June 12, 2017, the jury
5 reached a verdict after four hours of deliberations, Dkt. No. 450-1, finding that Defendant was not
6 liable for copyright infringement or contributory copyright infringement, and that even if it were,
7 Plaintiff had waived any such claims against Defendant, see Dkt. No. 438.

8 The Court entered judgment on August 3, 2017. Dkt. No. 458. On August 17, 2017,
9 Defendant timely filed its motion for attorney’s fees and costs pursuant to Civil Local Rule 54-5.
10 Dkt. No. 462. On August 31, 2017, Plaintiff timely filed its motion for judgment as a matter of
11 law under Federal Rule of Civil Procedure 50(b), and its motion for a new trial under Federal Rule
12 of Civil Procedure 59. Dkt. No. 467.

13 **II. PLAINTIFF’S RENEWED MOTION FOR JUDGMENT AS A MATTER OF LAW**

14 **A. Legal Standard**

15 “[A] party must make a Rule 50(a) motion for judgment as a matter of law before a case is
16 submitted to the jury. If the judge denies or defers ruling on the motion, and if the jury then
17 returns a verdict against the moving party, the party may renew its motion under Rule 50(b).”
18 *Equal Emp’t Opportunity Comm’n v. Go Daddy Software, Inc.*, 581 F.3d 951, 961 (9th Cir. 2009).
19 In considering a renewed motion for judgment as a matter of law, a court must uphold the jury’s
20 verdict if “substantial evidence” supports the jury’s conclusion. *Johnson v. Paradise Valley*
21 *Unified Sch. Dist.*, 251 F.3d 1222, 1227 (9th Cir. 2001). “Substantial evidence is evidence
22 adequate to support the jury’s conclusion, even if it is also possible to draw a contrary conclusion
23 from the same evidence.” *Id.* The Court must “view all the evidence in the light most favorable to
24 the nonmoving party, draw all reasonable inferences in the favor of the nonmover, and disregard
25 all evidence favorable to the moving party that the jury is not required to believe.” *Castro v. Cnty.*
26 *of L.A.*, 797 F.3d 654, 662-63 (9th Cir. 2015). Judgment as a matter of law “is appropriate when
27 the jury could have relied only on speculation to reach its verdict.” *Lakeside-Scott v. Multnomah*
28 *Cnty.*, 556 F.3d 797, 803 (9th Cir. 2009).

1 **B. Discussion**

2 Plaintiff asserts two primary arguments in support of this motion. First, it argues that the
3 interpretation of the 2005 Amendment to the Master License Agreement (“MLA”) was a question
4 of law for the Court, and never should have been submitted to the jury. Dkt. No. 467 at 4.
5 Second, Plaintiff argues that there is no evidence to support the jury’s verdict regarding the source
6 code location restriction. Id. at 11.

7 **1. The Interpretation of the 2005 Amendment**

8 Plaintiff asserts that because “the 2005 Amendment is not reasonably susceptible to
9 Defendant’s interpretation,” its interpretation was a question of law for the Court, not a factual one
10 for the jury. Id. at 4. The Court is not persuaded.

11 The Court previously addressed this argument in its summary judgment order. See Dkt.
12 No. 222 at 5-11. When the meaning of contractual language is disputed, a court is required to
13 “provisionally receive[] (without actually admitting) all credible evidence concerning the parties’
14 intentions” to determine if the language is ambiguous—i.e., “reasonably susceptible” to the
15 interpretation urged by either party. See *Winet v. Price*, 4 Cal. App. 4th 1159, 1165 (1992). If a
16 court determines—in light of that provisional evidence—that the contract is “reasonably
17 susceptible” to the parties’ proffered interpretation, it then actually admits that evidence and uses
18 it to interpret the contract. *Kennecott v. Union Oil*, 196 Cal. App. 3d 1179, 189-90 (1987). “If,
19 after considering the language of the contract and any admissible extrinsic evidence, the meaning
20 of the contract is unambiguous, a court may properly interpret it on a motion for summary
21 judgment”—that is, as a matter of law. *Miller v. Glen Miller Prods., Inc.*, 454 F.3d 975, 990 (9th
22 Cir. 2006) (applying California contract law). But, where “the interpretation turns upon the
23 credibility of conflicting extrinsic evidence, or if[,] construing the evidence in the nonmovant’s
24 favor, the ambiguity can be resolved consistent with the nonmovant’s position, summary judgment
25 is inappropriate.” Id. (internal quotation marks omitted).

