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SONICBLUE INCORPORATED

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

PARAMOUNT PICTURES
CORPORATION; DISNEY
ENTERPRISES, INC.; NATIONAL
BROADCASTING COMPANY, INC.;
NBC STUDIOS, INC.; SHOWTIME
NETWORKS INC.; THE UNITED
PARAMOUNT NETWORK; ABC,
INC.; VIACOM INTERNATIONAL
INC.; CBS WORLDWIDE INC.; and
CBS BROADCASTING INC.,

Plaintiffs,

v.

REPLAYTV, INC., and SONICBLUE
INC.,

Defendants,

AND CONSOLIDATED ACTIONS.

Case No. CV 01-09358 FMC

**DEFENDANTS' REPLY RE:
"THIRD" JOINT STIPULATION
FOR PLAINTIFFS' MOTION
TO COMPEL**

Hearing Date: April 23, 2002

Time: 9:00 a.m

Before: Hon. Charles F. Eick

Courtroom: No. 20

Discovery Cutoff: May 31, 2002

Pretrial Conference: July 29, 2002

Trial Date: August 20, 2002

1 I. INTRODUCTION

2 Plaintiffs' motion to compel pushes well past the limits of federal discovery rules
3 and attempts to subject Defendants to an unprecedented level of burden that Plaintiffs
4 would never tolerate if the roles were reversed. Plaintiffs try to ignore the fact that
5 Defendants have agreed to produce responsive, probative documents that are available.
6 Plaintiffs would know as much, *except Plaintiffs have held all discovery hostage since*
7 *January, refusing to allow the exchange of any confidential documents until a*
8 *protective order is finalized.* Defendants have pleaded with Plaintiffs – and in a half
9 dozen letters – to exchange documents on an Outside Counsel-Eyes-Only basis pending
10 resolution of the protective order. Plaintiffs refuse to relent. In a cynical effort to
11 capitalize on their superior resources and jam the Defendants, Plaintiffs have successfully
12 halted all discovery and document review for three months. They then have the temerity
13 to accuse Defendants of trying to “stall” the trial!¹

14 Defendants' commitment to a reasonable production is not good enough for
15 Plaintiffs. Where documents and data do not exist, Plaintiffs wrongfully insist that
16 Defendants must create them. If Defendants attempt to protect the legitimate privacy
17 interests of their customers and media contacts, Plaintiffs demand that they be exposed.
18 To Plaintiffs, *all* Defendants' documents (no matter how trivial) about *all* aspects of their
19 business are essential to this litigation – even though Plaintiffs argue that almost none of
20 their own documents should be subject to scrutiny, and that they need not produce even
21 their basic business plans for the markets they plead are likely to be injured. There is no
22 legal authority or good cause to support the kind of one-sided, oppressive, and
23 burdensome discovery Plaintiffs seek to impose.

24 The fact that Plaintiffs have rejected each of Defendants' efforts to reach
25 agreement reflects their singular objective: to force the resource-constrained
26 Defendants to endure burdensome, expensive, and distracting discovery regardless of its
27 value. Plaintiffs' motion to compel should be denied.

28 ¹ Plaintiffs, who claim to seek expedition, waited six weeks before even commencing the meet and confer, then did little, if anything, to narrow the requests at issue in the present motion.

1 **II. PLAINTIFFS' SCORCHED-EARTH DEMAND FOR PRODUCTION OF**
2 **NEARLY THE ENTIRE RECORDED HISTORY OF DEFENDANTS AND**
3 **THEIR PRODUCTS IS ABUSIVE.**

4 Plaintiffs fail to articulate any legitimate basis for the level of collection, review
5 and document production they demand. Since Defendants have agreed to provide
6 documentation about all aspects of the Send Show and Commercial Advance features
7 (including design, development, testing, licensing, sales, marketing, and advertising),
8 there are no grounds for the present motion.

9 A principal dispute remaining is whether Defendants are obligated to conduct a
10 file by file, computer-to-computer search of any employee who was tangentially
11 involved with the ReplayTV 4000 or predecessor devices. Defendants have offered to
12 produce documents for those engineers, sales, and marketing employees who were
13 principally involved with the product at issue, as well as documents reflecting
14 management decisions or instructions. To the extent there is any remaining uncertainty
15 about how the ReplayTV 4000 functions or the extent of its capabilities, these questions
16 will be answered by review of Defendants' source code.

