

Court of Appeal No. H021153

**In the
Supreme Court of California**

DVD COPY CONTROL
ASSOCIATION, INC.,
Plaintiff/Respondent,

v.

ANDREW BUNNER,
Defendant/Appellant.

Supreme Court No. S102588

Trial Judge: Hon. William J. Elfving
Santa Clara County Superior Court
Trial Court Case No. CV 786804

OPENING BRIEF ON THE MERITS

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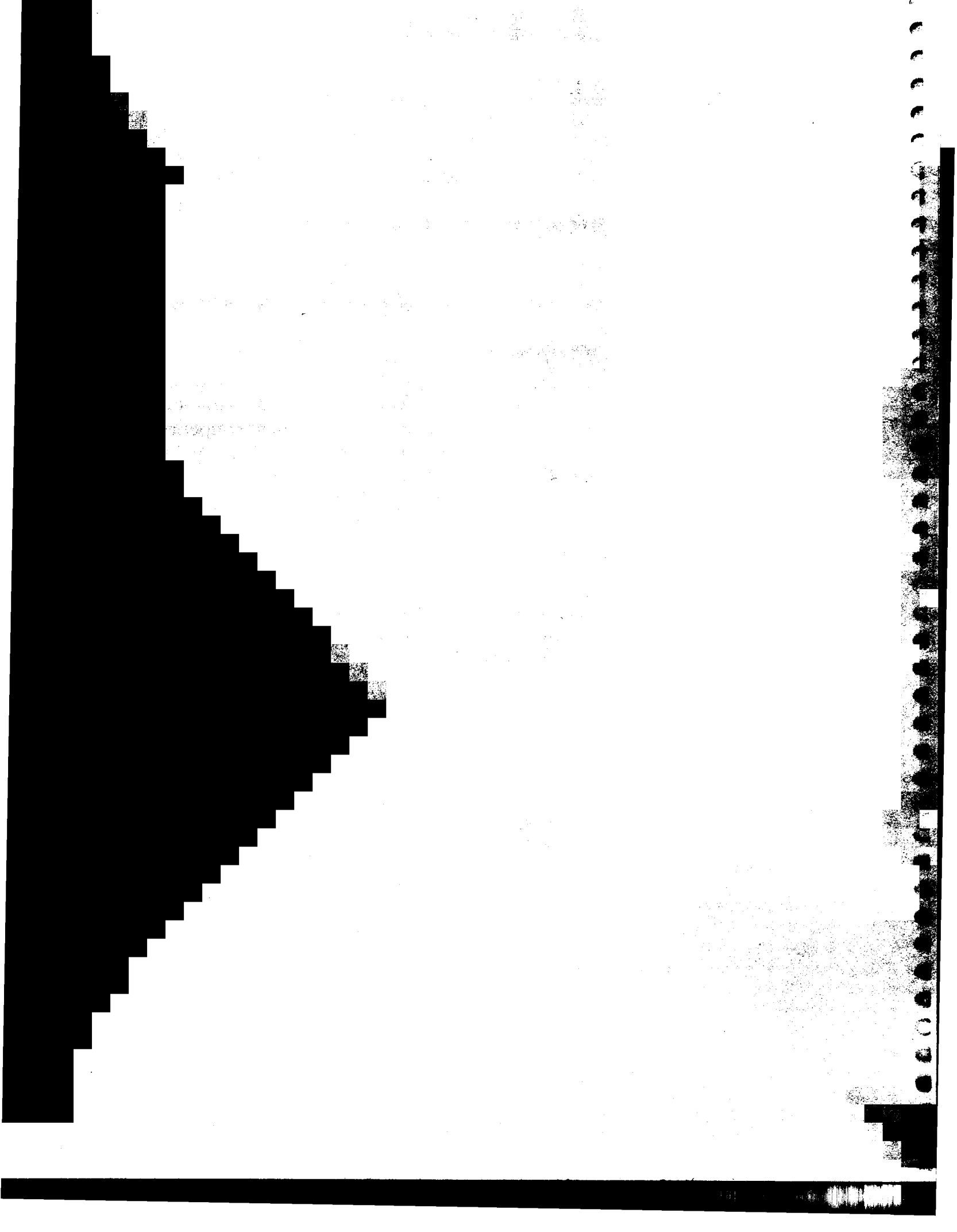


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ISSUES PRESENTED

1. Whether the injunctive relief provisions of the California Uniform Trade Secrets Act (Civ. Code § 3426, et seq. (1984)) (the "California UTSA"), are unconstitutional as applied to the facts of this case.

2. Whether the issuance of a preliminary injunction to stop the dissemination on the internet of a computer program that knowingly contains stolen trade secrets violates the First Amendment.

STATEMENT OF APPEALABILITY AND STANDARD OF REVIEW

The appeal is from a decision of the Court of Appeal, Sixth District. *DVD Copy Control Ass'n v. Bunner* (2001) 113 Cal.Rptr.2d 338. Review was granted by this Court by order of February 20, 2002.

Courts review an order granting a preliminary injunction under an abuse-of-discretion standard. *People ex rel. Gallo v. Acuna* (1997) 14 Cal.4th 1090, 1109. A trial court abuses its discretion only when it "exceed[s] the bounds of reason or contravene[s] the uncontradicted evidence." *Shoemaker v. County of Los Angeles* (1995) 37 Cal.App.4th 618, 624. The reviewing court does not reweigh the evidence or determine the credibility of witnesses on appeal. *Id.* at 625; *Hilb, Rogal & Hamilton Ins. Servs. of Orange County, Inc. v. Robb* (1995) 33 Cal.App.4th 1812, 1820. If the evidence on the application for preliminary injunction is in conflict, the reviewing court must interpret the facts in the light most favorable to the prevailing party and indulge in all reasonable inferences in support of the trial court's order. *Shoemaker*, 37 Cal.App.4th at 625.

Accordingly, the trial court's factual findings may not be disturbed absent a showing that it has abused its discretion.

The Court of Appeal's determination that DeCSS is pure speech entitled to absolute protection is an application of a constitutional standard that is reviewed *de novo*. See *People v. Ramos* (1997) 15 Cal.4th 1122, 1158.