26 At summary judgment, the parties set forth conflicting interpretations of the meaning of
27 two terms in the MLA: “standard PC platforms” and the qualifying phrase “with a standard PC
28 operating system.” Considering the provisional extrinsic evidence, the Court found that the

1 contract’s language was “reasonably susceptible” to each party’s interpretation, “given the parties’
2 alleged understandings at the time of the 1998 MLA and the 2005 MLA amendment” Dkt.
3 No. 222 at 7. Both parties proffered extrinsic evidence of their “respective understandings” of the
4 relevant provisions of the 1998 MLA, *id.* at 8, as well as evidence that gave rise to “conflicting
5 inferences” regarding their lead negotiators’ understandings of the 2005 Amendment, *id.* at 10.
6 Ultimately, the Court found that the parties’ evidence “evinced a years-long course of conduct
7 that at times could be read to support each parties’ purported interpretation,” rendering the
8 contract provision ambiguous—and requiring the jury to assess the “credibility of extrinsic
9 evidence.” See *id.* at 10-11. Summary judgment was therefore inappropriate. See *Miller*, 454
10 F.3d at 990.

11 Now, in its renewed motion for judgment as a matter of law, Plaintiff incorrectly argues
12 that the 2005 Amendment “preclud[es] VMware’s interpretation by its plain terms.” See *id.* at 5.
13 Specifically, Plaintiff contends that Defendant “should not have been allowed to argue to the jury
14 that the 2005 Amendment eliminated the licensing restrictions from the parties’ prior agreements,”
15 citing the language of the agreement. *Id.* But such an interpretation is not self-evident on its face,
16 as evidenced by the parties’ submission of conflicting evidence regarding their understanding of
17 the agreement at the relevant time. Despite Plaintiff’s contention that “all of the extrinsic evidence
18 introduced at trial supported only Phoenix’s interpretation” of the 2005 Amendment, see Dkt. No.
19 467 at 7, the parties plainly submitted conflicting evidence at trial, rendering the issue of
20 interpretation a question of fact for the jury, see *Morey v. Vannucci*, 64 Cal. App. 4th 904, 913
21 (1998) (“As trier of fact, it is the jury’s responsibility to resolve any conflict in the extrinsic
22 evidence properly admitted to interpret the language of a contract.”). For example, Defendant
23 introduced testimony showing that Plaintiff helped it modify the BIOS code specifically to support
24 capabilities beyond the limitations of the 440BX chipset named in the license. See Trial
25 Transcript (“Tr.”) at 1303:9-15; 1306:20-1307:2; 1308:13-1312:16; 1314:2-1324:9. Defendant
26 also presented testimony at trial showing that in 2006, after the parties executed the Amendment,
27 Plaintiff’s CEO assembled a team to review Defendant’s fully paid-up licenses (“FPULs”)—and
28 ultimately elected not to pursue Defendant because it had a license. See *id.* at 1189:23-1193:23;

1 Deposition of David Hobbs at 67:7-12 (“Q: Did you ever conclude in your mind that it was
2 inappropriate or improper in any way for VMware to use the Phoenix BIOS in the VMware server
3 products? A: I don’t know why I would have even thought about it. They had a license.”). Given
4 the totality of the evidence introduced at trial, a reasonable jury could have resolved the factual
5 dispute on this point in Defendant’s favor.

6 Plaintiff’s contention that “the Court specifically found that the 2005 Amendment did ‘not
7 extinguish the parties’ previously set limitations,’” thus precluding Defendant’s interpretation, is
8 incorrect. See Dkt. No. 467 at 5-6. Plaintiff provided no citation for this argument, but apparently
9 refers to the Court’s order on summary judgment, in which it denied Defendant’s request for
10 partial summary judgment. See Dkt. No. 221 at 11-12 (“Because the 2005 amendment stated that
11 ‘[a]ll rights not expressly granted [to Defendant were] reserved by Phoenix,’ the 2005 amendment
12 does not extinguish the parties’ previously set limitations, as Defendant suggests.”). In a footnote,
13 Plaintiff acknowledges a critical point regarding the Court’s order: “In a telephonic conference
14 before trial, the Court noted that its interpretation of the 2005 Amendment, made in the procedural
15 context of denying VMWare’s summary judgment motion, did not constitute a ruling on the issue
16 as a matter of law in Phoenix’s favor.” Dkt. No. 467 at 6 n.4. This remains true. The order
17 denying *Defendant’s* motion for partial summary judgment, at a stage when the Court was
18 required to make all reasonable inferences in Plaintiffs’ favor, cannot be used as a basis for finding
19 that, at trial, the interpretation of the 2005 Amendment should not have gone to the jury.¹

