

EXHIBIT E

7 CAROL LOEB SHLOSS,)

)

8 Plaintiff,)

) No. C 06-03718

JW

9 versus)

) January 31,

2007

10 SEAN SWEENEY, et al.,)

) Defendant.)

11 _____)

12

13

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE JAMES WARE
UNITED STATES DISTRICT JUDGE

14

15

16 A-P-P-E-A-R-A-N-C-E-S:

Center

17 For the Plaintiff: Stanford Law School

for Internet and Society

18

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2007 1 San Jose, California January 31,

2 P-R-O-C-E-E-D-I-N-G-S

3 THE CLERK: Calling case 06-03718,
Carol

4 Loeb Shloss versus Sean Sweeney, et al, on for
5 defendant's motion to dismiss. Fifteen minutes
6 each side.

7 Counsel, please step forward and state
8 your appearances.

9 MR. FALZONE: Anthony Falzone for
10 Professor Carol Shloss.

11 MR. OLSON: David Olson for Professor
12 Carol Shloss.

13 MS. NELSON: Your Honor, Maria Nelson
for
14 the estate of James Joyce. With me is my
associate

15 Anna Raimer, and the defendant Sean Sweeney.

16 MR. FALZONE: Your Honor, I have with
me

17 the plaintiff, Professor Carol Shloss.

18 THE COURT: Good morning. Good morning
19 all; welcome.

20 Very well, this is your motion,
21 Ms. Nelson, to dismiss.

22 MS. NELSON: That is correct, your
Honor.

23 THE COURT: Do you want to, you can
24 submit it on the papers or make an argument if
you
25 wish.

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1 MS. NELSON: I'm happy to make an
2 argument, your Honor.

3 First, I would like to clarify a few
4 points. The Estate, despite the fact that
Stephen
5 Joyce is not a party to the Estate, the Estate
6 certainly takes this proceeding very seriously.
7 And Mr. Joyce is not ignoring the proceeding. He
8 does consider these proceedings to be binding on
9 the Estate. The Estate is not covenanted to sue
on
10 the materials that Ms. Shloss added to the
website
11 after the initial complaint was filed. There are
12 good reasons for that. There was considerable
13 material that was added months after the

14 proceedings were started, but that does not mean
15 that there is a complaint on those materials
16 waiting in the wings either from the Estate or
from
17 Stephen Joyce. There is not. Neither the Estate
nor
18 its trustees, either one of them, have any
present
19 intention of suing Ms. Shloss over those 2006
20 materials.

21 The Estate did covenant not to sue on
the
22 original materials that were presented to it in
23 2005. That was actually a very practical
decision.
24 That doesn't mean that the Estate considers those
25 materials to be a fair use, it just means that
they

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1 don't consider them to be worth fighting over.
As
2 the declaration of Anna Raimer makes very clear,
3 the Estate's position is that the materials that
4 Shloss added to the website in 2005 are only
making

5 a very incremental difference over what was in
the 6 book.

7 THE COURT: Now, you started in the
8 middle and I appreciate with all this paper it's
9 fair to start in the middle, but let me back up.

10 MS. NELSON: Okay.

11 THE COURT: Because I understand the
12 thrust of your argument, the Court should dismiss
13 because there is no case or controversy because

the 14 Estate or anyone who would speak on behalf of the
15 Estate is willing to release and give a covenant
16 not to sue to the plaintiff for the material
which

17 she plans to publish, is that a correct
statement?

18 MS. NELSON: Only partially.

19 THE COURT: All right.

20 MS. NELSON: At this point, your Honor,
21 backing up, there was an original complaint and
22 then later on an amended complaint.

