IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA
SIXTH APPELLATE DISTRICT

DVD COPY CONTROL ASSOCIATION, INC., Plaintiff and Respondent, v. ANDREW BUNNER, Defendant and Appellant.	Court of Appeal No. H021153 Santa Clara County Superior Court Case No. CV – 786804 The Hon. William J. Elfving, Judge

DEFENDANT ANDREW BUNNER'S
SUPPLEMENTAL RESPONDING BRIEF

ON REMAND FROM THE SUPREME COURT OF CALIFORNIA

EXPEDITED CONSIDERATION REQUESTED PURSUANT TO *NATIONAL SOCIALIST PARTY V. SKOKIE*, 432 U.S. 43 (1977)

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INTRODUCTION

In its supplemental opening brief, DVD CCA treats this state law trade secret case as though it were a federal patent case. DVD CCA seeks a form of intellectual property right that prohibits reverse engineering and copying of ideas embodied in consumer goods distributed by the millions; that persists even after an invention becomes public knowledge; that allows for continuing injunctive relief against all who use an invention without the inventor's authorization, no matter how they come to know of it; and that is enforceable against all the world.

Fortunately for inventors, such a system of intellectual property rights does exist. That system, however, is the federal patent system, not the state law trade secret system that DVD CCA bases its case on here. Moreover, the federal patent system not only creates the intellectual property rights that DVD CCA wishes protected its alleged trade secrets but also precludes states from creating analogous rights in their trade secret laws.

DVD CCA's misguided attempts to import the protections of federal patent law into California's trade secret law must be rejected. DVD CCA's dispute at bottom is not with Mr. Bunner but with the limited protections offered by California trade secret law, limitations that are constitutionally imposed. Applying California's trade secret law to this case, it is manifest that the flimsy and defective record here cannot support the factual findings necessary to justify the injunction.

ARGUMENT

I. DVD CCA Fails To Carry Its Burden Of Proving That The Injunction Is Supported By The Record

It is, of course, the plaintiff's burden to demonstrate its entitlement to a preliminary injunction by showing both that it is likely to prevail on the

merits of its claim and that the balance of harms weighs in its favor. *Cohen v. Board of Supervisors*, 40 Cal.3d 277, 286 (1985). Contrary to DVD CCA (DVD CCA Supp. Br. at 14), California has never adopted the Ninth Circuit's "sliding scale" test for preliminary injunctive relief, under which a plaintiff with a bad case can get an injunction by alleging great harm. *Cohen v. Board of Supervisors*, 40 Cal.3d at 286 (preliminary injunction should be denied where plaintiff has "failed to satisfy *either* or both of the 'interim harm' and 'likelihood of prevailing on the merits' factors." (emphasis added)). In any event, DVD CCA has shown neither that it is likely to prove its case at trial nor that the balance of harms weighs in its favor.

The Supreme Court has remanded this appeal to this Court for it to make a searching, de novo "constitutional fact review" of the preliminary injunction record to determine whether DVD CCA has carried its burdens of showing that it is likely to prevail on the merits of its trade secret action, that the balance of harms weighs in its favor, and that the injunction does not conflict with the Intellectual Property Clause of the federal Constitution. *DVD Copy Control Ass'n v. Bunner*, 31 Cal.4th 864, 873, 875 & n. 5; 885 & n. 8; 889-90 (2003). Only if it has carried these burdens is the preliminary injunction constitutional under the First Amendment and California's Liberty of Speech Clause. 31 Cal.4th at 889. DVD CCA nowhere acknowledges the constitutional dimension of this Court's inquiry, and erroneously asserts that the Supreme Court unconditionally held that the injunction satisfied the First Amendment, rather than acknowledging that the Supreme Court held that the injunction's constitutionality is conditional upon this Court's factual determinations. See DVD CCA's Br. at 12-13.

DVD CCA has failed to carry its burden of proving any of the following specific issues identified by the Supreme Court as necessary to its preliminary injunction.

On the question of the *existence* of a trade secret:

- It has not shown that the CSS algorithms and keys were trade secrets at the time DeCSS was first created and published. 31 Cal.4th at 875.
- It has not shown that by the time of the preliminary injunction the CSS algorithms and keys, notwithstanding their worldwide republication for three months and DVD CCA's failure to take any action to suppress them, still remained trade secrets and had not become part of the public domain. *Id*. at 875 & n. 5.

On the questions of whether there was a *misappropriation* and whether Mr. Bunner *knew or had reason to know* of any misappropriation

- It has not shown that the alleged reverse engineering outside the United States of a DVD player manufactured by a company called Xing amounted to an acquisition of DVD CCA's alleged trade secrets by improper means. *Ibid*.
- It has not shown that the creation of DeCSS was a further misappropriation of DVD CCA's alleged trade secrets. *Ibid*.
- It has not shown that Mr. Bunner knew or had reason to know at the time he posted DeCSS on his web site that DeCSS disclosed trade secrets acquired by improper means. *Id*. at 873, 875.

On the question of *harm to the parties*:

- It has not shown that DVD CCA would suffer irreparable future harm in the absence of an injunction. *Id*. at 875.

- It has not shown that any irreparable harm to DVD CCA outweighs the harm that an injunction would cause to Mr. Bunner. *Ibid.*

As demonstrated in Mr. Bunner's Supplemental Opening Brief and discussed in the following sections, the record shows that DVD CCA is unlikely to prevail on these numerous factual elements, each of which is independently essential to its claim for relief, and that DVD CCA would have suffered no future harm from being denied an ineffectual injunction against a handful of defendants after three months of worldwide republication of DeCSS by dozens of persons and entities, while the harm to Mr. Bunner from denying him his free speech rights for four years is both real and substantial. Nothing in DVD CCA's Supplemental Brief alters these conclusions.

II. DVD CCA Failed To Prove It Is Likely To Prevail On The Merits Of Its Trade Secret Claim.

A. Because It Put Millions Of Copies Of CSS On The Market Where They Were Available For Reverse Engineering, DVD CCA Did Not Take Reasonable Steps To Maintain The Secrecy Of CSS Even Before The Creation Of DeCSS

As discussed in Mr. Bunner's Supplemental Opening Brief at 13-14, DVD CCA failed to take reasonable steps to protect the secrecy of CSS, a mass-market consumer product of which tens of millions of copies have been distributed. DVD CCA's arguments to the contrary reveal a fundamental misapprehension of trade secret law and a failure to come to terms with the record in this case.