17 Plaintiffs' are not entitled to pry into all other aspects of Defendants' business.
18 *See* Third Joint Stipulation, Sections I.C(2), IV.C. Specifically, it is irrelevant whether
19 Defendants *could* have designed a different device. The relevant inquiry is whether the
20 ReplayTV 4000 – as currently configured – subjects Defendants to liability for copyright
21 infringement. *See Sony Corp. of Amer. v. Universal City Studios, Inc.*, 464 U.S. 417,
22 104 S.Ct. 774 (1984); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1024 (9th Cir.
23 2001)(Napster's duty to control users was "cabined by [its] system's current
24 architecture"). It is equally unnecessary to produce documents relating to any and all
25 financial benefit for every feature of the ReplayTV 4000. To support a claim of
26 vicarious liability, financial benefit must be *directly tied* to the alleged infringement.
27 *Ellison v. Robertson*, No. CV 00-04321 FMC (RCx), 2002 U.S. Dist. LEXIS 4166 at
28 *30-31 (C.D. Cal. Mar. 14, 2002); *see also Adobe Systems Inc. v. Canus Productions,*
Inc., 173 F. Supp. 2d 1044 (C.D. Cal. 2001). Plaintiffs' potential future receipts of

1 financial benefits from admittedly non-infringing uses like I-Channels or pause ads –
2 which also happen to compete with Plaintiffs – are utterly irrelevant.

3 Plaintiffs’ arguments in Sections VI.B. and VII.B. reflect a similar intent to harass
4 and increase costs, rather than a legitimate concern for collecting evidence. Defendants
5 have agreed to produce marketing, advertising, and sales materials, and have stated that
6 they do not have license agreements for audiovisual works for the ReplayTV 4000.
7 Plaintiffs’ continued insistence that Defendants’ expand their search to include draft
8 materials as well as licenses for products other than the ReplayTV 4000 imposes a real
9 expense with no corresponding benefit.

10 **III. PLAINTIFFS’ DEMAND FOR A RE-DESIGN OF THE PRODUCT TO**
11 **ACCOMMODATE DISCOVERY IS WITHOUT PRECEDENT.**

12 Plaintiffs seek non-existent electronic data as to what television programs are
13 recorded, stored, viewed with Commercial Advance, or transmitted via Send Show.
14 *Defendants have never collected and do not have any of this information for users of the*
15 *ReplayTV 4000.* ReplayTV stopped collecting data on its earlier PVRs by May 2001 –
16 long before it launched the ReplayTV 4000 and for reasons that were entirely
17 independent of the ReplayTV 4000.² Plaintiffs now demand that Defendants incur
18 development costs of up to \$264,000 to design new software over the next four months
19 to create data that does not now exist. Pignon Decl. ¶¶ 22, 27.

20 Nothing under Rule 34 authorizes an order to create non-existent data - much less
21 at this level of burden or expense. Rule 34 “only requires a party to produce documents
22 that *are already in existence.*” *Alexander v. Federal Bureau of Investigation*, 194 F.R.D.
23 305, 310 (D.D.C. 2000) (emphasis added); *see also* Third Joint Stip. at 48-51.

24 As a compromise, Defendants offered to collect the raw data currently sent to (but
25 not stored by) the My.ReplayTV.com service. Although this data cannot include much
26 of the information Plaintiffs seek (*see* Pignon Decl. ¶¶ 26, 32), it is all that Defendants

27 ² One of the principal factors for this decision was to respond to the public outcry generated by
28 Defendants’ competitor, TiVo, of the information Plaintiffs now demand Defendants start collecting.
Declaration of Philippe Pignon (“Pignon Decl.”) ¶¶ 4-6, Exs. A-C. Moreover, even the data
ReplayTV collected before May 2001 did not include most of the data Plaintiffs seek. *Id.* at 26.

1 currently have, and all that is conceivably within the scope of Rule 34. Like other efforts
2 to compromise, Plaintiffs flatly rejected the offer and suggested no alternative other than
3 Defendants' creation of a new software product.