23 THE COURT: So what difference does
that 24 make?

25 MS. NELSON: The difference that that

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1 makes is that in 2005 materials, certain
materials
2 were presented to the Estate that Ms. Shloss
3 represented she wanted to publish on a website.
4 Those were the basis of the original declaratory
5 judgment action that Ms. Shloss brought in June
of
6 2006. After Ms. Shloss brought that original
7 complaint she then, through her attorneys,
8 approached me and said that she wanted to add
9 substantial additional materials to that website.
10 The Estate indicated that they had no
11 problem with the original materials, the 2005
12 materials that Ms. Shloss presented to the
Estate,
13 and were willing to covenant not to sue on those
14 materials, and that representation was made
before
15 the amended complaint was filed. Nevertheless,
the
16 amended complaint was filed allegedly to cover
the

add 17 additional materials that Ms. Shloss wanted to
18 after the complaint, after the original complaint
19 was filed. So right now --

rule 20 THE COURT: Well, our rules permit,
21 15 permits her to amend her complaint without
22 leave. And your motion is directed, or has to be
23 directed to the operative pleading, which is the
24 amended complaint.

25 MS. NELSON: That's correct.

5

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is 1 THE COURT: So what I have to consider
of 2 whether or not your motion is well made in view
your 3 what is alleged in the amended complaint. And
4 argument, if it is to hold force, has to be there
5 is no case or controversy because the defendants
6 are willing to give a release and a covenant not
to 7
the sue on all of the materials that are covered by

8 amended complaint, isn't that true?

9 MS. NELSON: The argument is that the,
10 there is no case or controversy over the
materials
11 that were added to the lawsuit after the original
12 complaint was filed, there could not be any
13 reasonable apprehension of lawsuit because those
14 materials were never presented to the Estate in
the
15 first place before the lawsuit, and any kind of
16 reasonable apprehension would have been
diminished
17 by the Estate's willingness to covenant not to
sue
18 on the additional materials.

19 THE COURT: Well, see the problem that
I
20 have is that I've got to read the amended
21 complaint, and the amended complaint goes all the
22 way back to the research and the effort to put
the
23 material that we're now talking about in a
website,
24 perhaps in a published book in the first place.
25 And that the threats that are alleged, I don't
know

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1 if any of this is true but the threats that are
2 alleged caused this material to be altered first
by 3 the publisher being unwilling to allow it to be
4 published and then secondly by being put on a
5 restricted website. All of that was done in
6 relationship to what is alleged to be threats to
7 assert copyright infringement and privacy claims
8 with respect to that material.

9 And so what I have to judge is whether
or 10 not there is a case or controversy over that
entire 11 operation because it could be that the
plaintiff's 12 real desire here is to publish the material in
the 13 original form in its unabridged fashion in a book
14 rather than to put it in two different places and
15 trying to get people to put them together, and
that 16 the question is is there a case or controversy
with 17 respect to her belief that if she had done that
she

18 would have been subject to a claim. That's the
19 case that I believe I have before me. Now you
have
20 to correct me if you think I misstated that.

21 MS. NELSON: Well, we do not believe
that
22 there is any case or controversy because whatever
23 case or controversy there would have been was
24 mooted by the covenant not to sue on the
materials
25 that were presented to the Estate in 2005.

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1 THE COURT: But even as you say that to
2 me, what you're saying is it was not a full
3 covenant, I don't understand how -- what you're
4 saying is that part of the controversy might be
5 gone but the full controversy has not, and
therefor
6 the Court should not take jurisdiction over the
7 part that, over which there is no controversy.
But
8 it's all one thing to me. I don't know how I
could
9 compartmentalize the case that way. There is no

10 effective way to do it.

11 MS. NELSON: Your Honor, there has to
be

12 an active case or controversy during the entire
13 period from the beginning of the lawsuit in 2006.
14 There was no case or controversy.

15 THE COURT: Well, what's your case
16 authority for that? You see, that's the
17 proposition I haven't quite gotten a handle of.

In
18 other words, by allowing an amended complaint it
19 seems to me that what you're saying is that by
the

20 time of the amended complaint a case or
controversy
21 has arisen, that I can't consider anything that
was
22 released prior to that. What is your authority
for
23 that?

24 It seems to me that the reason amended
25 complaints are allowed is to allow people to
bring

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1 to the Court their full case, so that the whole
2 thing can be adjudicated. And it's, a plaintiff
3 can take a one dollar claim and turn it into a
one
4 billion dollar claim in that amendment without
5 asking anybody's permission. And I've got to
judge
6 your motion based upon whether there is a belief
of
7 threat of copyright, based upon the allegations
of
8 the amended complaint. I can't ignore it.