20 At most, Plaintiff’s argument amounts to a showing that it was possible for the jury to
21 “draw a contrary conclusion from the same evidence,” which is insufficient. See Johnson, 251
22 F.3d at 1227. The extrinsic evidence cited by the parties in this motion further bolsters the
23 “substantial evidence” supporting the jury’s conclusion. This is, in other words, far from a case in
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25 ¹ It is undisputed that Plaintiff never moved for summary judgment or summary adjudication on
26 this ground. See Dkt. No. 490 at 11:15-16 (acknowledgment by Plaintiff’s counsel at oral
27 argument on this motion that “at the point of the summary judgment ruling, the posture was not
28 one in which we were asking you to rule” that summary judgment in Plaintiff’s favor was
warranted as to its interpretation of this language in the 2005 Amendment); see also Dkt. No. 121
at i (table of contents listing Plaintiff’s summary judgment arguments); Dkt. No. 149 at 19 (citing
extrinsic evidence in opposition to Defendant’s motion for summary judgment on this point).

1 which “the jury could have relied only on speculation to reach its verdict.” See *Lakeside-Scott*,
2 556 F.3d at 803. Viewing the evidence in the light most favorable to Defendant—and drawing all
3 reasonable inferences in its favor—the Court finds that judgment as a matter of law as to this issue
4 is not warranted.

5 **2. The Source Code Location Restriction**

6 Plaintiff next asserts that it “presented uncontroverted evidence that VMware violated the
7 source code location restriction in multiple ways, and the jury’s disregard of this evidence should
8 be reversed as a matter of law.” Dkt. No. 467 at 11. Plaintiff bases this assertion on the 2000
9 Amendment, in which “VMware licensed Phoenix’s 440BX BIOS source code subject to the
10 restriction that it could use the source code only at the location specified therein . . . and would not
11 distribute the source code to additional sites without first obtaining written permission from
12 Phoenix.” *Id.* But, as discussed above, the jury reasonably could have found that any prior
13 limitations on Defendant’s use of the code were extinguished by the 2005 Amendment, rendering
14 moot any evidence that Defendant violated the source code restriction. Thus, judgment as a matter
15 of law is not warranted on this ground.

16 Accordingly, Plaintiff’s motion for judgment as a matter of law is **DENIED**.

17 **III. PLAINTIFF’S MOTION FOR A NEW TRIAL**

18 **A. Legal Standard**

19 A court “may, on motion, grant a new trial on all or some of the issues,” Fed. R. Civ. P.
20 59(a), “if the verdict is contrary to the clear weight of the evidence, is based upon false or
21 perjurious evidence, or to prevent a miscarriage of justice,” *Molski v. M.J. Cable, Inc.*, 481 F.3d
22 724, 729 (9th Cir. 2007) (internal quotation marks omitted). A judge should not grant a new trial
23 unless she or he is “left with the definite and firm conviction that a mistake has been committed.”
24 *Landes Constr. Co. v. Royal Bank of Can.*, 833 F.2d 1365, 1372 (9th Cir. 1987) (internal quotation
25 marks omitted). In considering a Rule 59(a) motion, the court “is not required to view the trial
26 evidence in the light most favorable to the verdict. Instead, the district court can weigh the
27 evidence and assess the credibility of the witnesses.” *Experience Hendrix L.L.C. v.*
28 *Hendrixlicensing.com Ltd*, 762 F.3d 829, 842 (9th Cir. 2014).

1 **B. Discussion**

2 Plaintiff advances two primary arguments in support of this motion. First, Plaintiff argues
3 that misconduct by Defendant’s counsel “affected the fundamental fairness of the proceeding,”
4 and thus warrants a new trial. Dkt. No. 467 at 12. Second, Plaintiff argues that the circumstances
5 of the verdict reflect jury confusion, and cast doubt on whether the jury was truly unanimous. Id.
6 at 17-20.

7 **1. Alleged Misconduct by Defendant’s Attorneys**

8 Plaintiff argues that “VMware’s counsel repeatedly introduced objectionable material in
9 flagrant violation of the Court’s orders,” which “unfairly prejudiced Phoenix’s rights by
10 intentionally injecting matters into trial that the Court expressly found prejudicial to Phoenix.” Id.
11 at 12. It points to three such instances, none of which support a finding of misconduct, let alone
12 warrant a new trial.