STATEMENT OF THE CASE

For more than two centuries, the courts' strong and active protection of trade secrets has peacefully coexisted with the First Amendment. In this case, however, the Court of Appeal improperly and needlessly declared that long-accepted common-law and statutory trade secret protections must be cast aside in favor of an inflexible and erroneous application of the First Amendment. In addition to the complete absence of any reasoned precedent for the Court of Appeal's radical departure from established prior-restraint law, there is not even a glimmer of a policy rationale for expansively applying the prior restraint doctrine to prohibit an injunction against the dissemination of stolen trade secrets that only minimally affects speech. Both the United States Supreme Court and this Court have long upheld legislative and judicial action that serve important governmental interests unrelated to the suppression of speech and that only incidentally affect speech.

The superior court's injunction was just such an action. It was not aimed at restricting speech, but was intended solely to protect against the evisceration of trade secrets that are the motion picture industry's critical means of defense against widespread digital pirating of its valuable copyrighted works. Statutory and common-law trade

secret protections exist to prevent precisely that kind of harm. In this case, the injunction was directed solely to preserve the functionally protective nature of the encryption system, *i.e.*, to prevent DVDs from being illegally copied. Indeed, the Second Circuit recently affirmed the issuance of an injunction on exactly the same grounds in *Universal City Studios, Inc., v. Corley* (2nd Cir. 2001) 273 F.3d 429, 452, a factually identical case brought under the Digital Millennium Copyright Act.

Because the Court of Appeal improperly expanded prior restraint principles to prohibit an injunction not directed at curtailing speech, leaving no effective means to counteract the malicious destruction of trade secrets, DVD Copy Control Association, Inc. (DVD CCA) asks the Court to reverse the Court of Appeal's decision and reinstate the superior court's preliminary injunction. If the Court of Appeal's ruling is left standing, the value of trade secrets in California will be eviscerated, causing serious harm to the State, its industries, and its citizens.

STATEMENT OF FACTS

A. Background of DVD Technology and CSS

DVDs are the next generation in motion picture technology. A DVD is a five-inch disk that is encoded with enough data to store a feature-length movie. DVDs offer significant advantages over analog technologies like VCR tapes, including improved visual and audio quality, larger data capacity, and greater durability. Most relevant to this case is that the digital nature of DVD technology means that, unlike analog products, an unlimited number of perfect copies—that

will not lose quality in the copying process—can be easily made and then distributed throughout the world on DVDs or over the internet.

In the early 1990s, the movie industry started to consider distributing movies in a digital format, but was concerned about the dangers posed by the ease with which DVDs could be copied. Potentially, copies could be made from any DVD that was rented or borrowed, and the pirated copies could then be distributed either as black-market DVDs or on the internet. If that happened, individuals could use, copy, and distribute DVDs without paying for the copyrighted material they contained. Even more menacing was the possibility of large-scale distribution of pirated copies for profit, some of it in foreign countries where it would be virtually impossible to catch and prosecute the perpetrators. Unless the movie studios could find a way to protect the copyrighted materials on DVDs, there would be no viable market not only for the DVDs themselves, but also for the stand-alone players, computer drives, and other equipment necessary to play DVDs. AA 62-63, ¶¶ 5-6; RA, 3-4 ¶¶ 6-8; AA 9, ¶¶ 31-32. Because the risk was so great, the movie studios decided not to distribute DVDs without a technology that could prevent piracy. AA 9, ¶ 31; AA 63 ¶ 6.

The technology they chose was the Content Scramble System (CSS), an encryption system that uses an algorithm configured by a set of “keys” to encrypt a DVD’s contents. The algorithm protects the data so that it cannot be viewed or copied without decryption, and the keys are digital values that determine how the algorithm encrypts and decrypts the file. To play a CSS-encrypted DVD, one needs both the decryption algorithm and a set of “master keys” contained in

compliant DVD players and disk drives. Without both—the master keys and the algorithm—a DVD player cannot access the contents of a DVD. Once the DVD file is decrypted, a DVD player can display the movie on a television or a computer screen, but a DVD and player that are properly encrypted with CSS cannot be used to copy the movie or to manipulate the digital content of the DVD.

In order to facilitate the distribution of movies on DVD, a licensing mechanism was created for the use of CSS's proprietary trade secret technology. Manufacturers interested in making a DVD, a DVD player, or DVD software obtain access to the technology by obtaining a license for a fee. In order to guard against theft of the technology, the licensing agreement requires licensees to maintain the confidentiality of the CSS technology and imposes a strict set of requirements on licensees to ensure that the CSS technology is protected.

Eventually, the companies involved in the DVD business decided that the licensing of CSS ought to be jointly administered by representatives of the motion picture, computer, and consumer electronics industry. In mid-1998 they formed the DVD CCA, which was assigned the licensing interests of its predecessor. DVD CCA was also given full rights to enforce the CSS licensing agreement.

B. Theft of the CSS Technology

In October 1999, the source code of a program called DeCSS was posted to a website operated by Jon Johansen, a fifteen-year-old Norwegian citizen. DeCSS unlocks the encryption of CSS, allowing a CSS-protected DVD to be played on a non-licensed player or disk drive. DeCSS also allows the user to copy a CSS-protected DVD in

an un-encrypted format. DeCSS was created by either hacking or reverse engineering software created by Xing Technology Corporation (Xing), a CSS licensee, in violation of Xing's license to end-users that specifically prohibited reverse engineering. AA 479-81 ¶¶ 3-5.

Soon after DeCSS was posted to Johansen's website, news of the program spread on the internet. In October 1999, DeCSS was posted on the internet with the stolen CSS trade secrets in both "source code" and "object code" forms.¹ AA, pp. 479-80. Respondent Bunner was one of those who made DeCSS available, "mirroring" it on his website, so that anyone browsing his website could download and install DeCSS on their own computer and use it to break the CSS encryption. Bunner stated that he posted DeCSS to "provid[e] others with access to the 'deCSS' program, and thereby enabl[e] Linux users to play 'DVDs'." AA, p. 287.