4 Given the cost to collect the My.ReplayTV.com data, the privacy concerns, the
5 incompleteness of the information, and Plaintiffs' refusal to accept the raw data currently
6 in existence, Defendants submit that the turnover of any computerized consumer usage
7 data is inappropriate. Instead, the Court should, at most, order Plaintiffs to accept
8 Defendants' offer of a single joint telephone consumer survey to collect behavioral data,
9 similar to the evidence of consumer behavior used in the *Sony* litigation. Such a survey
10 would be anonymous and would provide more useful information for the Court, while
11 protecting the users' privacy rights.³

12 **IV. DEFENDANTS' CUSTOMERS AND KEY MEDIA TIES SHOULD NOT BE**
13 **SUBJECTED TO INTIMIDATION BY THE BIGGEST NAMES IN THE**
14 **ENTERTAINMENT INDUSTRY.**

15 Plaintiffs' insistence on the identity, address, and telephone number of
16 Defendants' customers and media contacts can only be for purposes of intimidation,
17 whether subtle or explicit. If the Court reviews the original responses set forth in
18 Sections III.A. and V.A. of the Third Joint Stipulation, Plaintiffs were seeking
19 information about: (1) the purchase orders for the ReplayTV 4000; and (2) submission
20 materials to third parties for competition, review, and evaluation. Plaintiffs have agreed
21 to provide this information and more. *See* Third Joint Stip. at 60-61, 90-92. The only
22 remaining dispute is whether Defendants have to reveal the actual identity of users and
23 reviewers. Plaintiffs have not articulated why these individuals should be subjected to
24 this level of intrusion and harassment. Given the information being received and
25

26 ³ Although Rule 34 does not authorize an order that Defendants' reformulate their software to
27 collect new information from third parties' devices about their home recordings, were this Court even
28 to consider such an order, it should comply with consumer privacy rights. Specifically (1) data
should only be collected after allowing users to opt out; (2) data should not be collected permanently,
but only for the minimal necessary time; and (3) data should be collected only in the aggregate, without
any ability to link it to any individual consumer.

Defendants' offer of a survey solution for any customer information, there is no need to approach these individuals directly.

V. CONCLUSION

Defendants have responded to all seven categories identified in their motion to compel and agreed to produce documents where such documents exist.⁴ Defendants have pushed back only when it meant manufacturing discovery, subjecting their customers and media contacts to harassment, or otherwise curbing Plaintiffs' discovery abuses. Even then, Defendants made offers to accommodate. Plaintiffs' outright rejection of these offers and refusal to consider alternatives demonstrate what this motion is really about. For the reasons set forth herein and in the Third Joint Stipulation, Defendants respectfully request that the Court deny Plaintiffs' motion to compel.

DATED: April 11, 2002

FENWICK & WEST LLP

By: _____

Emmett C. Stanton
Attorneys for Defendants
REPLAYTV, INC. and
SONICBLUE INCORPORATED

LIT/1127492

⁴ For the first category, Defendants have agreed to produce source code and documents relating to the design, development, and testing of the ReplayTV 4000. For the second category, Defendants are producing documents on Defendants' efforts to detect, assess, monitor or prevent copying of copyrighted works with the ReplayTV 4000, and have also offered to produce data currently collected by the MyReplayTV Service. As for the third category, Defendants will produce documents sufficient to show purchases of the ReplayTV 4000, including the date and amount of purchase, the version(s) purchased and number of units purchased. For the fourth category, Defendants have offered to produce all license agreements (actual or potential) for the ReplayTV 4000's Commercial Advance or Send Show features, as well as licensing discussions and plans for licensing these features. Defendants will also produce all standardized communications with investors or analysts regarding the ReplayTV 4000. For the fifth category, Defendants will produce all submission materials for competition, review or evaluation, and responses by reviewers. For the sixth category, Defendants will produce their materials for promotion, advertising, and sale of the ReplayTV 4000. And, for the last category, Defendants have not entered into any agreements for audiovisual works for the ReplayTV 4000 and thus have no documents to produce.

PROOF OF SERVICE

The undersigned declares that:

I am employed in the County of Santa Clara, State of California. I am over the age of 18 and not a party to this action. My business address is: Two Palo Alto Square, Palo Alto, CA 94306.

On the date set forth below, I served the foregoing document(s) entitled:

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☒ **BY U.S. MAIL:** I am familiar with our business practices for collecting and processing of mail for the United States Postal Service. Mail placed by me within the office for collection for the United States Postal Service would normally be deposited with the United States Postal Services that day in the ordinary course of business. The envelope(s) bearing the address(as) above was sealed and placed for collection and mailing on the date below following our ordinary business practices.

☐ **BY PERSONAL SERVICE:** I caused such envelope(s) to be delivered by hand on the office(s) of the addressee(s).

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1 ☒ **BY FACSIMILE:** I caused a copy of such document(s) to be sent via facsimile
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3 without error. A copy of the facsimile transmission report is attached hereto.

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

6 DATED: April 11, 2002

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