9 MS. NELSON: Your Honor, that was
covered
10 in our papers, and if you will give me a moment I
11 will look at the actual legal authority for that.
12 But certainly the Maryland Casualty case says
that
13 there must be an immediate threat of harm, and
14 certainly when the Estate covenanted not to sue
on
15 the original materials there was no immediate
16 threat of harm.

17 THE COURT: Why -- while you're looking
18 for your authority, maybe I'll hear from your
19 opponent in the meantime.

20 MR. FALZONE: Thank you, your Honor. I

21 think the Court has already put its finger on
what
22 I think is the critical issue here, both as to
the
23 website and the controversy as a whole. And I
have
24 a demonstrative that I think captures that.

25 The problem here is that the 2005
website

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1 contains part of the controversy and those are
the
2 cuts the publisher made. The 2006 additions add
to
3 that material that Professor Shloss herself cut
4 from the manuscript out of fear of litigation and
5 due to threat of suit. And your Honor is
correct,
6 there is no doubt that the issue framed by the
7 amended complaint is the 2006 website. And the
8 fact of the matter is the covenant simply does
not
9 cover that controversy. The covenant covers only
10 the 2005 website, and doesn't speak as to the
2006

11 website at all.

12 Now, there is also no doubt that the
13 material that was added in 2006 relates directly
to
14 the threats the Estate made here. In the
15 correspondence the trustee of the Estate, Stephen
16 James Joyce, told Professor Shloss and her
17 publisher that they may not use anything that
James
18 Joyce ever wrote, or anything Lucia Joyce ever
19 wrote, drew, painted or recorded, and that's a
20 quote. And if they did there would be
21 repercussions; the Estate has never lost in a
22 lawsuit; their legal record is crystal clear;
they
23 put their money where their mouth is. And indeed
24 they have in four other litigations. So the
nexus
25 between the two is inescapable. They are both

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1 deletions from the original manuscript as your
2 Honor has already explained, and the 2006
additions

3 relate directly to the threats the Estate has
made
4 here. And whether you look at the 2005 website
or
5 the expanded 2006 website in all events there is
a
6 clear case or controversy here.

7 THE COURT: Well, let me see if I can
8 probe a little bit on the plaintiff's side.

9 Do you acknowledge that what you
received
10 with respect to the 2005 version of the website
11 satisfied the plaintiff that if that was the
12 material that was put in the public domain that
13 there would be no copyright or privacy claim?

14 MR. FALZONE: I believe the covenant
not
15 to sue that the Estate has issued binds it and
16 forever prevents it from bringing an infringement
17 action based upon content of the 2005 website,
yes.

18 And that would moot the controversy as to that
19 portion of the case that is before your Honor,
but
20 certainly not the whole thing.

21 THE COURT: And was the, I don't recall

22 this from the background but was the covenant
that
23 was received one which would have permitted the
24 2005 material to be incorporated in a published
25 work that put the two things together?

11

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1 MR. FALZONE: In other words, you're
2 asking whether the covenant would apply to a
future
3 book that incorporated the material?

4 THE COURT: Yes.

5 MR. FALZONE: In my view, it's unclear.
6 I would argue it would, but I think it's unclear
on
7 the face of the covenant.

8 THE COURT: It didn't say, it didn't
say
9 the website printed versions, derivative works,
10 whatever? I mean, I don't know that I have seen
11 the covenant itself. I might have. I just don't
12 recall.

13 MR. FALZONE: Well, the covenant, quote

14 unquote, is not a separate document. It's
actually
15 in the declaration of Mr. Sweeney. I believe
it's
16 paragraph five or six. And I have it here if
your

17 Honor --

18 THE COURT: But what do we mean by
19 covenant; there was no contract?

20 MR. FALZONE: No. It was a unilateral
21 statement by Mr. Sweeney, the trustee, that the
22 Estate would not sue on the 2005 website.

23 THE COURT: Are you satisfied that
that's
24 sufficient?

25 MR. FALZONE: I worry that it's not in

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1 fact, your Honor. And I think that in order do
it,
2 in order to properly do away with this case we
3 would need two things; we would need a covenant
4 that clearly and unequivocally applies to the
5 controversy framed by the amended complaint,
issued

6 in such a way that it is clearly binding on the
7 Estate in the future. We have neither of those
8 things here.