1. Only Patent Law, And Not Trade Secret Law, Can Prohibit The Reverse Engineering And Copying Of Publicly Available Products Like CSS

DVD CCA reveals its misunderstanding of trade secret law, and its longing for patent-like protection for its ideas, when it asserts that "any party desiring lawfully to use CSS must do so through a license." DVD CCA Supp. Br. at 18. This statement is erroneous in both law and fact, and would only be true if CSS were patented.

The correct statement of the law, of course, is that both section 3426.1, subdivision (a) of California's UTSA and the preemptive force of the federal Constitution's Intellectual Property Clause leave publicly available products available for reverse engineering and copying. Thus, after DVD CCA and its licensees put CSS on the market in millions of DVD players and DVD movie disks, all the world was free to reverse engineer CSS, absent some voluntary and enforceable contractual agreement to the contrary.

It is axiomatic that only patent law, and not trade secret law, can grant the exclusive right to use an invention, and that absent a patent, a product placed on the open market may be reverse engineered. As our Supreme Court has observed, "the legal protection accorded trade secrets is fundamentally different from that given to patents, in which the patent owner acquires a limited term monopoly over the patented technology, and use of that technology by whatever means infringes the patent. The owner of the trade secret is protected only against the appropriation of the secret by improper means and the subsequent use or disclosure of the improperly acquired secret. There are various legitimate means, such as reverse engineering, by which a trade secret can be acquired and used." *Cadence Design Systems, Inc. v. Avant! Corp.*, 29 Cal. 4th 215, 222 (2002); see also

§ 3426.1, subd. (a) ("Reverse engineering or independent derivation alone shall not be considered improper means."); American Law Institute, *Restatement of the Law of Unfair Competition*, § 43 cmt. *a* at 493 (1993) ("The owner of a trade secret does not have an exclusive right to possession or use of the secret information.").

The United States Supreme Court has also discussed repeatedly the stringent limitations that federal patent law and the Intellectual Property Clause of the federal Constitution place on state intellectual property law, and the public domain of ideas they thereby create and preserve: " '[A]ll ideas in general circulation [are] dedicated to the common good unless they are protected by a valid patent." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 159-60 (1989). In *Bonito Boats*, the United States Supreme Court struck down a state law "prohibit[ing] the entire public from engaging in a form of reverse engineering of a product in the public domain. This is clearly one of the rights vested in the federal patent holder, but has never been a part of state protection under the law of unfair competition or trade secrets."

Thus, "ideas once placed before the public without the protection of a valid patent are subject to appropriation without significant restraint. . . . [¶] . . . States may not offer patent-like protection to intellectual creations which would otherwise remain unprotected as a matter of federal law." *Id.* at 156. "Where an item in general circulation is unprotected by a patent, '[r]eproduction of a functional attribute is legitimate competitive activity.' " *Id.* at 164.

The Brief Of Amici Curiae Intellectual Property Law Professors, the Computer & Communications Industry Association, and the United States Public Policy Committee of the Association For Computing Machinery, presents a lucid and scholarly analysis of reverse engineering in the context

of trade secret law in general and as applied to the facts of this case in particular. (A copy of this brief was filed with this Court on July 12, 2002.) Mr. Bunner respectfully refers the Court to the helpful and in-depth presentation in the Intellectual Property Law Professors' amicus brief.

2. DVD CCA And Its Licensees Have Distributed Millions Of Hardware Copies Of CSS Without Restriction

DVD CCA and its licensees have distributed millions of copies of the CSS program to the public in two distinct forms: First, they have distributed copies that are "hardware devices — chips" that are used in standalone DVD players for use with televisions. DVD CCA Supp. Br. at 6; see also *Sega Enters. v. Accolade, Inc.*, 977 F.2d 1510, 1521 (9th Cir. 1992) ("[A] standard ROM chip . . . is a physical representation of the computer program that is embedded in the chip. The zeros and ones of binary object code are represented in the circuitry . . . by open and closed switches."). Second, they have also distributed other copies of CSS in the form of "software," computer programs loaded into personal computers and used to play DVDs on the computer. DVD CCA Supp. Br. at 6.

DVD CCA offers no citation to the record or other authority for its erroneous assertion that "[t]he trade secrets are not accessible to unlicensed third parties because they are incorporated in hardware devices — chips." DVD CCA Supp. Br. at 6. To the contrary, chips containing computer programs can be reverse engineered and the computer program contained on the chip can be "read" off the chip by a variety of techniques; the knowledge that is gained can be used to create a new and original program that performs the same functions. *Advanced Micro Devices, Inc. v. Intel Corp.*, 9 Cal.4th 362, 370 (1994) ("A chip may be 'reverse engineered' by disassembling, studying and analyzing its structure. 'This knowledge may

be used to create an original chip having a different design layout, but which performs the same or equivalent function as the existing chip, without penalty or prohibition [under the federal Semiconductor Chip Protection Act].' " (alteration original)); *Sega Enterprises, Ltd. v. Accolade, Inc.*, 977 F.2d at 1514-15 & n. 2, 1525-26 (describing how the object code of a program embodied on a chip can be read off the chip and translated back into source code for study, and how the understanding gained from that study can be used to create new and original programs); *Sony Computer Entertainment, Inc. v. Connectix Corp.*, 203 F.3d 596, 599-601, 603-04 (9th Cir. 2000) (describing various reverse engineering techniques for discovering the ideas expressed in a computer program that is embodied in a chip).

Millions of copies of the chip versions of the CSS program incorporating the alleged CSS trade secrets have been distributed to consumers in hardware DVD players without any contractual restriction on their right to reverse engineer the copies of the CSS program inside them. Every player has within it in hardware chip form the CSS algorithms and keys that DVD CCA asserts are secret and undisclosed. Nowhere in the record is there evidence, or even an assertion, that any DVD CCA licensee distributing hardware DVD players has purported to impose on consumers any contractual restriction against reverse engineering the hardware chip containing CSS.