C. Proceedings in the Superior Court

When DVD CCA learned about DeCSS, it quickly sought to enjoin distribution of the program to protect its trade secrets. On December 27, 1999, DVD CCA commenced this action in the Superior Court of Santa Clara County and sought temporary and preliminary relief enjoining Bunner and other defendants who had posted DeCSS, or linked to sites that posted DeCSS, from posting or knowingly linking to any websites that post the trade secrets or their

¹ "Source code" consists of a set of computer instructions in a particular format used by programmers, like C or FORTRAN. Compilers in computers translate source code into "object code," a series of ones and zeroes that can be understood and executed by a computer. AA, pp. 479-80.

derivatives. The superior court denied the application for a temporary restraining order and set an expedited schedule for consideration of the motion for preliminary injunction. On January 17, 2000, the motion was submitted on a significant (almost one thousand pages) record and after arguments of the parties. On January 21, 2000, the superior court issued a preliminary injunction enjoining defendants from “[p]osting or otherwise disclosing or distributing, on their websites or elsewhere, the DeCSS program, the master keys or algorithms of the Content Scrambling system (CSS), or any other information derived from this proprietary information.” AA 712. Being careful to tailor its order narrowly, the court declined to enjoin the linking to other websites posting DeCSS and stated that “[n]othing in this Order shall prohibit discussion, comment or criticism, so long as the proprietary information identified above is not disclosed or distributed.” AA 716.

The superior court made several factual findings supporting the order. The court found that “[t]he Plaintiff has shown that the CSS is a piece of proprietary information which derived its independent economic value from not being generally known to the public and that Plaintiff made reasonable efforts under the circumstances to maintain its secrecy.” AA 713. The court also found that “the evidence is fairly clear that the trade secret was obtained through reverse engineering.” AA 713. The court further found that the evidence was “quite compelling” both that Johansen reverse engineered DeCSS in violation of his agreement with Xing and that defendants knew or should have known the trade secrets misappropriated by DeCSS were obtained through improper means. AA 713-14. The court concluded

that DVD CCA had shown a "likelihood of prevailing" on the trade secret issues.

In considering the balance of harm to the parties, the court emphasized the gross disparity between the harm to the plaintiff and defendants:

[T]he harm to the Defendants [of entering the injunction] is truly minimal. They will simply have to remove the trade secret information from their web sites. They may still continue to discuss and debate the subject as they have in the past in both educational, scientific, philosophical and political context. Defendants have not provided any evidence of any economic harm which an injunction could currently cause.

.....

On the other hand, the current and prospective harm to the Plaintiff, if the Court does not enjoin the display of their trade secret, will be irreparable. . . . If the Court does not immediately enjoin the posting of this proprietary information, the Plaintiff's right to protect this information as secret will surely be lost, given the current power of the Internet to disseminate information and the Defendants' stated determination to do so. . . . In that event, the protection afforded by the encryption system licenced [sic] by the Plaintiff, whether to limit DVD hardware and software suppliers or to control unauthorized copying and distribution of DVD content will become completely meaningless. The encryption system which the Plaintiff licences [sic] cannot simply be changed like a secret code used by a military where everyone involved simply changes to new code because millions of people own current DVDs and DVD viewing systems.

AA 714-15.

D. Decision of the Court of Appeal

Bunner was the only defendant to appeal the superior court's order. The Court of Appeal for the Sixth District accepted the findings of the superior court that Petitioner had met its burden for obtaining a preliminary injunction under the UTSA "in the absence of any free-speech concerns." 113 Cal.Rptr.2d at 347. Specifically, the Court of Appeal did not disturb the superior court's findings that DeCSS was a misappropriation of DVD CCA's trade secrets and that the DVD CCA had made an initial showing that defendants knew that these trade secrets had been obtained through improper means. The Court of Appeal also accepted the superior court's analysis of the balance of harm—that the injunction caused almost no harm to the defendants, but that a failure to enjoin was ruinous to DVD CCA.

Nonetheless, the appellate court reversed the order granting the preliminary injunction, holding that DeCSS, as "source code," was "pure speech" that could not be subject to any prior restraint under the First Amendment. *Id.* at 348. The Court of Appeal did not consider the predominantly functional nature of DeCSS—which, at best, rendered it mixed conduct and speech subject to intermediate First Amendment scrutiny—and failed even to consider, let alone balance, the important interests of California in protecting against the theft and dissemination of trade secrets.

SUMMARY OF ARGUMENT

For the first time, a California appellate court has held that an injunction protecting against the distribution of stolen trade secrets violates the First Amendment prohibition on prior restraints. In

motivation behind the injunction was to protect DVD CCA's trade secrets from destruction by the defendants' conduct in distributing the functional capabilities of the DeCSS software over the internet and, consequently, the court should have applied intermediate scrutiny under *O'Brien*.

Instead, the Court of Appeal acknowledged neither any form of intermediate scrutiny nor any conduct inherent in defendants' misappropriation and misuse of DVD CCA's trade secrets.¹¹ Because it has not been, and cannot be, suggested that the UTSA is directed at speech, the Court of Appeal's decision implicitly hinges on its unsupportable conclusion that Bunner's distribution of DeCSS over the internet is pure speech with no conduct element.

Bunner's posting of DeCSS was intended not to communicate ideas embedded in the code but instead to allow others to decrypt, play, and copy DVDs.¹² But even assuming that there is some communicative component to his posting, at a minimum the Court should recognize that there is a substantial nonspeech element as well: the transmission of a tool for illegally copying DVDs. "The computer code at issue in this case . . . does more than express the programmers' concepts. . . . DeCSS, like any other computer program, is a series of instructions that causes a computer to perform a particular sequence of tasks which, in the aggregate, decrypt CSS-

¹¹ The Court of Appeal's statement that "DVDCCA has not alleged that Bunner engaged in any expressive 'conduct' by posting DeCSS on his web site," 113 Cal.Rptr.2d at 347, is mistaken. DVD CCA's position has always been that Bunner violated the UTSA by his improper conduct in distributing the DeCSS software through his web site.

holding the preliminary injunction obtained under the California UTSA unconstitutional, the Court of Appeal effectively repealed the statutory protections afforded to trade secrets under California law, leaving DVD CCA and other trade secret owners with no real remedy to address the misappropriation and dissemination of their technologies. The destruction of trade secret protection in California will have adverse economic effects not only on the electronics, motion picture, and computer industries that sell DVDs and DVD players, but on all California businesses that rely on trade secrets for protection of their intellectual property.