13 First, Plaintiff argues that “VMware repeatedly flouted the Court’s order prohibiting it
14 from referring to claims in the Complaint that Phoenix was not pursuing at trial.” Id. at 13. This
15 misstates the substance of the Court’s order, which precluded Defendant from introducing the
16 complaint as an exhibit at trial. Dkt. No. 326 at 8-9. In addition, by arguing that Defendant
17 “intentionally inject[ed] matters into trial that the Court expressly found to be prejudicial to
18 Phoenix,” Dkt. No. 467 at 12 (emphasis added), Plaintiff mischaracterizes the Court’s finding.
19 What the Court actually found was that “[t]o the extent the complaint may be marginally relevant
20 as to credibility, the . . . potential to confuse the jury and waste time by referring to claims Phoenix
21 does not intend to assert at trial substantially outweighs any such relevance.” Dkt. No. 326 at 8
22 (emphasis added). Moreover, Plaintiff never attempted to introduce the complaint as an exhibit,
23 referring to it only for impeachment purposes or to refresh a witness’s recollection. See Tr.
24 255:19-256:14; 262:22-263:18; 1040:14-1043:18.

25 Second, Plaintiff asserts that “VMware’s counsel also disregarded the Court’s related
26 exclusion of testimony regarding [Plaintiff’s equity owner] Marlin Equity’s projection of
27 Phoenix’s financial performance and Phoenix’s performance relative to those projections.” Dkt.
28 No. 467 at 14. At trial, Plaintiff sought to exclude the testimony of Peter Chung, an employee of

1 Marlin Equity, relating to (1) the amount Marlin paid to acquire Plaintiff, (2) Marlin’s projections
2 of Plaintiff’s financial performance, and (3) Plaintiff’s performance relative to Marlin’s
3 projections. Dkt. No. 326 at 13. The Court granted Plaintiff’s motion, finding that “such
4 testimony would waste time, confuse the issues, and mislead the jury.” Id. Plaintiff argues that
5 Defendant’s arguments at trial—that Marlin funded this lawsuit to recoup losses from acquiring
6 Plaintiff, Tr. 1675:21-23, and that Marlin’s investors were “looking for a reason to demand lots of
7 money” because their investment was underperforming, Tr. 1728:11-13—run afoul of this ruling.
8 But these arguments did not make the specific points excluded by the Court, and thus did not
9 violate the order, and in any event Plaintiff’s own evidence opened the door to impeachment
10 regarding Marlin Equity’s role.²

11 Third, Plaintiff argues that “VMware ignored the Court’s order that knowledge of a former
12 Phoenix employee (Matt Durbin) that pre-dated his employment was not attributable to Phoenix.”
13 Dkt. No. 467 at 15. Plaintiff refers to the Court’s order regarding Jury Instruction No. 27, in
14 which it explained why it would not give VMware’s proffered imputation instruction. See Dkt.
15 No. 435. Plaintiff argues that this order was effectively a ruling that “Mr. Durbin’s pre-
16 employment research on VMware could **not** be imputed to Phoenix for any purpose because it was
17 ‘entirely unrelated to the course and scope of [his] eventual employment at Phoenix.’” Dkt. No.
18 485 at 13 (quoting Dkt. No. 435 at 4) (emphasis and brackets in original). Plaintiff is incorrect:
19 this order simply advised the parties regarding the basis for the jury instruction the Court intended
20 to give, and ultimately did give, concerning the imputation of knowledge to a corporation.
21 Moreover, Phoenix did not object to this portion of VMware’s closing argument at the time, and
22 the Court finds no basis to conclude either that the jury did not follow its instructions or that
23 Phoenix was prejudiced by this isolated statement in light of the totality of the record.

24 Finally, Plaintiff asserts that “VMware’s counsel also repeatedly referred to confidential
25

26 ² To the extent Plaintiff argues that Defendant’s closing arguments were “entirely unsupported by
27 any evidence,” the Court instructed the jury that such arguments are not evidence. Tr. 1624:20-24
28 (“[A]s I mentioned to you before the trial started, the closing arguments of the attorneys are not
evidence, but rather they are the parties’ opportunity to explain to you their view of the evidence
and their view of how the evidence should be interpreted.”).

1 settlement discussions in violation of Federal Rule of Evidence 408.” Dkt. No. 467 at 15. In each
2 instance cited by Plaintiff, however, the Court notes that Plaintiff did not object to Defendant’s
3 mention of those discussions. See Tr. 243:24-245:10; 308:11-19; 323:16-20; 455:21-24; 456:19-
4 22; 495:8-496:9; 1675:5-8; 1692:7-20; 1712:14-18; 1724:20-23. In *Gilbrook v. City of*
5 *Westminster*, the court held that the defendants, “[b]y failing to make a timely and specific
6 objection on the basis of Rule 408 . . . waived their right to contest the admission of [the
7 contested] testimony on that ground.” 177 F.3d 839, 859 (9th Cir. 1999) (citing Federal Rule of
8 Evidence 103(a)(1), which provides that a party may claim the court erroneously admitted
9 evidence if it timely objects and states the grounds for objection). So too the Court holds here that
10 Plaintiff waived any argument it may have had on Rule 408 grounds because it failed to timely
11 object at trial.