Instead, DVD CCA contends only that it has restricted its own *licensees*, and not consumers, from disclosing the alleged CSS trade secrets. DVD CCA makes much of the confidentiality provisions of the CSS License Agreement it imposes on its licensees restricting their disclosure of the alleged CSS trade secrets. DVD CCA Supp. Br. at 18-20. These provisions are completely irrelevant here, however, since the reverse

engineering was done by a consumer, not a licensee. As explained in Mr. Bunner's Supplemental Opening Brief at 19, DVD CCA never required its hardware or software DVD player licensees to impose any contractual restrictions on consumers. Thus, the fact that DVD CCA may have restricted the small circle of its licensees from disclosing the alleged CSS trade secrets directly does nothing at all to maintain the secrecy or prevent the reverse engineering of the millions of copies of CSS distributed to consumers by those same licensees.

And, contrary to DVD CCA's suggestion, it is not "flagrant industrial espionage" (DVD CCA Supp. Br. at 18) but legitimate reverse engineering for a consumer to purchase a product like a hardware DVD player on the open market and take it apart to learn how it functions. See *Chicago Lock Co. v. Fanberg*, 676 F. 2d 400, 405 (9th Cir. 1982) ("A lock purchaser's own reverse-engineering of his own lock, and subsequent publication of the serial number-key code correlation, is an example of the independent invention and reverse engineering expressly allowed by trade secret doctrine," quoted with approval in *Bonito Boats*, 489 U.S. at 160). Nor is the owner of a consumer product who disassembles it to learn its operations a "thief" (DVD CCA Supp. Br. at 22). "Appending the conclusionary label 'unscrupulous' to such competitive behavior merely endorses a policy judgment which the patent laws do not leave the States free to make." *Bonito Boats*, 489 U.S. at 164.[1]

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[1] In discussing *Sega* and *Connectix*, DVD CCA badly misstates the role of copyright law in reverse engineering. It is not true that "As a matter of copyright law, reverse engineering is an infringement of copyright unless it is deemed to be a 'fair use.' " DVD CCA Supp. Br. at 48. Copyright law does not restrict reverse engineering per se. It protects only against the unauthorized copying of the expression of the preexisting program and permits the unrestricted copying of the preexisting program's ideas. 17 U.S.C. § 102, subd. (b). Thus, it encourages, rather than prohibits the

creation of new works like DeCSS. *Feist Publications v. Rural Tel. Serv. Co.*, 499 U.S. 340, 350 (1991) (copyright "encourages others to build freely upon the ideas and information conveyed by a work"). So long as the new computer program is an original work of expression, and copies only ideas and not protected expression from the preexisting program (and here there has never been any suggestion that DeCSS copies any protected expression from CSS), the new program is not an infringement of the copyright of the preexisting program. No question of potential copyright infringement even arises in the course of reverse engineering a computer program unless duplicate copies are made of the preexisting program as an aid to the creation of the new program, and even then those copies are legal under the "fair use" doctrine of copyright law. *Sega*, 977 F.3d at 1527-28; *Connectix*, 203 F.3d at 608.

DVD CCA further mangles copyright law when in the same passage of its brief it conflates reverse engineering and "disassembly" to suggest that not all reverse engineering is legitimate under copyright law. As the *Sega* opinion explains, disassembly is simply a technique for translating object code into source code; it can be used for reverse engineering a new product or for other purposes unrelated to reverse engineering. *Sega*, 977 F.2d at 1514-15 & n. 2. Because disassembly involves making duplicate copies of the preexisting program, the question in *Sega* and the subsequent case of *Connectix* was whether those copies were a "fair use" of the preexisting program. The *Sega* and *Connectix* courts held that where disassembly is necessary in order to reverse engineer the preexisting program to create a new functionally interoperable program, the copies made in the course of disassembly are fair use. See *Connectix*, 203 F.3d at 605 ("[t]he 'necessity' we addressed in *Sega* was the necessity of the method, i.e. disassembly"). The Ninth Circuit held in each case that the disassembly was necessary in order to reverse engineer the preexisting program to create a new program, and thus was fair use. *Sega*, 977 F.3d at 1527-28; *Connectix*, 203 F.3d at 608.

Moreover, in each case the Ninth Circuit rejected the attempts of the copyright holder to use copyright law to restrict reverse engineering and thereby preserve a monopoly over an unpatented product. In *Sega*, Accolade sought to create its own game programs compatible with Sega's video game console, in competition with Sega's own games and against the wishes of Sega, which wanted itself and its licensees to be the exclusive source of games for its console (just as DVD CCA and its licensees wish to be the exclusive source of decryption and playback programs for DVD movie disks). In *Connectix*, Connectix wanted to create a program to allow

When a trade secret is claimed in linguistic data, whether written in English or computer code, and a copy of that linguistic data, whether written on paper or on the surface of a computer chip, is included inside every single instance of a mass-market consumer product, the trade secret owner exposes that data to public scrutiny and makes it inevitable that any who wish to discover the data can do so. Gilmore Decl. ¶ 32, AA282; Wagner Decl. ¶¶ 16-18, 27, AA261, AA263. Thus, the unrestricted distribution of millions of copies of the CSS computer program in hardware DVD players was flatly inconsistent with section 3426.1, subdivision (d)(2)'s requirement that a trade secret must be the subject of reasonable efforts to maintain its secrecy.

3. DVD CCA And Its Licensees Have Also Distributed Millions Of Software Copies Of CSS Without Restriction

As previously noted, in addition to distributing millions of hardware copies of CSS, DVD CCA and its licensees have also distributed millions of software copies of CSS to the public. As explained in Mr. Bunner's Supplemental Opening Brief at 19, DVD CCA did not require its licensees to impose any reverse engineering restrictions on consumers purchasing

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Sony Playstation video games to be played on personal computers, a use that Sony objected to, wishing to require users to play its games on Sony Playstation video game consoles exclusively (just as DVD CCA wishes to limit playback of and objects to independent decryption and playback programs like DeCSS). So, too, here, the creators of DeCSS had an identical purpose of compatibility. They sought to, and did, create their own original decryption and playback program that would be compatible with DVD movie disks and allow them to play for the first time on computers with the Linux operating system. And for the reasons explained in the text, just as copyright law does not confer a monopoly by restricting reverse engineering, neither does trade secret law.