In reversing the injunction, the Court of Appeal fundamentally erred in concluding that DeCSS is “pure speech” absolutely protected against prior restraint by the First Amendment and in ignoring the content-neutral application of the injunction. The decision is directly at odds with the Second Circuit’s well-reasoned opinion in *Corley*, 273 F.3d at 452, which held both that DeCSS is mixed speech and conduct for purposes of the First Amendment and that the Digital Millennium Copyright Act’s prohibition of encryption-busting programs like DeCSS is content neutral. The California UTSA, too, is content neutral. Because DeCSS’s main purpose is not to communicate, but to perform the functional task of decrypting DVDs so the user can copy protected intellectual property, it is mixed speech and conduct subject to an intermediate level of scrutiny in which the court must balance the government interest sought to be furthered with the effect of the speech. *See United States v. O’Brien* (1968) 391 U.S. 367, 376. The government interest in protecting trade secrets is more than substantial, and the restriction on First Amendment

freedoms imposed by the preliminary injunction is minimal. The injunction does not violate the First Amendment.

ARGUMENT

The Court of Appeal flatly held that the First Amendment bars the granting of a preliminary injunction under the California UTSA to prevent the dissemination of stolen trade secrets.² That decision is unsupported by history, is insupportable by trade secret or First Amendment principles, and is inconsistent with both the general case law addressing content-neutral restrictions on mixed speech and conduct and the specific case law addressing the application of the First Amendment to computer programs. Courts have long recognized that the government's interests in promoting economic growth and innovation will permit injunctions enforcing content-neutral laws that enjoin mixed speech and conduct. The effect of the Court of Appeal's ruling—if it is permitted to stand—is that the value of trade secrets in California will be virtually destroyed. No stolen trade secret can survive if the courts are powerless to enjoin its widespread disclosure.

² In the words of the Court of Appeal: "California's Trade Secrets Act, like the laws enacted in many other states to protect trade secrets, does not merely enhance the enforcement of contractual nondisclosure obligations but sweeps far more broadly. It is within this broad sweep that DVD CCA seeks to place Bunner. Yet the scope of protection for trade secrets does not override the protection offered by the First Amendment. The First Amendment prohibits the enactment of any law 'abridging the freedom of speech' The California Legislature is free to enact laws to protect trade secrets, but these provisions must bow to the protections offered by the First Amendment." 113 Cal. Rptr.2d at 349.

I. NEITHER HISTORY NOR POLICY CONSIDERATIONS CAN JUSTIFY THE COURT OF APPEAL'S PROHIBITION ON INJUNCTIONS PROTECTING TRADE SECRETS FROM DESTRUCTION BY DISSEMINATION.

A. Historically, the Dissemination of Stolen Trade Secrets Has Not Been Protected by the First Amendment.

Long before the First Amendment was adopted in 1791, the English common law recognized the value of commercial secrecy and the protection of trade secrets.³ That English common law became part of our own common law tradition, and the Framers were well aware that the common law protected trade secrets when the First Amendment was enacted. There is no historical evidence to suggest that the Framers intended or had even the slightest reason to believe that the First Amendment would prevent courts from issuing injunctions to protect against the dissemination of stolen trade secrets. To the contrary, early cases confirmed the power of equity courts to grant injunctive relief to prohibit trade secret disclosure in appropriate cases.⁴

³ "Trade secrets were surely an accepted part of English business practice, and therefore almost certainly part of its practical, unrecorded legal practice as well, long before the adoption of the fifth amendment in this country." JOHN C. JANKA, *Federal Disclosure Statutes and the Fifth Amendment: The New Status of Trade Secrets* (1987) 54 U. CHI. L. REV. 334, 353 n.89; see also Andrew Beckerman-Rodau, *Prior Restraints and Intellectual Property: The Clash between Intellectual Property and the First Amendment from an Economic Perspective* (2001) 12 FORDHAM INTEL. PROP., MED. & ENTERT. L.J. 1, 57 (stating that trade secret law is "the oldest type of intellectual property protection").

⁴ See 1 MELVIN F. JAGER, *TRADE SECRETS LAW* (1997) § 2.01 (citing *Yovett v. Winyard* (Ch. 1820) 1 Jac. & W. 394, 37 Eng. Rep. 425 (enjoining disclosure of secret medical formulas) and *Morison v. Moat* (Ch. 1851) 9

Since then, courts in California and elsewhere have consistently upheld injunctions prohibiting the use and disclosure of trade secrets.⁵ Indeed, such injunctions have been issued in California for almost a century. *See Empire Steam Laundry v. Lozier* (1913) 165 Cal. 95 (affirming injunction prohibiting the defendant from using plaintiff's customer lists). The fundamental tenets of common-law trade secret protections have subsequently been incorporated both into the common law of the various states and, eventually, in the legislative enactment of the UTSA by 43 states, including California, and the District of Columbia.⁶ California's version of the Uniform Trade Secrets Act specifically provides that "actual or threatened misappropriation [of trade secrets] may be enjoined," CAL. CIV. CODE § 3426.2(a), and it is no surprise that courts traditionally have been diligent in issuing injunctions to prevent the destruction of trade secrets through improper use and disclosure.

Hare 241, 68 Eng. Rep. 492 (same)); *Peabody v. Norfolk* (1868) 98 Mass. 452, 457 (noting that the power of equity courts to enjoin disclosure was "well established by authority").

⁵ *See, e.g., Masonite Corp. v. County of Mendocino Air Quality Management Dist.* (1996) 42 Cal.App.4th 436 (affirming injunction prohibiting the defendant from disclosing emission records); *see also Courtesy Temp. Serv., Inc. v. Camacho* (1990) 222 Cal.App.3d 1278, 1291; *American Credit Indemnity Co. v. Sacks* (1989) 213 Cal.App.3d 622, 638; *MAI Sys. Corp. v. Peak Computer, Inc.*, (9th Cir. 1993) 991 F.2d 511; *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, No. C-95-20091 (N.D. Cal. Jan. 3, 1997) 1997 U.S. Dist. LEXIS 23572, at *31-47.