9 THE COURT: Counsel, did you find your
10 reference that you wanted me to consider?

11 MS. NELSON: Yes, your Honor. It's
12 Preiser v. Newkirk, 422 U.S. 395 at 410. It's
13 discussed at page nine of our opening papers.

14 THE COURT: And you want to highlight
for me what -- your opening papers?

15 MS. NELSON: Yes. That's our motion to
16 strike. I'm sorry, excuse me, our motion to
17 dismiss. Page nine.

18 That case stands for the fact that an
19 actual controversy must exist at the time the
20 complaint is filed and be in existence at all
21 stages of review by the Court.

22 And in this instance, your Honor, there
23 has not been a controversy at all stages of
review
24 by this Court. Any controversy that there might
25

1 arguably have been, and of course we do not
believe
2 there was a controversy in the first place, but
in
3 any event, any controversy there arguably would
4 have been would have been mooted by the clear,
5 clear and clearly expressed intention of the
Estate
6 that it had no intention to sue over those 2005
7 website materials.

8 THE COURT: And that was given before
the
9 complaint, the original complaint?

10 MS. NELSON: That was given -- the, the
11 covenant not to sue was given before the amended
12 complaint.

13 THE COURT: But not before the original
14 complaint?

15 MS. NELSON: Not before the original
16 complaint.

17 THE COURT: But at the time of the
18 original complaint the plaintiff had reason to
have
19 apprehension of being sued.

20 MS. NELSON: No, your Honor, it did
not.

21 And the reason for that is, again, we don't
believe

22 that any of the correspondence by Stephen Joyce
23 could be considered threats. And, again, this is
24 covered thoroughly in our papers, but in fact we
25 don't believe that you can make threats over

14

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1 general bodies of information. You can't divorce
a

2 fair use analysis from the specific materials --

3 THE COURT: I misasked my question.

4 MS. NELSON: Okay.

5 THE COURT: At the time of the
complaint,

6 the plaintiff could not rely upon the covenant
not

7 to sue as a basis for any lack of apprehension,

8 because it hadn't been given?

9 MS. NELSON: That is correct, your
Honor.

10 THE COURT: So after that complaint,
when

11 that complaint was filed, at least as far as the
12 covenant is concerned, an actual controversy, if
I
13 take everything in the complaint as true, did
exist
14 at that time?

15 MS. NELSON: Again, your Honor, we do
not
16 believe that there was an actual controversy at
17 that time. The Irish lawyers clearly --

18 THE COURT: I said as to the covenant
is
19 concerned. I realize you don't believe.

20 MS. NELSON: At least as the covenant
is
21 concerned.

22 THE COURT: You know, I read through
the
23 complaint and this is a point in the case where I
24 have to accept the factual allegations as true,
and

25 I do acknowledge that there are lots of
allegations

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1 in this complaint which are upon information and

2 belief, but that's a permissible way to plead.
And
3 the statement is that with respect to a request
4 whether or not he would assist, defendant didn't
5 know, he specifically prohibited the plaintiff
from
6 using any letters, papers by or from Lucia Joyce,
7 and the allegation is notwithstanding he was not
8 legally entitled under the circumstances to
prevent
9 Shloss from making use of those writings.

10 There was reference, at least according
11 to the complaint, on page ten, line two,
referring
12 to recent copyright litigation that the Estate
had
13 engaged in. So there is an implicit use of
14 copyright as a basis for the objection. The next
15 day, on November 5, there was a letter written
16 claiming that the writer was the sole beneficial
17 owner of all James Joyce's rights and that he
runs
18 the Estate jointly with the trustee, claiming
that
19 he's the sole owner of the rights to Lucia
Joyce's
20 works; didn't have permission to use letters

21 written by various people.