In any event, this is a trade secret case, not a copyright case, and DVD CCA has made no suggestion of copyright infringement.

these software DVD players. Nor, apart from its licensee Xing, Inc., did DVD CCA present any evidence suggesting that any of its software DVD player licensees had purported to contractually impose on consumers a restriction against reverse engineering. The distribution of these software DVD players to consumers without restriction also failed to satisfy section 3426.1, subdivision (d)(2)'s requirement that a trade secret must be the subject of reasonable efforts to maintain its secrecy.

B. DVD CCA Failed To Show That It Is Likely Prove That It Took Reasonable Steps To Maintain The Secrecy Of CSS In The Three Months Between The Initial Publication Of DeCSS And The Filing Of This Lawsuit

DVD CCA paints a calamitous parade of horribles it contends would proceed from a finding that the injunction here was unsupported by the record and thus unconstitutional. It argues that such a conclusion would mean that a wrongdoer would "automatically . . . destroy the trade secret and preclude injunctive relief" "instantaneously" by the mere act of posting a trade secret on the Internet, making "an absolute Internet safeharbor for misappropriators of trade secrets." DVD CCA Supp. Br. at 26, 27, 2.

Reversing the injunction here because of the inadequate record DVD CCA presented to support it, however, would not by any stretch of the imagination amount to a holding that a trade secret owner could never get injunctive relief for a trade secret posted on the Internet. The vast majority of the billions and billions of pages posted on the Internet are obscure and rarely visited, or become well-known only gradually, and for that reason posting information on the Internet in many cases may not, at least immediately, be the equivalent of general publication. As is true not just of the Internet but of every form of dissemination of a trade secret, a trade secret owner who acts promptly, at a time when injunctive relief can

still be efficacious, can protect its trade secrets before they go into general circulation. And where trade secrets have become public knowledge, the remedy of damages remains available against the initial misappropriator.

Here, however, the facts are different. This case is not one where a trade secret holder promptly and diligently sought injunctive relief upon discovering that its trade secret had been posted on the Internet. Instead, DVD CCA unaccountably waited to act for over three months after the initial publication of DeCSS, until it had been republished at least 118, if not many more, web sites in at least 11 states and 11 countries. Jonathan Shapiro Decl. ¶ 4, AA79. DVD CCA has only itself to blame for this state of affairs. It is DVD CCA's own inaction and lassitude during three months of worldwide republication, and not the deficiencies of trade secret law, that have put it in the position of being unable to obtain effective injunctive relief for its alleged trade secrets. Moreover, its inaction also shows that it failed to take reasonable steps to maintain the secrecy of the alleged CSS trade secrets, as required by section 3426.1, subdivision (d)(2), during the three-month period between DeCSS's initial publication and the filing of this lawsuit.

C. DVD CCA Failed To Show That It Is Likely To Prove That The Reverse Engineering of CSS And The Creation Of DeCSS Were An Acquisition Of By Improper Means Of The Alleged CSS Trade Secrets

1. It Is DVD CCA's, And Not Mr. Bunner's, Burden To Prove That DeCSS Was Not Created Through Legitimate Reverse Engineering But Instead Was An Acquisition By Improper Means Of The Alleged CSS Trade Secrets

DVD CCA bears the burden of proving that DeCSS was not created by reverse engineering or independent derivation alone as part of its burden

of proving that DeCSS was an acquisition by improper means of the alleged CSS trade secrets. "The statutory design indicates that the Legislature did not intend independent derivation or reverse engineering to be new matter or an affirmative defense. The references to independent derivation and reverse engineering are embedded within the definition of improper means. (Civ. Code, § 3426.1, subd. (a).) They are not set off as separate defenses or even separate definitions. It is the plaintiff's burden to show improper use as a part of its prima facie case. Proof that defendant's use resulted from independent derivation or reverse engineering is evidence that there was no improper use on its part. The defendant does not have a 'burden of proof' to make that showing." *Sargent Fletcher, Inc. v. Able Corporation*, 110 Cal. App. 4th 1658, 1669 (2003).[2]

2. DVD CCA Has Failed To Show That It Is Likely To Prove That The Reverse Engineering Of CSS And The Creation Of DeCSS Were A Misappropriation By Improper Means Of The Alleged CSS Trade Secrets

As explained in Mr. Bunner's Supplemental Opening Brief at 15-25, a constellation of independent reasons demonstrate why DVD CCA's theory of misappropriation based on the Xing click-through license is completely unsupported by the record and the law. DVD CCA fails to confront the absence of evidence that would support each of the essential elements of its theory. Among the many defects in its theory of

[2] Ignoring *Sargent Fletcher* and instead citing a federal district court case purporting to apply pre-UTSA California trade secret law, DVD CCA erroneously suggests that it is Mr. Bunner's burden to prove that DeCSS was created through reverse engineering or independent derivation alone. DVD CCA Supp. Br. at 35. *Sargent Fletcher* controls, and it is to the contrary.

misappropriation set forth in Mr. Bunner's Supplemental Opening Brief that DVD CCA fails to address are the following.

1. DVD CCA erroneously assumes without evidence that the click-through license appeared on-screen to every consumer who purchased the Xing software DVD player, ignoring that the click-through license did not appear to consumers who purchased personal computers with the Xing player preinstalled. DVD CCA Supp. Br. at 41, 43. As explained in Mr. Bunner's Supplemental Opening Brief at 19, 21, the Xing player was sold in two distribution channels: either direct to consumers or instead to original equipment manufacturers (OEMs) of personal computers, who then installed the Xing player on their computers before selling them to consumers. Eddy Decl. ¶ 6, AA339-40. Because the Xing click-through license agreement appears on-screen only at the time of initial installation (AA340 ¶ 7), a consumer purchasing a computer with Xing player preinstalled by an OEM would not see a click-through license agreement, much less assent to it. It was only for this reason that Xing found it necessary to ask its OEMs to pass on the terms of the Xing license on paper to their customers. AA339-40 ¶ 6. Had the Xing click-through license instead automatically appeared to purchasers of personal computers with the Xing player preinstalled, there would have been no reason for Xing to ask its OEM's to separately pass on the terms of the Xing license.