⁶ By adopting the UTSA, California acknowledged the importance of harmonizing the law of trade secrets among the various states. "This title shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this title among states enacting it." CAL. CIV. CODE § 3426.8 (West 1984).

Not only have courts routinely enjoined the misappropriation of trade secrets, but they have historically done so over asserted First Amendment defenses. *See, e.g., Cherne Indus., Inc. v. Grounds & Assocs., Inc.* (Minn. 1979) 278 N.W.2d 81, 94 (rejecting First Amendment defense and affirming permanent injunction against former employees restraining their misappropriation of trade secrets); *Garth v. Staktek Corp.* (Tex. App.—Austin 1994, writ dism'd w.o.j.) 876 S.W.2d 545, 549-50 (rejecting a prior restraint analysis and affirming lower court's injunction prohibiting use of plaintiff's trade secrets); *In re Phoenix Dental Sys., Inc.* (Bankr. W.D. Pa. 1992) 144 B.R. 22, 24 (holding that the First Amendment does not allow a doctor to use his former employer's trade secret customer lists, even when the former employer is in bankruptcy); *see generally* 3 ROGER M. MILGRIM, MILGRIM ON TRADE SECRETS (2d ed. 2000) §14.01[2][a], at 14-26 n.15 (stating that “there is a long line of authority upholding content-neutral injunctions to protect intellectual property and that such injunctive relief is not an impermissible prior restraint”).⁷

⁷ In other contexts, many courts have recognized that a corporation's interest in protecting its trade secrets overrides an asserted First Amendment interest. *See Standard & Poor's Corp. Inc. v. Commodity Exch., Inc.* (S.D.N.Y. 1982) 541 F.Supp. 1273 (stating that “[i]nterference with access to business confidences and trade secrets is not an abridgement of the freedom of speech and of the press protected by the First Amendment”); *Zenith Radio Corp. v. Matsushita Elec. Indus. Co.* (E.D. Pa. 1981) 529 F.Supp. 866, 912 (rejecting the argument that the First Amendment requires that the court's decision not to declassify trade secrets carries a “heavy presumption” of unconstitutionality”); *In re the Iowa Freedom of Info. Council* (8th Cir. 1983) 724 F.2d 658, 664 (denying news media's petition to overturn the district court's refusal to release sealed court transcripts containing a private litigant's trade secrets and rejecting

There is no historical basis for applying the First Amendment to bar injunctions against the destruction of trade secrets by disclosure and use. The harm DVD CCA seeks to avoid is the widespread reproduction and illegal distribution of copyrighted works on DVDs. It is the act of distributing the *means* of decrypting and copying DVDs, not speech about DeCSS, that DVD CCA has sought to enjoin. Courts have not historically interposed First Amendment obstacles to injunctions protecting trade secrets because they have contemplated those injunctions as restrictions on conduct, not speech, and, even in the face of First Amendment defenses, the courts have continued to view trade secret injunctions as conduct-based restrictions that, at worst, are content-neutral restrictions on the functional aspects of mixed speech and conduct. *See Corley*, 273 F.3d at 452.

B. Policy Considerations Dictate that the State Interest in Promoting Innovation Requires Protection of Trade Secrets.

In holding the preliminary injunctive relief obtained under the California UTSA unconstitutional in this case, the Court of Appeal failed to consider the paramount public policies that underlie the California UTSA and the critical role that preliminary injunctive relief plays in effectuating those policies. Trade secret law is founded on the core principle that businesses will not invest money, labor, or equipment in an effort to create innovations that cannot be

the argument that First Amendment rights can be overridden only by a “compelling governmental interest”); *see also Richmond Newspapers, Inc. v. Virginia* (1980) 448 U.S. 555, 600 (Stewart, J., concurring) (while the First Amendment gives the press and public a right of access to civil trials, “[t]he preservation of trade secrets ... might justify the exclusion of the public from at least some segments of a civil trial”).

copyrighted or patented if trade secret law does not fill the gap to enable them to profit from their labors. That innovation provides a substantial public benefit and has been found to be deserving of legal protection not just in California, but throughout the United States. Trade secret laws also promote business morality and protect the fundamental rights of the trade secret owner by punishing those who engage in unethical or improper means to acquire another's trade secret.⁸

California's economy is fueled by businesses that rely on their ability to protect intellectual property. This lawsuit alone affects hundreds of companies that license CSS (at least 73 of which are based in California) in three industries that have a substantial and prominent presence in this State—the entertainment industry, the computer industry, and the consumer electronics industry. Scores of California companies have made enormous investments in DVDs, DVD players, and DVD software based on the existence and enforceability of the CSS trade secrets.

Protection of trade secrets is particularly necessary in an economy that is increasingly fueled by technological innovation—notably, in the field of computer technology—because trade secret law is well suited to protect innovation in that field:

⁸ See, e.g., *Kewanee Oil Co. v. Bicron Corp.* (1974) 416 U.S. 470, 481-82 (discussing the important principles underlying trade secret law); *Peabody v. Norfolk* (1868) 98 Mass. 452, 457 (“It is the policy of the law, for the advantage of the public, to encourage and protect invention and commercial enterprise.”); RESTATEMENT (THIRD) OF UNFAIR COMPETITION (1995) § 39 cmt. a and § 43. Indeed, trade secret laws played a critical role in fostering the development of the computer and other high technology industries in

Throughout this uncertainty as to whether patents and copyrights granted any protection to the computer field, the common law of trade secrets stood, by comparison, as a solid legal fortress. Any confidential computer technology, be it hardware or software, copyrightable or not, patentable or unpatentable, could be protected by the trade secret law. . . . The common law of trade secrets plays a major part in affording timely legal protection for our rapidly expanding technology.

1 JAGER, § 1.02, at 1-3 to 1-4; *see also Computer Assocs. Int'l, Inc. v. Altai, Inc.* (2d Cir. 1992) 982 F.2d 693, 717 (“Precisely because trade secret doctrine protects the discovery of ideas, processes, and systems which are explicitly precluded from coverage under copyright law, courts and commentators alike consider it a necessary and integral part of the intellectual property protection extended to computer programs.”).