22 It just seems to me that the allegation
23 is that there were public and private statements
24 asserting their ownership of copyrights entitling
25 him to protect and enforce these rights. It
seems

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1 to me that if your argument is that if these
2 allegations are true, it does not satisfy the
3 standard of reasonable apprehension of suit, I
4 disagree with you. The stronger argument is the
5 one that you are making, that somehow the Estate
6 communicated that it had changed its position and
7 that now the author could proceed with
publication
8 without fear of litigation. And although that
9 might have happened in a conditional way, it
didn't
10 happen sufficiently to satisfy the plaintiff in
so
11 far as the allegations of the complaint are
12 concerned.

13 If they are true, she remained in fear

14 that she had to walk a very thin line because of
15 these copyright issues and could not freely
publish
16 the result of her research. And when the limited
17 release was offered she then put together what I
18 thought, from the allegations, were materials she
19 already had. This wasn't something new that she
20 went out to gather. It was simply expanding the
21 materials that were online to include materials
22 which she had self-censored out of fear. And
then
23 when that material was presented there wasn't
then
24 a covenant given saying okay, that's all you got,
25 then you can go ahead.

17

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1 And it seems to me a simple solution to
2 this, if there is a desire to resolve the case,
3 which I sense, and that is to negotiate such a
4 covenant. But if you are unwilling to give it,
5 that creates a controversy.

6 MS. NELSON: Your Honor, certainly

7 negotiating a covenant is something that the
Estate
8 has considered. And you know, quite frankly,
9 having a substantial amount of new materials
dumped
10 into this lawsuit after the Estate had very
clearly
11 indicated it had absolutely no interest in
12 litigation, it doesn't seem that the Estate
should
13 have to give that covenant. That doesn't mean it
14 won't.

15 THE COURT: Oh, I'm not enforcing it.
16 All I'm saying is this is a motion to dismiss the
17 case, and if you want to, if there is no, you
don't
18 desire litigation over this, there are ways to
19 resolve it short of getting the Court involved.

I
20 do have some concerns because of the mixture of
21 copyright and privacy issues that I haven't quite
22 sorted out but I figure that will happen in the
23 course of litigation. And so it is my
24 predisposition, and nothing in this argument has
25 changed it, to deny the motion to dismiss for
lack

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1 of subject matter jurisdiction on the grounds
that

2 there's no case or controversy.

3 There may be circumstances under which
4 after you get involved might raise affirmative
5 defenses, and one of the ways that I will know
6 whether or not there is a case or controversy is
7 whether or not in your response you file a
counter

8 claim for copyright infringement with respect to
9 the site. If you don't, that might help me to
say
10 somebody ought to move for summary judgment.

11 MS. NELSON: Understood, your Honor.
And

12 just a couple of points, we would appeal to your
13 Honor's discretion also to dismiss this case.

This
14 is a case, as you can see from Shloss's
declaration

15 as of February 6, 2003, Mr. Lessig was already
16 involved, they were already considering a
17 declaratory judgment action, and we would submit

18 that this is a case that never needed to be
filed.

19 That this is something that Mr. Lessig and
20 Ms. Shloss have deliberately sought. And so it
21 really is not an appropriate case to be before
this
22 court, which we have been telling the other side
23 all along.

24 THE COURT: Well, I don't, I would not
25 exercise my discretion in response to that

19

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1 statement. I have to accept the allegations of
the
2 complaint as true. And it sounds to me like what
I
3 have before me is a scholar who started out doing
4 the work and only became advised by lawyers after
5 the work got to be controversial, and that's a
wise
6 thing to do. There is no criticism that I should
7 issue against the lawyers or Dr. Shloss with
8 respect to how they conducted themselves, nor of
9 the Estate quite frankly. If there is a belief

10 that this material does indeed infringe on
11 copyright issues, it's right to have asserted
that,
12 to have put the case properly before some neutral
13 person to get that resolved. And so as far as
I'm
14 concerned everybody is in the right place right
15 now.

16 MS. NELSON: Your Honor, we would
17 certainly direct your attention to the Estate's
18 motion to strike the various affirmative
defenses,
19 in particular copyright misuse, and the 1922
20 Ulysses status as being in the public domain. It
21 is the Estate's position and firm belief that
this
22 case is really not about the website at all, but
it
23 is really a pretext to get discovery, broad
24 discovery against the Estate and a bunch, in
25 actions that the Estate, that quite frankly

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1 Professor Shloss does not approve of. And that

in 2 certainly would very much complicate the issues
3 the case. And do not go to the very specifics of
4 what the actual controversy may be, which is the
5 status of the materials on the website as they
are 6 used.