2. DVD CCA assumes without evidence that whoever reverse engineered CSS must necessarily have clicked on the click-through license. DVD CCA Supp. Br. at 41, 43. This is incorrect not only because the click-though license does not appear on computers with the Xing player installed by the manufacturer but also because there is no evidence that whoever reverse engineered the Xing player was the initial user of the Xing player, for in the case of players purchased directly from Xing the initial

user of the player is the only person to whom the click-through license agreement appear. Subsequent users never see the click-through license and never assent to it.

3. DVD CCA assumes without evidence that Jon Johansen was both the person who reverse engineered the Xing software player and the person who created DeCSS, and therefore that if he created DeCSS he necessarily clicked on the Xing license agreement. DVD CCA Supp. Br. at 45. There is no evidence that this is the case, and Johansen's consistent testimony in other actions has been that other persons reverse engineered the Xing player and anonymously provided the results to him.

Finally, DVD CCA's reliance in this statutory tort action against Mr. Bunner on a contractual choice-of-law provision allegedly entered into between Xing and someone other than Mr. Bunner is misplaced. DVD CCA's California UTSA misappropriation claim against Mr. Bunner is based on the theory that Jon Johansen committed an initial misappropriation of the alleged CSS trade secrets in Norway that was a violation of section 3426.1. The first choice of law question is whether California can assert its trade secret tort jurisdiction over acts performed in Norway by Johansen, a person with no connection to California over whom the California courts lack personal jurisdiction, see *Pavolich v. Superior Court*, 29 Cal.4th 262, 273-76 (2003). Application of California's tort choice-of-law rules leads to the conclusion that Norwegian, and not California, law should apply here. See *Hurtado v. Superior Court of Sacramento County*, 11 Cal. 3d 574 (1974). The second question is whether the choice-of-law provision in the Xing license changes this conclusion. It does not, for a number of independent reasons. First, for the reasons stated above and in Mr. Bunner's Supplemental Opening at 15-25, there is no evidence that anyone in the alleged chain of misappropriation

entered into any enforceable agreement with Xing. Second, even assuming such an agreement between an initial misappropriator and Xing, the choice-of-law clause provides that "*[t]his agreement* is governed by and construed in accordance with the laws of the State of California . . . ." Eddy Decl., Ex. A at ¶ 10, AA342. This action is outside the scope of the Xing choice-of-law provision because it is not a contract action, or any sort of action, between Xing and a party to the agreement, but is a statutory tort action between DVD CCA and Mr. Bunner, neither of whom is a party to the agreement. (The Xing choice-of-law provision expressly notes that "This Agreement is personal to you . . . ." *Ibid*.) DVD CCA cannot unilaterally impose on Mr. Bunner *post hoc* a choice-of-law provision he never agreed to and never even knew about. Finally, even assuming that the Xing choice-of-law provision could be imposed on Mr. Bunner, the enforceability of contractual choice-of-law provisions, especially in contracts of adhesion, is not automatic, and on these facts would be highly questionable and would involve, among other things, an examination of the Norwegian public policy authorizing reverse engineering. See *Washington Mutual Bank v. Superior Court*, 24 Cal. 4th 906, 916-18 (2001); *Nedlloyd Lines B.V. v. Superior Court*, 3 Cal. 4th 459, 464-65 (1992).

Ultimately, however, the Court need not finally decide the choice-of-law question in this appeal, for it is sufficient merely to conclude that, for the reasons stated above, DVD CCA is unlikely to prevail on its assertion that California tort law, and not Norwegian law, governs Johansen's conduct in Norway for purposes of this action against Mr. Bunner.

D. Even Assuming There Was An Initial Misappropriation, Mr. Bunner Did Not Know, And Had No Reason To Know, Of It

As DVD CCA admits, Mr. Bunner is neither the original misappropriator nor in privity with any misappropriator. DVD CCA Supp. Br. at 25. As extensively demonstrated in Mr. Bunner's Supplemental Opening Brief, at 25 to 33, he did not know and had no reason to know of any alleged misappropriation of trade secrets in connection with DeCSS. DVD CCA nonetheless persists in its attempt to substitute the anonymous Internet ramblings on a public comment web site of persons with no firsthand knowledge of the reverse engineering of CSS or the creation of DeCSS for the complete absence of any evidence that Mr. Bunner personally knew or had reason to know of any misappropriation occurring in the reverse engineering of CSS or the creation of DeCSS.

As a threshold matter, DVD CCA wrongly describes the California UTSA's statutory standard of scienter, attempting to twist it into the objective, "reasonable person," "should have known" standard of negligence law rather than a subjective, actual-knowledge standard. DVD CCA Supp. Br. at 51. In enacting the UTSA, however, the Legislature rejected the familiar "should have known" standard of negligence liability and, by using the words "knew or had reason to know" as the standard of scienter in section 3426.1, made trade secret misappropriation an intentional tort turning on the defendant's actual knowledge: "Misappropriation of trade secrets is an intentional tort." *PMC, Inc. v. Kadisha*, 78 Cal. App. 4th 1368, 1382 (2000). "Use of a trade secret without knowledge it was acquired by improper means does not subject a person to liability unless the person receives notice that its use of the information is wrongful." *Id*. at 1383.

DVD CCA has failed to prove that it is likely to show under this standard that Mr. Bunner knew or had reason to know of any misappropriation by improper means of the alleged CSS trade secrets. In its brief, in its attempt to demonstrate Mr. Bunner's personal knowledge it cites nine anonymous Internet comments. DVD CCA Supp. Br. at 9-10. None of them suggest that a DVD decryption and playback program would be a potential trade secret misappropriation. Moreover, DVD fails to acknowledge that the first six of these comments were posted on the "slashdot.org" website on July 15 1999, months before DeCSS was created and published in October 1999 and months before Mr. Bunner visited the slashdot.org website some time around late October 1999 (Bunner Decl. at ¶¶ 3-4, AA287). Thus, these comments are speculation piled on top of speculation, for they hypothesize first about the possibility that other persons unknown to them might in the future create a DVD decryption and playback program and then speculate about whether that hypothetical program would in some vague sense be "illegal."