Trade secret law is also well suited to protect computer technology because preliminary injunctive relief, common in trade secret cases, is the only effective tool to protect against widespread dissemination of misappropriated trade secrets, and particularly stolen trade secrets that can be distributed in computer files, as is true of DeCSS. There is universal agreement that permanent injunctive relief is simply inadequate to protect trade secrets because of the reality that the secret will lose its value before permanent relief can be obtained. There is likewise general agreement that damages are an inadequate remedy because it is difficult or impossible to determine the value of a destroyed trade secret. *See AMEDEE E. TURNER, THE LAW OF TRADE*

this country. 1 JAGER, *supra*, §1.02, at 1-2 to 1-4; *see also* §§1.04, at 1-10 to 1-13; 1.05, at 1-14 to 1-15.

SECRETS 427-59 (1st ed. 1962). Only if these remedies are joined with the availability of preliminary injunctive relief can a trade secret owner have the full protection of the law.

This case is a paradigmatic instance in which injunctive relief is the only effective remedy. This fact was noted by the superior court and the other courts that have considered whether the dissemination of DeCSS can be enjoined.⁹ In the words of the superior court:

If the Court does not immediately enjoin the posting of this proprietary information, the Plaintiff's right to protect this information as secret will surely be lost, given the current power of the Internet to disseminate information and the Defendants' stated determination to do so. . . . In that event, the protection afforded by the encryption system licensed by the Plaintiff, whether to limit DVD hardware and software suppliers or to control unauthorized copying and distribution of DVD content will become completely meaningless.

AA 714-15. This devastating consequence is particularly problematic in this case because CSS is already encoded in both software and hardware, and there is no way of updating it to respond to DeCSS. With no injunction to prevent DeCSS from becoming widely available on the internet, going after individuals who use it to pirate copyrighted material in suits for damages would be extremely difficult both technologically and economically.

By declaring the preliminary injunctive relief awarded under the California UTSA unconstitutional, the Court of Appeal's decision

⁹ "DeCSS enables the initial user to copy the movie in digital form and transmit it instantly in virtually limitless quantity, thereby depriving the movie producer of sales. The advent of the Internet creates the potential for instantaneous worldwide distribution of the copied material." *Corley*, 273 F.3d at 429.

not only decimates trade secret protection for DVD CCA and those California industries that rely on CSS trade secrets, it also puts at risk every California business that depends on trade secret law. If not reversed, the decision will discourage innovation, undermine business morality, and otherwise impair the vital interests of the State of California.¹⁰

In contrast, neither the Court of Appeal nor Bunner has identified any concrete policy justification for banning preliminary injunctive relief prohibiting the dissemination of trade secrets on First Amendment grounds. Certainly there is no special First Amendment value in encouraging communications intended to destroy valuable trade secrets and to permit individuals to illegally copy and use others' copyrighted works. Nor could the Court of Appeal recite any accepted rationale for extending the prior restraint doctrine to cover speech-related conduct that violates private intellectual property rights and promotes illegal copyright violations.

The Court of Appeal's decision adopted an expansive and absolutist application of the prior restraint doctrine that wrongly makes courts impotent to enjoin clear trade secret violations, no matter how unjust the result, merely because some expression is also incidentally present.

¹⁰ The decision of the Court of Appeal also threatens to put the United States in breach of one of its international trade agreements, the Agreement on Trade-Related Aspects of Intellectual Property Rights. That agreement requires treaty signatories to afford owners of trade secrets legal protections, including "provisional relief," to prevent the theft of such intellectual property. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, art. 41, 33 I.L.M. 1191, 1213-14.

II. THE SUPERIOR COURT'S INJUNCTION PROHIBITING THE DISTRIBUTION OF DeCSS IS SUBJECT TO NO MORE THAN INTERMEDIATE SCRUTINY UNDER THE FIRST AMENDMENT.

The Court of Appeal erred most significantly in its failure to apply a lower level of First Amendment scrutiny and in its mistaken conclusion that the dissemination of DeCSS on the internet is "pure speech." The Supreme Court's First Amendment jurisprudence does not and has never permitted individuals to escape the consequences of their conduct simply by claiming that the conduct was expressive or had communicative potential. Instead the Supreme Court has carefully defined a level of intermediate scrutiny that upholds governmental restrictions that regulate speech in a content neutral way or that focus primarily on conduct (even though mixed with speech).

A. The Injunction Under the California UTSA Is Subject to Intermediate Scrutiny Because the Statute Is Content Neutral.

By equating the act of posting DeCSS on the internet with "pure speech," the Court of Appeal wrongly leapfrogged to the most restrictive level of First Amendment scrutiny, when it should have carefully evaluated the nature of the California UTSA provision authorizing the superior court's injunction and its relation to the alleged speech at issue. Even a restriction on pure political speech can survive scrutiny if the restriction itself is content neutral or legitimately directed toward conduct.

The United States Supreme Court has long held that regulations unrelated to the content of speech are subject to only an intermediate level of scrutiny. *See Turner Broadcasting Sys., Inc. v. F.C.C.* (1994) 512 U.S. 622, 642 (considering "must-carry" laws requiring cable

operators to carry local stations); *Ward v. Rock Against Racism* (1989) 491 U.S. 781, 791 (considering laws governing volume levels at a bandstand in New York City). When there is “no claim that the ordinance was designed to suppress certain ideas that the [government] finds distasteful,” then intermediate scrutiny applies. *Members of City Council v. Taxpayers for Vincent* (1984) 466 U.S. 789, 802.

The principal inquiry in determining content neutrality is whether the government has adopted a regulation of speech because of disagreement with the message it conveys. *Ward*, 491 U.S. at 791. The controlling consideration, therefore, is the legislature’s purpose in enacting a trade secret law that permits injunctive relief. *Id.* No court or commentator has ever suggested that California’s trade secret act was enacted with any thought, much less intention, to restrict speech with which the State disagrees. California, like other jurisdictions, adopted the common law of trade secrets and later enacted its version of the Uniform Trade Secrets Act solely to protect trade secrets as a way of encouraging innovation, economic growth, and ethical business behavior.