7 THE COURT: Thank you for raising that,
8 because I had a concern about that. Let me speak
9 with your opponent about that.

10 Counsel, if the plaintiff here were a
11 defendant in the lawsuit where the plaintiff
12 alleged an infringement of a copyright and the
13 plaintiff was alleging infringement didn't have a
14 copyright then an affirmative defense of misuse
of 15 the copyright would be appropriate. What I have
is 16 a backwards action. I have someone who's
actually 17 been threatened with a violation of copyright
18 filing a lawsuit as a declaratory judgment.

19 And I have, I kind of, we had a very
20 lively debate in chambers about this because it
21 seems to me that the copyright misuse issue can

22 only be raised if indeed there is an allegation
of
23 violation of copyright and an allegation of
24 violation of copyright is over materials that are
25 not properly protected by a copyright. But in
this

21

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1 case I have a mixture of claims, of privacy
claims,
2 as well as copyright claims, and it's hard for me
3 at this stage to figure out whether or not the
4 allegation you shouldn't do this or you can't do
5 this is based on privacy grounds, which may or
may
6 not be legitimate, as opposed to copyright
grounds.

7 And so your opponent's comments did
speak
8 to that concern, namely this is sort of like
9 Dr. Shloss saying I'm going to publish this work,
10 you're going to say it's protected by a
copyright.
11 They haven't quite said that yet, but that's what
12 you're going to say, and I'd like a declaration
by

13 the Court now that if you say that that's not
true,

14 and it's sort of like I'm ahead of the game
15 already. It seems to me that declaratory
judgment

16 actions do invite that kind of anticipation of a
17 claim, but until a claim is made, I'm not in the
18 position to declare it.

19 So what I hear is an application to
20 strike the copyright misuse allegations until an
21 assertion of copyright has been made against
22 materials that are protected and then it would be
23 appropriate to have a claim of copyright misuse,
24 but if it's in that early it's as though someone
25 has done something that they really haven't done.

22

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1 There is no controversy over that, because
they've

2 really not claimed copyright as to any materials
3 that are not copyrighted. What's your response
to

4 that?

5 MR. FALZONE: Well, let me respond to
6 that in several ways. First of all, there is no
7 doubt that it is proper to plead copy, the
8 affirmative defense of copyright misuse in the
9 context of a complaint for declaratory judgment.
10 The Practice Management case in the Ninth Circuit
11 makes that clear, as does the Open Source Yoga
12 case. Both those cases involve exactly that
13 posture.

14 Now your Honor is absolutely right,
15 copyright misuse is a defense to an infringement
16 claim. But your Honor is also right in the
17 declaratory relief context the plaintiff is in
fact
18 permitted to plead the affirmative defenses to
the
19 infringement allegation that hangs out there and
20 needs to be clear. That's exactly why it's
proper
21 to plead a fair use defense, which is also an
22 affirmative defense to a copyright infringement
23 claim, and it's likewise proper to plead
copyright
24 misuse.

25 Now copyright misuse applies not just
to

23

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1 a situation where a plaintiff doesn't have any
2 copyrights but a situation where a plaintiff has
3 copyrights and uses them in a way to extend the
4 protection in a manner that is contrary to the
5 public policy of copyright.

6 THE COURT: Let me try this. I hear
7 that, but an affirmative defense doesn't get you
8 any money. Claiming copyright misuse sounds to
me
9 like the basis of a damages action.

10 MR. FALZONE: I believe the way we
plead
11 it is for injunctive and declaratory relief. To
be
12 honest with you, I don't recall whether we asked
13 for damages on that claim, but I don't believe we
14 do.

15 THE COURT: All right. So what you're
16 saying is leave it in because all that it is is
17 just a part and parcel to our effort to just get
a
18 declaration, but it sounds to me like it's

19 conditional. If they claim copyright ultimately
as
20 to the materials that are not then you should
21 declare that they're not, and that's the part
that
22 I'm not comfortable with because at this point
they
23 could simply admit everything and I would be in a
24 position of having to declare something that no
one
25 has actually claimed.