The other three comments are from late October 1999; two of them make no suggestion that DeCSS might be illegal. The third is typically ill-informed: "Unless these guys paid for a license to the descrambling program, they're breaking the law. It doesn't matter how they got that algorithm, it's still not their intellectual property." AA393. As discussed above, only patent law, and not trade secret law, could provide an exclusive right to the use of an algorithm, and under trade secret law's protection of reverse engineering and independent derivation it most definitely does matter "how they got that algorithm." To suggest, as DVD CCA does, that anyone should order his or her affairs according to unfounded and anonymous comments of such surpassing ignorance is ludicrous. And in

any event, DVD CCA presents no evidence that Mr. Bunner ever read a word of any of these comments.

Moreover, as explained at length in Mr. Bunner's Supplement Opening Brief, the prevailing view of the anonymous Internet hearsay on which DVD CCA relies was that the reverse engineering of CSS and the creation of DeCSS were legal. See Bunner Supp. Opening Br. at 29-31.

Nor was there any reason for Mr. Bunner to know that DeCSS, as the reverse engineering of a publicly available consumer product, implicated anyone's trade secret rights. DVD CCA remained absolutely silent during the three months between the initial publication of DeCSS and its commencement of this lawsuit. In the face of the worldwide republication of DeCSS and the storm of resulting publicity, DVD CCA failed to make any public assertion that DeCSS was a misappropriation of its trade secrets. Nor did it make any effort to contact Mr. Bunner. DVD CCA's suggestion that despite its silence Mr. Bunner nonetheless had a "duty to inquire" about DVD CCA's alleged trade secrets when DVD CCA itself could not be bothered to assert them to him or anyone else (DVD CCA's Supplemental Brief at 52) is contrary to both the "actual knowledge" scienter standard of California's UTSA and the record in this case.

Out of desperation, DVD CCA finally makes the laughable, and entirely false, argument that it has demonstrated Mr. Bunner's knowledge of the alleged misappropriation because "since getting notice of this action in late December [1999] . . . [he] continued to 'disclose or use' DeCSS." DVD CCA Supp. Br. at 53. As explained at length in Mr. Bunner's Supplemental Opening Brief at 26 & n. 6, DVD CCA's own evidence confirms that Mr. Bunner removed DeCSS from his web site on December 27, 1999, *immediately* (i.e., within 10 minutes) upon receiving notice from

DVD CCA that it had filed this lawsuit on that same date, even before being served with the summons and complaint.

III. DVD CCA's Contention That Mr. Bunner Can Be Enjoined Even Though Its Alleged Trade Secrets Have Become Publicly Known Lacks Any Basis In Law Or Fact And Is Foreclosed By The Intellectual Property Clause Of The Federal Constitution

Once again betraying its longing for patent-like protection for its ideas, DVD CCA argues that Mr. Bunner can be enjoined from republishing DeCSS even though the alleged CSS trade secrets were matters of general public knowledge by the time the injunction issued on January 21, 2000.[3] DVD CCA Supp. Br. at 22-31. Only patent law, however, and not trade secret law, can permit a publicly known idea to be enjoined, and even then only its use, not its disclosure, may be enjoined.

As explained in Mr. Bunner's Supplemental Opening Brief at 9-11, California's UTSA law is contrary to DVD CCA's contention that publicly available information may be enjoined. Section 3426.2, subdivision (a) (section 3426.2(a)) of California's UTSA provides that "an injunction shall be terminated when the trade secret has ceased to exist." § 3426.2, subd. (a); Unif. Trade Secrets Act § 2 cmt., *reprinted in* 14 Unif. Laws Annot. 450 (West 1990) ("an injunction accordingly should terminate when a former trade secret . . . becomes generally known."). DVD CCA

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[3] DVD CCA asserts Mr. Bunner "accessed" DeCSS on October 26, 1999. What the record actually says is that Mr. Bunner "first became aware of . . . DeCSS" sometime around October 26, 1999. Bunner Decl. ¶ 3, AA 287. There is no evidence in the record, however, as to the date when Mr. Bunner posted DeCSS on his own web site. In any event, the relevant question for judging the propriety of injunctive relief is whether the alleged CSS trade secrets remained secret at the time the injunction was granted on January 21, 2000, or had instead become public knowledge, not whether they were secret at some earlier time.

completely fails to acknowledge, much less address, this statutory provision.

In its opinion in this case, the Supreme Court affirmed that widespread public knowledge destroys a trade secret. It directed this Court to determine whether "publication of these trade secrets on the Internet has . . . destroyed their trade secret status," 31 Cal.4th at 875, and whether "the proprietary CSS technology is part of the public domain and no longer a protectable trade secret," *id*. at 875 n. 5.

In any event, if California were ever to attempt to prohibit the republication of publicly known trade secrets, the Intellectual Property Clause of the federal Constitution would prohibit it from doing so. As explained above and in Mr. Bunner's Supplemental Opening Brief at 33-37, that provision prohibits states from creating intellectual property rights in publicly available information. See, e.g., *Bonito Boats*, 489 U.S. at 156, 158-60.

DVD CCA relies on a non-California case decided before enactment of the California's UTSA, *Underwater Storage, Inc. v. U. S. Rubber Co.*, 371 F.2d 950, 955 (D.C. Cir. 1966), to argue that Mr. Bunner should continue to be enjoined notwithstanding the general public knowledge of the alleged CSS trade secrets and the futility of the injunction. DVD CCA Supp. Br. at 24-26. *Underwater Storage* has *never* been the law of California, as the Supreme Court recently explained in *Cadence Design Systems, Inc. v. Avant Corp.*, 29 Cal.4th at 220-21, and even on its own terms has no application here.