12 **2. Circumstances Surrounding the Verdict**

13 Plaintiff next argues that “[t]he manner in which the jury completed the verdict form . . .
14 suggests that VMware’s improper arguments confused the jury and tainted the verdict.” Dkt. No.
15 467 at 17. In particular, Plaintiff finds it significant that the jury answered Question 4 on the
16 verdict form, despite the form’s instruction to “skip the remaining questions” if the jury answered
17 “No” to Questions 1(a)-(d) and 2. See Dkt. No. 438 at 1. Because the jury answered Question 4
18 despite answering “No” to Questions 1(a)-(d) and 2, Plaintiff asserts that “the jury was deeply
19 confused on how it was supposed to resolve the claims and defenses in this case.” Dkt. No. 467 at
20 18. This interpretation is strained. The more likely explanation is that the jury found that
21 Defendant had not committed copyright infringement—and that even if it had, Plaintiff had
22 waived those claims. Plaintiff’s arguments regarding the jury’s confusion are purely speculative,
23 and do not warrant a new trial.

24 Finally, Plaintiff argues that “the unusual sequence of events in the polling of the jury . . .
25 strongly suggest that verdict was not unanimous as required.” *Id.* Plaintiff argues that Juror No.
26 1, during the initial polling of the jury, was unable to clearly affirm that his verdict was his
27 “individual verdict in all respects.” *Id.* at 18-19 (quoting Tr. 1782:11-19). The Court sent the jury
28 back for further deliberations thereafter. Tr. 1782:20-25. The Court then conducted a second

1 polling:

2 THE COURT: So it has been reported by your foreperson that it was
3 a unanimous verdict. And so we need to know from each of you
4 that this is your verdict, because only if it is the verdict of each of
5 you is it truly unanimous.

6 So I hope that helps for context. And so with that, Mr. Begley, Juror
7 No. 1, is this your verdict?

8 JUROR NO. 1: Yes, Your Honor.

9 Tr. 1785:5-12. The remaining seven jurors also answered affirmatively. See *id.* at 1785:13-
10 1786:9. Juror No. 1’s second response was unambiguous, particularly given the Court’s
11 admonishment that “we need to know from each of you that this is your verdict.” *Id.* at 1785:6-7
12 (emphasis added). Plaintiff’s arguments—that omitting the phrase “in all respects” during the
13 second polling led to a misunderstanding by Juror No. 1, or that Juror No. 1 felt pressured to “end
14 the trial and avoid further deliberations”—are again purely speculative. See Dkt. No. 467 at 19-
15 20. The circumstances surrounding the verdict therefore do not warrant a new trial.

16 Plaintiff has thus failed to show that it is entitled to a new trial under Rule 59(a)(1). The
17 Court is not “left with the definite and firm conviction” that any mistake was committed. See
18 *Landes Constr. Co.*, 833 F.2d at 1372. Nor has Plaintiff shown that “the verdict is contrary to the
19 clear weight of the evidence” or “based upon false or injurious evidence,” or that a new trial is
20 necessary “to prevent a miscarriage of justice.” See *Molski*, 481 F.3d at 729. Accordingly,
21 Plaintiff’s motion for a new trial is **DENIED**.

22 **IV. DEFENDANT’S MOTION FOR ATTORNEY’S FEES AND COSTS**

23 Under the Copyright Act, in a copyright action “the court in its discretion may allow the
24 recovery of full costs” or “award a reasonable attorney’s fee to the prevailing party as part of the
25 costs.” 17 U.S.C. § 505.³ While this broad statutory language “clearly connotes discretion” and
26 “eschews any precise rule or formula for awarding fees,” the Supreme Court has established two

27 ³ The Ninth Circuit has interpreted “full costs” to include “otherwise non-taxable costs, including
28 those that lie outside the scope of [28 U.S.C.] § 1920, under § 505.” *Twentieth Century Fox Film Corp. v. Entm’t Distrib.*, 429 F.3d 869, 885 (9th Cir. 2005); see also *ExperExchange, Inc. v. Doculex, Inc.*, No. C-08-03875 JCS, 2010 WL 1881484, at *11 (N.D. Cal. May 10, 2010) (interpreting *Twentieth Century Fox* to hold that parties may recover reasonable expert witness fees under section 505).