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1 MR. FALZONE: Well, let me put it this
2 way, I think the request to strike the copyright
3 misuse defense is premature precisely because we
4 don't know if they're going to plead infringement
5 in their respect. I think at this point the very
6 reason we're here properly on a declaratory
7 judgement action is because the threats and other
8 conduct here create a clear case or controversy
on
9 the infringement issue, and so it's entirely
proper

10 to plead any affirmative defense to that
11 infringement claim.

12 Now, I agree with your Honor, if it
turns
13 out that the Estate comes back in its responsive
14 pleading and decides not to allege any copyright
15 infringement against Professor Shloss, there may
be
16 an occasion to then revisit the propriety of the
17 copyright misuse claim. But right now Practice
18 Management and Open Source Yoga teaches us rather
19 that it is entirely proper to have the claim in
the
20 case right now. And none of the grounds that
would
21 ordinarily apply to a motion to strike apply
here.
22 That's reserved for situations where a claim
23 clearly fails on the face of the complaint, sua
24 sovereign res judicata bars the action. That's
not
25 the case here.

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1 What we have is perhaps a difficult
legal
2 issue, and maybe it remains unclear whether the
3 Estate will follow through and plead
infringement,
4 but the very reason we're here in a declaratory
5 judgment action is to dispel the threat of the
6 infringement claim that's been implied. And so
it
7 is proper to plead any affirmative defense to
that
8 infringement claim at this point.

9 THE COURT: Very well. Well, I'll take
10 that under submission. As I said, it was the
11 subject of some controversy as I was preparing
for
12 today's argument.

13 There was one other part that you asked
14 to strike, and I can't recall what that was.

15 MS. NELSON: Yes. The 1922 Ulysses
16 status. But I do actually, your Honor, have a
17 couple of comments on the misuse.

18 THE COURT: I'll come back to you.
19 What do you want to say with respect to
20 that?

21 MR. FALZONE: As to the copyright
status

22 of Ulysses, there is no doubt that that
allegation
23 is properly before the Court. Professor Schloss
24 quotes from Ulysses on her website. If Ulysses
is
25 in a public domain there could be no
infringement.

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1 So that is clearly relevant to this case. There
is
2 no grounds to strike that allegation.

3 THE COURT: Was there a threat that her
4 work infringed the copyright in Ulysses?

5 MR. FALZONE: In the correspondence?

6 THE COURT: Yes.

7 MR. FALZONE: Yeah, absolutely. The
8 correspondence is clear that she has no
permission

9 to use anything that James Joyce ever wrote.
And,

10 in fact, the correspondence literally says
11 everything he ever wrote, painted, drew or
12 recorded, so there's no doubt that that falls

13 squarely within the threats the Estate issued.

14 THE COURT: Very well.

15 MR. FALZONE: I do need to address two
16 other things to clarify the record.

17 THE COURT: What happened to my lights?
18 I've gone overtime so they stopped using them.

19 What happens is I use this -- I built
20 this at home in my garage -- to control the
21 lawyers, because I lose track of time. And, but
22 ahead. Finish.

23 MR. FALZONE: This will be very brief.

24 I have to correct what I heard to be a
25 substantial misstatement. I heard Ms. Nelson

go

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1 suggest to your Honor that the covenant not to
sue
2 was issued to us before the amended complaint was
3 filed. That is false. The amended complaint was
4 filed in October of 2006. We received the
covenant
5 in conjunction with the Estate's motion to
dismiss,

6 which was filed in November of 2006. So the
7 covenant was not issued to us prior to the
amended
8 complaint. It was issued after.

9 THE COURT: Well, actually, I was
10 inquiring whether it was issued prior to the
11 original complaint because I thought the thrust
of
12 Ms. Nelson's argument was that that affected the
13 validity of the case as it was originally
brought,
14 and affects the case as it continues to be
15 prosecuted. But thank you for correcting that.