The purpose of enjoining the distribution of DeCSS was not to stop the spread of any ideas contained in the program; it was to prevent the improper use of DVD CCA’s trade secrets for decrypting and illegally copying DVDs. Because California trade secret law neutrally prohibits the misappropriation and misuse of trade secrets, regardless of any expressive content of the trade secrets themselves or the manner in which they are misappropriated or misused, the

California UTSA is content neutral. Bunner's claim to First Amendment protection is subject at most to intermediate scrutiny.

The Court of Appeal's analysis failed to recognize that the First Amendment, instead of running roughshod over government interests, must sometimes be reconciled with them. In recent years this Court has frequently found cause to balance First Amendment rights against various government interests. In *Comedy III Productions, Inc. v. Gary Saderup* (2001) 25 Cal.4th 387, the Court formulated a balancing test weighing the right of publicity against the First Amendment. Realizing that the First Amendment does not create a right to steal another's intellectual property, the Court upheld an injunction against reproduction of materials that infringed on the right of publicity. *See id.* at 410. The Court has applied a balancing test in a variety of First Amendment cases. *See Thompson v. Dept. of Corrections* (2001) 25 Cal.4th 117 (prison regulation is not violation of inmate's First Amendment rights where regulation is reasonably related to penological interests); *People v. Toledo* (2001) 26 Cal.4th 221 (California's criminal threat statute is not a violation of defendant's First Amendment rights); *Smith v. Fair Employment and Housing Commission* (1996) 12 Cal.4th 1143 (FEHA's prohibition of discrimination based on marital status is not violation of landlord's First Amendment rights).

B. The Distribution of DeCSS by Internet Posting Is Conduct with Limited Expressive Capacity Subject at Most to Intermediate Scrutiny Under *O'Brien*.

One key category of content-neutral regulation includes restrictions on the nonspeech elements of expressive conduct. In

United States v. O'Brien (1968) 391 U.S. 367, the Supreme Court upheld the criminal prosecution of a man who burned his draft card in political protest. Although the expressiveness of O'Brien's actions constituted protected political speech of the highest degree, the Court permitted the application of a statute prohibiting the destruction of a draft card because the statute had a legitimate nonspeech purpose and was directed at conduct rather than the speech itself. "This Court has held that when 'speech' and 'nonspeech' elements are combined in the same course of conduct, a sufficiently important governmental interest in regulating the nonspeech element can justify incidental limitations on First Amendment freedoms." *Id.* at 376.

The most glaring error in the Court of Appeal's analysis is its failure to even consider the nature of the speech at issue and the governmental interest in preventing the theft and destruction of trade secrets. While the court expressly acknowledged that the California UTSA is intended to "protect trade secrets" and is not directed at speech, it wrongly assumed that such statutory provisions must "bow" to free speech concerns with no further analysis. 113 Cal. Rptr. 2d at 349.

O'Brien and its progeny teach otherwise. The Supreme Court has been careful to uphold statutory and common-law restrictions on speech when the prohibition is directed at conduct rather than the speech itself. Thus, the Supreme Court has upheld not only a prohibition on the destruction of draft cards in *O'Brien*, but also, for instance, the regulation of the placement of tobacco products for sale, *Lorillard Tobacco Co. v. Reilly* (2001) 121 S.Ct. 2404, 2429, and prohibitions on public nudity, *City of Erie v. Pap's A.M.* (2000) 529

U.S. 277, 289, against claims that those provisions improperly restricted speech. Importantly, the analysis is driven not by the nature of the speech, but by the nature of the government restriction. See *Clark v. Community of Creative Non-Violence* (1984) 468 U.S. 288, 298. Thus, the fact that *O'Brien* involved core speech in the nature of political protest did not, for example, require a higher level of scrutiny, because the statute itself was directed at conduct, not speech.

Bunner cannot rationally argue that the California UTSA is directed at speech of any kind. As stated above, even the Court of Appeal acknowledged that its purpose is to “protect trade secrets,” and courts and commentators have long agreed that common-law and statutory trade secret protections are intended to promote substantial government interests in innovation and business morality. See, *supra*, pp. 18-19. Any impact on speech is purely incidental to the application in a particular case, as was Mr. O’Brien’s ill-chosen method of protesting the draft, and should not doom the application of the trade secrets law merely because Bunner’s statutory violation involved some elements of conduct capable of expression.

O'Brien applies because the California UTSA does not proscribe particular conduct on the basis of its alleged expressive elements. *Texas v. Johnson* (1989) 491 U.S. 397, 406; see *id.* at 403 (explaining that “[i]f the State’s regulation is not related to expression, then the less stringent standard we announced in [*O'Brien*] for regulations of noncommunicative conduct controls”). The injunction prohibiting Bunner from posting DeCSS has *nothing* to do with any purported “expressive element” in the DeCSS code and *everything* to do with protecting valuable trade secrets and copyrights. The sole

protected files. Thus, it has a distinctly functional, non-speech aspect in addition to reflecting the thoughts of the programmers.” See *Universal City Studios, Inc. v. Reimerdes* (S.D.N.Y. 2000) 111 F.Supp.2d 294, 328-29 (*aff’d* in *Corley*). These realities require a First Amendment analysis that treats code as combining nonspeech and speech elements, *i.e.*, functional and expressive elements.

1. Neither DeCSS Nor Bunner’s Posting of It on the Internet Is Pure Speech.

By erroneously concluding that “the trial court’s preliminary injunction barring Bunner from disclosing DeCSS can fairly be characterized as a prohibition of ‘pure’ speech,” the Court of Appeal implicitly rejected the growing consensus that both source and object code are mixed speech and conduct under the First Amendment.¹³ In *Corley*, which addressed DeCSS in the context of the Digital Millennium Copyright Act, 17 U.S.C. §1201(a), the Second Circuit concluded that DeCSS is not pure speech because it performs the functional task of decrypting DVDs rather than communicating

¹² See *Commodity Futures Trading Comm’n v. Vartuli* (2d Cir. 2000) 228 F.3d 94, 111-12 (holding that a currency trading program is not speech).