1 important restrictions. *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S. Ct. 1979, 1985 (2016)
2 (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533-34 (1994)) (internal punctuation omitted).

3 First, a district court may not award attorney’s fees as a matter of
4 course; rather, a court must make a more particularized, case-by-
5 case assessment. Second, a court may not treat prevailing plaintiffs
6 and prevailing defendants any differently; defendants should be
7 encouraged to litigate meritorious copyright defenses to the same
8 extent that plaintiffs are encouraged to litigate meritorious claims of
9 infringement.

7 *Id.* (citations, internal quotation marks, and brackets omitted).

8 Courts deciding whether to award attorney’s fees under section 505 may, in their
9 discretion, consider certain “nonexclusive” factors: “frivolousness, motivation, objective
10 unreasonableness, and the need in particular circumstances to advance considerations of
11 compensation and deterrence.” *Id.* (citation, internal quotation marks, and brackets omitted). The
12 objective unreasonableness of a claim, in particular, “carries significant weight,” *id.* at 1989, but
13 “can only be an important factor in assessing fee applications—not the controlling one,” *id.* at
14 1988. In the Ninth Circuit, courts may also consider “the degree of success obtained, the purposes
15 of the Copyright Act, and whether the chilling effect of attorney’s fees may be too great or impose
16 an inequitable burden on an impecunious plaintiff.” *Ets-Hokin v. Skyy Spirits*, 323 F.3d 763, 766
17 (9th Cir. 2003).

18 In applying these factors, courts should look to “the large objectives” of the Copyright Act,
19 see *Kirtsaeng*, 136 S. Ct. at 1982 (citation omitted), which “ultimately serves the purpose of
20 enriching the general public through access to creative works,” *Fogerty*, 510 U.S. at 527. “[F]ee
21 awards under § 505 should encourage the types of lawsuits that promote” dual purposes:
22 “encouraging and rewarding authors’ creations while also enabling others to build on that work.”
23 *Kirtsaeng*, 136 S. Ct. at 1986.

24 The Court accordingly analyzes Defendant’s application for an attorney’s fee award in
25 light of the relevant factors enumerated by the Supreme Court and the Ninth Circuit, as well as the
26 broader objectives of the Copyright Act.

27 **A. Degree of Success**

28 Success on the merits weighs in favor of an attorney’s fees award more than technical

1 success. *Epikhin v. Game Insight N. Am.*, No. 14-CV-04383-LHK, 2016 WL 1258690, at *4
 2 (N.D. Cal. Mar. 31, 2016) (citation omitted). This factor is “not dispositive,” however, because
 3 “[i]f it was, then prevailing parties would be entitled to attorney fees as a matter of course.”
 4 *Bisson-Dath v. Sony Computer Entm’t Am. Inc.*, No. CV-08-1235 SC, 2012 WL 3025402, at *1
 5 (N.D. Cal. July 24, 2012). Here, the Court agrees that Defendant achieved total success in the
 6 case, with the jury “simultaneously rejecting Phoenix’s liability claims and adopting a key
 7 VMware defense.” See Dkt. No. 462 (original emphasis). Thus, while this factor does not decide
 8 the issue, it weighs in Defendant’s favor.

9 **B. Objective Unreasonableness**

10 “If a plaintiff has a claim that hinges on disputed facts sufficient to reach a jury, that claim
 11 necessarily is reasonable because a jury might decide the case in the plaintiff’s favor.” *VMG*
 12 *Salsoul, LLC v. Ciccone*, 824 F.3d 871, 887 (9th Cir. 2016). Here, Plaintiff’s claims largely
 13 survived summary judgment. Dkt. No. 222 at 16.⁴ Even though the Court acknowledged that
 14 “Defendant’s remaining affirmative defenses [were] substantial, and [that] it [was] far from certain
 15 that Plaintiff would be able to overcome them at trial,” *id.*, the Court cannot say Plaintiff’s claims
 16 were objectively unreasonable since they “hinge[d] on disputed facts sufficient to reach a jury,”
 17 see *VMG*, 824 F.3d at 887. Even though Defendant achieved total victory at trial, the fact that a
 18 party loses is insufficient to establish objective unreasonableness. See *Seltzer v. Green Day, Inc.*,
 19 725 F.3d 1170, 1181 (9th Cir. 2013). Thus, this factor—which “carries significant weight” but
 20 does not control, *Kirtsaeng*, 136 S. Ct. at 1989—weighs in Plaintiff’s favor.