Underwater Storage was not a case involving injunctive relief at all; instead it was a statute of limitations case holding that, for purposes of damages liability, trade secret misappropriation was a continuing wrong that accrued anew with each new use of the secret even after the secret

became public knowledge. *Underwater Storage*, 371 F.2d at 955. It was decided under District of Columbia local law thirteen years before the National Conference of Commissioners on Uniform State Laws promulgated the UTSA. In the UTSA, the Legislature rejected the "continuing wrong" theory of trade secret misappropriation of *Underwater Storage*, which was contrary to pre-UTSA California law, as the legislative history noted. *Cadence Design Systems, Inc. v. Avant Corp.*, 29 Cal.4th at 220-23; Unif. Trade Secrets Act § 6 cmt., *reprinted in* 14 Unif. Laws Annot. 462 (West 1990) (noting "[t]here presently is a conflict of authority as to whether trade secret misappropriation is a continuing wrong," that under pre-UTSA California law misappropriation was not a continuing wrong but that *Underwater Storage* took the contrary view, and that "[t]his Act [the UTSA] rejects a continuing wrong approach").

Thus, even by its own terms, *Underwater Storage* has no application here. It applies only to the question of the statute of limitations for damages liability—not to the effectuality of injunctive relief once information is publicly known worldwide. It applies only to the initial "misappropriator or his privies"—not to an after-the-fact third (or fourth, or fifth, or more) generation republisher like Mr. Bunner who had no connection with the initial alleged misappropriation but obtained DeCSS after its public disclosure from a publicly available source without knowledge of any alleged misappropriation. Instead, as stated above, section 3426.2(a) explicitly prohibits injunctive relief once a secret has become public knowledge.[4]

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[4] Nor does the "commercial advantage" exception of section 3426.2(a) have any relevance here. In cases in which a commercial misappropriator has gotten a jump on the market by reason of its misappropriation, section 3426.2(a) contains a limited exception that permits a court to continue to enjoin an initial misappropriator from using publicly known information for

The passages from the Supreme Court's opinion at 31 Cal.4th 882 that DVD CCA strings together (DVD Supp. Br. at 25-26) provide no support for its assertion that California trade secret law permits an injunction against the republication of information that is public knowledge. In those passages, the Supreme Court was addressing the First

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commercial purposes for an additional finite period: "the injunction may be continued for an additional period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation." § 3426.2(a). Its purpose is to eliminate any illegitimate commercial head-start that the initial misappropriator may have gained: "The general principle . . . is that an injunction should last for as long as is necessary, but no longer than is necessary, to eliminate the commercial advantage or 'lead time' with respect to good faith competitors that a person has obtained through misappropriation." Unif. Trade Secrets Act § 2 cmt., *reprinted in* 14 Unif. Laws Annot. 450 (West 1990).

The narrow exception for extending an injunction for a limited time against the commercial activities of the initial misappropriator has no application to this case. First, the exception does not purport to authorize ineffectual injunctions that will have no practical effect. As the record makes clear, enjoining Mr. Bunner was a futile act that could have no practical effect on the public availability or use of the alleged CSS trade secrets, which remain equally widespread and available notwithstanding the injunction against Mr. Bunner.

Moreover, the commercial advantage limited exception of section 3426.2(a) has no application both because it is aimed only at the initial misappropriator and its privies, not at members of the general public like Mr. Bunner not in privity with them who learn of information from publicly available sources, and because it is aimed at eliminating the initial misappropriator's commercial advantage. Mr. Bunner had no commercial purpose in republishing DeCSS and obtained no commercial advantage from his republication of DeCSS.

Finally, the injunction here is not an anti-commercial use injunction of the sort authorized by the commercial advantage limited exception but an anti-speech injunction that prohibits only the "disclosing or distributing" of information about CSS and DeCSS. Prelim. Inj. Order at 2, AA712. It does not prohibit the use, commercial or otherwise, of DeCSS by anyone.

Amendment question of whether, "*[a]ssuming, as we do, that the trial court properly granted injunctive relief under California's trade secret law*, its preliminary injunction burdens no more speech than necessary to serve these significant government interests." 31 Cal.4th at 881 (emphasis added). The Supreme Court was not addressing whether an injunction could be issued prohibiting republication of publicly known information, nor can statements made by it that depend on the *assumption* that the injunction was properly issued and is supported by the record be used to *prove* that the injunction was properly issued and is supported by the record.

What DVD CCA really seeks is a perpetual (and ineffectual) punitive injunction meant only to punish Mr. Bunner, rather than to protect information that truly continues to be secret. California law, however, prohibits punitive injunctions: "An injunction should not be granted as punishment for past acts." *Cisneros v. U.D. Registry, Inc.*, 39 Cal. App. 4th 548, 574 (1995). The UTSA also rejects them by requiring injunctions to end once the information sought to be protected becomes public knowledge, as explained above. § 3426.2(a); Unif. Trade Secrets Act § 2 cmt., *reprinted in* 14 Unif. Laws Annot. 449 (West 1990) (rejecting "punitive perpetual injunctions").

IV. The Balance Of Harms Weighs In Favor Of Mr. Bunner

A. DVD CCA Continues To Ignore The Harm To Mr. Bunner

According to DVD CCA, Mr. Bunner has suffered no cognizable harm from the injunction because "[a] review of the record reveals no *economic* harm" to him. DVD CCA Supp. Br. at 55 (emphasis added). Trapped in its prism of dollars and cents, DVD CCA remains blind to the harms suffered by Mr. Bunner as a result of being gagged by the injunction,

including the noneconomic but legally cognizable harms detailed in Mr. Bunner's Supplemental Opening Brief at 42-44. As explained there, these harms include his constitutional injury from the deprivation of his free speech rights and his reputational injury from the baseless accusations of criminal behavior made against him, and they outweigh the nonexistent harms that denying DVD CCA an ineffectual injunction would have caused.

B. DVD CCA Failed To Show That It, And Not Some Other Entity, Was Subject To Some Future Threatened Irreparable Harm That An Injunction Could Effectively Prevent

In arguing that it has shown irreparable future harm of the magnitude required to justify an injunction, DVD CCA continues to rely on alleged harms to nonparty movie studios. Harms to a nonparty are irrelevant for purposes of justifying an injunction; moreover, DVD CCA presented no evidence that DeCSS ever had been or was likely to be used for movie piracy. DVD CCA also fails entirely to address the futility of the injunction, which was manifest from the outset given that the injunction was enforceable against only the handful of republishers of DeCSS whom DVD CCA had served with and was unenforceable against the dozens if not hundreds of other republishers it had not named and served.