16 MR. FALZONE: Well, perhaps I
17 misunderstood what she said. And if I did I
18 apologize.

19 One either thing I do need to correct
for
20 the record. We've been talking a bit about the
21 reasonable apprehension test and I do just want
to
22 point out for the record that the Supreme Court
in
23 its recent decision in MedImmune versus Genentech
24 has now stated that the reasonable apprehension
25 test is too stringent here, so the test has been

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1 relaxed. Now, I submit that we meet either test.
2 We meet the reasonable apprehension test; we meet
3 the MedImmune test. But I do just want to note
4 that for the record.

what

5 THE COURT: Well, we had another lively
6 debate about that, because it seems to me that
7 has happened is a lot of a patent context as I'm
8 coming to understand is being brought into the
9 copyright field and the test I will try and
10 articulate in my order is the one that the Court
11 adopts. And at this point I have not found that
12 there is any lack of allegations that are true to
13 meet any standard for apprehension of suit
14 sufficient to create a case or controversy.

15 Ms. Nelson, you want to have a final
16 word?

17 MS. NELSON: Yes, your Honor.

it

18 First of all, the covenant not to sue,
19 is in my declaration that we had given an oral

20 indication to Mr. Falzone before the amended
21 complaint was filed. So, right, there is nothing
22 written but certainly they did have that
23 indication. Also to correct, there was no threat
24 against Ulysses or anything that James Joyce
25 himself ever wrote. The threats, if there were

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1 such, were directed specifically to any
2 Lucia-related materials. So certainly there were
3 no threats as to the 1922 Ulysses materials that
4 Ms. Shloss now seeks to put on her website, or
5 incidently to the Finnegans Wake noteman book
6 material that Ms. Shloss now seeks to put on her
7 website.

8 THE COURT: Has there been any judicial
9 declaration with respect to whether or not the
10 Uylsses work is in the public domain?

11 MS. NELSON: No, your Honor, there has
12 been none. And, in fact, that in itself would be
13 an enormous undertaking to make that decision

14 because there are numerous issues of law, in
fact,
15 that would have to be decided. And so, you know,
16 that in itself would be a full blown trial.

17 THE COURT: And that's why you would
wish
18 it stricken from this case?

19 MS. NELSON: Which is why we would wish
20 it stricken from this case.

21 And then with regard to the copyright
22 misuse issue, I did want to point out that even
23 taking the pleadings on their face, there is no
24 copyright misuse allegation that is viable there.
25 There is no remedy because of course their

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1 copyright misuse only lasts for as long as the
2 alleged misuse is in existence, and the most
recent
3 allegation is regarding actions that were
allegedly
4 taken by the Estate back in 2002. And certainly
5 there is no allegation that rises to the level of
6 any recognized copyright misuse in any circuit,

7 Ninth Circuit or otherwise.

8 THE COURT: Well, that might be more
9 appropriate for summary judgement but I have to
10 take the allegations of the complaint here as
true.

11 And the allegations are that the claim of
copyright
12 was being asserted against materials over which
13 there was no copyright protection. Now, if
you're
14 correct, this is noticed pleading, I'm not sure
15 which works were being asserted and which were
not,
16 and so some of that needs to be done between the
17 parties to try and figure out precisely what was
18 being referred to and then perhaps later you
could
19 bring the matter back to the Court.

20 I appreciate the argument by both
sides.

21 The matter is now under submission.

22 MS. NELSON: Thank you, your Honor.

23 THE COURT: Just a moment, Counsel.

24 I'm reminded that you all submitted to
25 the Court a schedule with respect to events,

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1 anticipating that the case would proceed, and
2 ordinarily we would sit down and have a
conference
3 about that. And what we've determined is we'll
4 decide the motion and then take the dates that
you
5 have given us and suggest a schedule for the next
6 conference in the case.

7 What we usually do is give you
deadlines
8 for completing your discovery and other matters,
9 and your schedule will work. We may have to move
10 the dates, and so we'll address that in a
11 scheduling order following the order with respect
12 to the motions.

13 MS. NELSON: Thank you, your Honor.

14 MR. FALZONE: Thank you, your Honor.

15 (Whereupon, proceeding was concluded.)

16 --oOo--

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