21 The Court does not find persuasive Defendant’s argument that *VMG* and *Kirtsaeng*
 22 (decided later) are irreconcilable. Specifically, Defendant argues that “[t]o the extent *VMG*
 23 intended to announce a ‘precise rule or formula’ that all claims to survive summary judgment are
 24 per se reasonable, without regard to the circumstances or the need to deter weak claims, that
 25 aspect of *VMG*’s holding cannot be reconciled with” *Kirtsaeng*’s emphasis on the fact that section
 26 505 eschews such rules. Dkt. No. 462 at 8. But that aspect of *VMG*’s holding—stating that, as a

27 _____
 28 ⁴ The Court granted Defendant’s motion for summary judgment as to Plaintiff’s contract claims
 because they were time-barred. Dkt. No. 222 at 16.

1 matter of law, a claim is not objectively unreasonable if it survives summary judgment—relates
2 only to the objective reasonableness factor. That does not amount to a “precise rule or formula for
3 awarding fees,” see *Kirtsaeng*, 136 S. Ct. at 1985, because the factors are “nonexclusive” and thus
4 no single one is determinative of the broader question of a party’s entitlement to a fee award.
5 Indeed, the Supreme Court has expressly recognized this principle. See *id.* at 1988 (“[I]n any
6 given case a court may award fees even though the losing party offered reasonable arguments (or,
7 conversely, deny fees even though the losing party made unreasonable ones).”)⁵ Accordingly,
8 because VMG and *Kirtsaeng* are not irreconcilable, the Court is bound by VMG. See *Miller v.*
9 *Gammie*, 335 F.3d 889, 900 (9th Cir. 2003) (stating that only in cases of “clear irreconcilability”
10 can district courts “consider themselves bound by the intervening higher authority and reject the
11 prior opinion of [the Ninth Circuit] as having been effectively overruled”).

12 **C. Motivation**

13 “The existence of bad faith or an improper motive in bringing or pursuing an action weighs
14 in favor of an award of fees to a prevailing party.” *Epikhin*, 2016 WL 1258690, at *6 (citation,
15 internal quotation marks, and brackets omitted). Such a finding may be based on “actions that led
16 to the lawsuit, as well as on the conduct of the litigation.” *Id.* (citation and internal quotation
17 marks omitted). Defendant makes two arguments: first, that Plaintiff “opportunistically trawled
18 decades-old licenses . . . hoping to exploit ambiguities and faded memories” to obtain settlements
19 or damages, and second, that Plaintiff’s claim for \$110 million in damages “had no connection
20 with reality.” Dkt. No. 462 at 10. Plaintiff counters that the former assertion “is entirely
21 fabricated,” and that a “profit-driven motive for pursuing an infringement claim is **not** an improper
22 motive” justifying an award of attorney’s fees. Dkt. No. 468 at 14-15 (original emphasis).

23 The Court agrees with Plaintiff and finds no bad faith or improper motive. The fact that
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25 ⁵ Defendant also argues that VMG’s holding regarding objective unreasonableness “unfairly tilts
26 the availability of fee awards against defendants, who are most likely to move for summary
27 judgment,” and thus runs afoul of *Fogerty*’s rule that prevailing plaintiffs and defendants are not
28 to be treated differently. Dkt. No. 462 at 8. The Court disagrees. *Fogerty* requires only that a
court considering attorney’s fees under section 505 treat prevailing plaintiffs and prevailing
defendants the same. It is not meaningful whether the nature of summary judgment requires the
Court to apply that rule more frequently to plaintiffs or defendants.

1 Plaintiff’s “BIOS program long ago lapsed into obscurity” does not, on its own, render worthless
2 its copyright. See Dkt. No. 477 at 12. A copyright on old software is still a copyright. Nor would
3 a pecuniary motivation on Plaintiff’s part be improper. See *Eldred v. Ashcroft*, 537 U.S. 186, 212
4 n.18 (2003) (“[C]opyright law celebrates the profit motive, recognizing that the incentive to profit
5 from the exploitation of copyrights will redound to the public benefit by resulting in the
6 proliferation of knowledge.”) (citation and internal quotation marks omitted) (original emphasis).