V. DVD CCA's Rhetoric Is No Substitute For Its Evidentiary Deficiencies

DVD CCA's Supplemental Brief is full of shrill and pejorative accusations of piracy, thievery, and other felonies, hurled in every direction but unsupported by anything to be found in the record. There is, for example, nothing illegal about Linux users playing on their personal computers their authorized DVD movie disks that they have paid the movie studios good money for, notwithstanding DVD CCA's unsupported

assertion to the contrary. DVD CCA Supp. Br. at 30. And contrary to DVD CCA, DeCSS was indeed "a new innovation or invention," *id*. at 40 for previously there had been no DVD player for Linux personal computers. See *Connectix*, 203 F.3d at 606 (discussing innovative value of computer program that allowed video games that previously could only be played on television video game consoles to be played on personal computers); DVD CCA Supp. Br. at 37 ("there was no existing licensed Linux application"). Nor has DVD CCA ever presented any evidence of DeCSS ever being used in the production of unauthorized pirate DVD movie disks, or shown that even a *single* instance of copyright infringement accomplished with it, notwithstanding its continual braying about "theft of motion picture copyrights" (DVD CCA Supp. Br. at 40), "piracy of such copyrighted material on an unprecedented world-wide basis" (*id.* at 30), and the like. Much less has it demonstrated that Mr. Bunner is a thief. Simply saying that these things are so doesn't make them so, and does nothing to satisfy the burden of proof DVD CCA faces, but cannot meet, in this appeal under the rigorous standard of de novo constitutional fact review.

BECAUSE THE TRIAL COURT HAS RECENTLY EXTENDED INDEFINITELY ITS STAY OF PROCEEDINGS ON THE MERITS, THE NEED FOR EXPEDITED ACTION BY THIS COURT IS EVEN MORE URGENT

This case could and should have been over years ago. On November 29, 2001, Mr. Bunner filed his motion for summary judgment with the trial court on the ground that permanent injunctive relief was foreclosed by the ubiquitous and undisputed continuing public availability of DeCSS. Rather than decide this dispositive motion and rule on the merits of DVD CCA's claim, however, in January 2002 the trial court on DVD CCA's motion and over Mr. Bunner's objection stayed proceedings until the Supreme Court's

decision of this appeal. On December16, 2003, after the filing of the Supplemental Opening Briefs, the trial court over Mr. Bunner's objection granted DVD CCA's motion to further extend the stay of proceedings on Mr. Bunner's two-year-old summary judgment motion indefinitely pending this Court's decision of the remanded cause before it.

The trial court's stay was and is unconstitutional. In staying proceedings on the merits, the trial court has ignored its constitutional obligation, once having issued the injunction, to reach a "prompt final judicial determination." *Southeastern Promotions, Ltd. v. Conrad*, 420 U.S. 546, 560 (1975). It also ignored the rule of California procedure that where a preliminary injunction is in place, the case should proceed expeditiously to a final determination of the merits notwithstanding any appeal of the injunction. Code Civ. Proc. § 527, subd. (e) (preliminary injunction cases "*shall* be set for trial at the earliest possible date and *shall* take precedence over all other cases, except older matters of the same character, and matters to which special precedence may be given by law" (emphasis added)); *United Railroads of San Francisco v. Superior Court*, 170 Cal. 755, 766 (1915) (same); *Doudell v. Shoo*, 159 Cal. 448, 455 (1911) (trial court retains jurisdiction to try action during pendency of preliminary injunction appeal); *MaJor v. Miraverde Homeowners Ass'n Inc*., 7 Cal.App.4th 618, 623 (1992) (same); *Gray v. Bybee*, 60 Cal.App.2d 564, 571-72 (1943) (same).

It is not only unconstitutional but ridiculous that after four years Mr. Bunner remains both gagged by a "preliminary" injunction and prohibited from finally resolving this case, even though it is undisputed that DeCSS remains ubiquitously available worldwide from a vast variety of sources. Because of the trial court's abdication of its constitutional responsibilities, the need for expedited consideration by this Court has become all the more

urgent, and Mr. Bunner respectfully requests that the Court so act. *National Socialist Party v. Skokie*, 432 U.S. 43, 44 (1977).

FOR THE SECOND TIME, JON JOHANSEN, THE ALLEGED MISAPPROPRIATOR OF THE ALLEGED CSS TRADE SECRETS, HAS BEEN ACQUITTED OF ALL CHARGES

Today, December 22, 2003, in Oslo, Norway, after his second full trial on the merits, Jon Johansen, the creator of DeCSS, was for the second time acquitted of all charges relating to his creation of DeCSS. San Jose Mercury-News, "DVD Hacker Acquitted," http://www.bayarea.com/mld/mercurynews/business/7550101.htm. Johansen is the alleged misappropriator upon whom DVD CCA rests its trade secret misappropriation case. DVD CCA Supp. Br. at 8. Johansen's acquittal by the Norwegian appellate court demonstrates that there was no initial misappropriation of the alleged CSS trade secrets. It also demonstrates that Mr. Bunner had no reason to know of any alleged misappropriation, given that the Norwegian courts have twice concluded that Johansen's acts were perfectly legal.

Johansen's exoneration also makes clear the groundlessness of the trial court's decision here to further stay this meritless action and to continue to gag Mr. Bunner with an unconstitutional preliminary injunction. It is further reason for this Court to expedite the decision of this appeal so that Mr. Bunner can finally receive justice.

CONCLUSION

This Court should vacate the trial court's preliminary injunction order and remand for further, and prompt, proceedings on the merits of the case.

Dated: January 8, 2004

Respectfully submitted,

Richard R. Wiebe
Attorney for Defendant and Appellant
Andrew Bunner

CERTIFICATE OF COMPLIANCE

Pursuant to California Rule of Court 14(c), I certify that this brief contains 7,688 words.

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Richard R. Wiebe

CERTIFICATE OF SERVICE

I am over the age of 18 years, and not a party to this action. My business address is 425 California Street, Suite 2025, San Francisco, California, 94104, which is located in the county where the service described below took place.

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I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated: January 8, 2004

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