7 This factor is therefore neutral.

8 **D. Deterrence and Compensation**

9 In evaluating the need for deterrence, courts consider the fact that “[d]evelopers of creative
10 works cannot afford to have obstructions placed in their path by claims of infringement that lack a
11 reasonable chance of success” *Epikin*, 2016 WL 1258690, at *8 (citation and internal
12 quotation marks omitted). It is not, however, “the purpose of the Copyright Act to deter litigants
13 from bringing potentially meritorious claims, even though those claims may be unsuccessful.” *Id.*
14 (citation and internal quotation marks omitted). And, in evaluating the need for compensation,
15 courts consider whether defendants advancing “meritorious copyright defenses” are “encouraged
16 to litigate them to the same extent that plaintiffs are.” *Id.* (citing *Fogerty*, 510 U.S. at 527).

17 As detailed above, the Court does not find that Plaintiff so “lack[ed] a reasonable chance of
18 success” that its infringement suit improperly “obstruct[ed]” Defendant’s business. See *id.* As for
19 compensation, the Court finds that Defendant was motivated to litigate the claims to the same
20 extent that Plaintiff was—indeed, Defendant admits as much. See Dkt. No. 462 (“Confronted by
21 Phoenix’s extreme demands, VMware’s choices were to give in and hope for a ‘deal’ through a
22 settlement or defend the case. The former would have rewarded Phoenix’s abusive behavior. The
23 latter meant bearing significant litigation costs and burdens, and facing down a \$100 million
24 damages claim. VMware chose to defend itself.”). In *Bisson-Dath*, the court found it instructive
25 that the defendants “had ample incentive to vigorously defend its multibillion dollar [gaming]
26 franchise against claims of infringement.” 2012 WL 3025402, at *3. Defendant had similarly
27 ample incentive here. Accordingly, because the Court finds that this case does not rise to the level
28 of requiring deterrence or compensation, this factor is neutral.

1 **E. Other Factors**

2 In the Ninth Circuit, courts may also consider “the purposes of the Copyright Act, and
3 whether the chilling effect of attorney’s fees may be too great or impose an inequitable burden on
4 an impecunious plaintiff.” *Ets-Hokin*, 323 F.3d at 766.

5 First, the Copyright Act “ultimately serves the purpose of enriching the general public
6 through access to creative works” *Fogerty*, 510 U.S. at 527. In furtherance of that purpose,
7 fee awards under section 505 should promote lawsuits that “encourag[e] and reward[] authors’
8 creations while also enabling others to build on that work.” *Kirtsaeng*, 136 S. Ct. at 1986. The
9 Court has already addressed this issue in discussing other factors. Here, Plaintiff made a claim of
10 infringement that, while ultimately rejected, was not objectively unreasonable. Defendant, in turn,
11 sought to protect its ability to build on Plaintiff’s work. Defendant prevailed at trial, but success
12 on the merits on its own does not render Plaintiff’s claim frivolous. As a result, the Court finds
13 this factor to be neutral.

14 Next, as to the chilling effect, Defendant argues that “[d]enying fees to licensees who
15 prove they were fully compliant with their license would have a substantial chilling effect on the
16 industry,” and will cause future creators to “think twice” about building on another’s work. Dkt.
17 No. 462 at 14. Defendant’s argument, however, essentially amounts to a statement that if a
18 defendant prevails on the merits, it should receive fees under section 505. Such a mechanical rule
19 would be inconsistent with the jurisprudence analyzed above. This factor is also neutral.

20 Finally, Defendant argues that the equities do not favor Plaintiff because (1) Defendant put
21 Plaintiff “on clear notice that its claims were meritless and that VMware would seek attorney’s
22 fees”; and (2) Plaintiff is a “sophisticated technology company represented by experienced
23 counsel,” whose owner is “ultimately bearing the cost of this litigation.” Dkt. No. 462 at 14-15.
24 Defendant further argues that the equities are in its favor, because it “spent millions defending
25 itself against Phoenix’s allegations.” *Id.* at 15-16. Plaintiff counters that the more than \$11
26 million in fees and costs incurred by Defendant “exceed[s] Phoenix’s total income in most years.”
27 Dkt. No. 468 at 21-22. The Court finds that both sides spent a great deal of money in this case to
28 advance their asserted legal interests by way of litigation. As such, this factor is also neutral.

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Accordingly, the Court **DENIES** Defendant's motion for attorney's fees and non-taxable costs.

V. CONCLUSION

For the foregoing reasons, the Court **DENIES** Plaintiff's motions for judgment as a matter of law and a new trial, and **DENIES** Defendant's motion for attorney's fees and non-taxable costs. The judgment entered on August 3, 2017 remains in full effect.

IT IS SO ORDERED.

Dated: 2/12/2018


HAYWOOD S. GILLIAM, JR.
United States District Judge