¹³ The Court of Appeal’s belief that DeCSS was only disseminated as source code was in error. As the record reflects, and as Bunner pointed out in his motion to modify the decision of the Court of Appeal, DeCSS also exists, and was widely disseminated, as “object code.” AA, pp. 479-80. This misunderstanding by the Court of Appeal apparently affected its decision, since it found that “object code” is not “expressive speech” and thus is not subject to First Amendment protection. 113 Cal. Rptr. 2d at 348 (“If the source code were ‘compiled’ to create object code, we would agree that the resulting composition of zeroes and ones would not convey ideas.”).

information.¹⁴ See 273 F.3d at 451. Once installed on a computer, DeCSS allows the operator to decrypt and then illegally copy a DVD.

As the court explained:

DeCSS is computer code that can decrypt CSS. In its basic function, it is like a skeleton key that can open a locked door, a combination that can open a safe, or a device that can neutralize the security device attached to a store's products. DeCSS enables anyone to gain access to a DVD movie without using a DVD player.

Id. at 453. *Corley's* analogizing of DeCSS to a key explains why posting DeCSS cannot be an act of pure speech. Posting DeCSS for others to download and use is like making a million copies of a key to someone's house and handing them out at the mall. While the act might have some expressive content, the First Amendment will not prohibit the courts from enforcing private intellectual property rights against clearly violative conduct.

The Court of Appeal's erroneous conclusion that the source code is more like a book than a key because of its communicative potential also ignores the fact that the First Amendment does not protect illegal behavior simply because it involves a technology with *communicative potential*; it protects only *actual communication*.¹⁵

¹⁴ Bunner has contended that *Corley* is distinguishable because the DMCA was passed by Congress pursuant to its power under the Copyright Clause. But the court's analysis was very narrowly focused on the threshold issue of whether DeCSS is speech. See generally *Corley*, 273 F.3d at 445. Nothing in the opinion suggests that the court concluded that DeCSS was pure speech whose regulation was nonetheless permissible as an exercise of Congress's constitutionally granted copyright power.

¹⁵ See, e.g., *Vartuli*, 228 F.3d at 111-12 (concluding that code is not speech where it is not used to communicate ideas); see also Ryan Christopher Fox, *New Law and Old Technology: The Problem of Computer Code and the*

The First Amendment does not shield the sale of a stolen book simply because someone may later read the book. Courts must examine the way computer code is actually used in a particular case and should not rely on the theoretical possibility that the code *can* be used to communicate.

DeCSS was posted as a means of distributing software to permit others to download, install, and use the program to decrypt, play, and copy protected movies on DVD. The posting is not functionally different from the nonspeech commercial distribution of other free software over the internet, like Adobe's Acrobat Reader, Real Networks' RealAudio player, or Netscape's Navigator browser. Bunner expressly conceded the software-distribution purpose in stating that he posted DeCSS to "provid[e] others with access to the 'deCSS' program, and thereby enabl[e] Linux users to play 'DVDs'." AA, p. 287. In other words, he sought to distribute the DeCSS software so that others could use the *functional* capability of busting the CSS encryption.

DeCSS is a tool. Making a tool available to someone—shipping them a crowbar so that they can break into a house—is not a protected speech act, even if it is accompanied by speech. It does not matter that the person who sends the crowbar does not use it, because the act of sending it is sufficiently distinguishable from any

First Amendment (2002) 49 UCLA L. REV. 871, 915 (concluding that courts must look to how code is used in order to determine its degree of protection); Orin S. Kerr, *Are We Overprotecting Code? Thoughts on First-Generation Internet Law* (2000) 57 WASH. & LEE L. REV. 1287, 1287 (arguing that code should be governed based on what it "does," not what it "is").

accompanying speech to permit it to be independently regulated. Bunner made DeCSS, a tool designed to unlock DVDs, available to anyone on the internet. Because DeCSS was intended to be used, and will in fact be used, for that purpose, Bunner's posting of DeCSS for internet distribution is not protected pure speech. *See Reimerdes*, 111 F.Supp.2d at 331 ("Given the virtually instantaneous and worldwide dissemination widely available via the Internet, the only rational assumption is that once a computer program capable of bypassing such an access control system is disseminated, it will be used.").

2. The Courts Have Uniformly Treated Computer Code as Nonspeech or Mixed Speech and Conduct.

Every other court to consider the First Amendment status of computer code has concluded that it is either not speech at all or is mixed speech and conduct subject to intermediate scrutiny.¹⁶ The Second Circuit, addressing the same DeCSS code at issue in this case, reasoned:

just as the realities of what any computer code can accomplish must inform the scope of its constitutional protection, so the capacity of a decryption program like DeCSS to accomplish unauthorized—indeed, unlawful—access to materials in which the Plaintiffs have intellectual property rights must inform and limit the scope of its First Amendment protection.

Corley, 273 F.3d at 453 (emphasis added).

¹⁶ *See Corley*, 273 F.3d at 454; *Vartuli*, 228 F.3d at 111-12; *Junger*, 209 F.3d at 484; *see also Bernstein v. United States Dep't of Justice* (1999) 176 F.3d 1132, 1140-41, *reh'g granted and opinion withdrawn*, (9th Cir. 1999) 192 F.3d 1308; *Bernstein v. United States Dep't of State* (N.D. Cal. 1996)

Likewise, the Court of Appeal's heavy reliance on *Junger v. Daley* (6th Cir. 2000) 209 F.3d 481, is misplaced. The Court of Appeal correctly noted that *Junger* held that computer source code can be expressive and therefore protected by the First Amendment. 113 Cal.Rptr.2d at 348. But in finding that DeCSS is pure speech, the Court of Appeal completely disregarded the Sixth Circuit's ultimate holding in *Junger* that the functional capabilities of the computer code subjected the regulation only to intermediate scrutiny under the First Amendment. *Junger*, 209 F.3d at 485 ("The functional capabilities of source code, particularly those of encryption source code, should be considered when analyzing the governmental interest in regulating the exchange of this form of speech."). In other words, the Court of Appeal relied on a preliminary finding in *Junger* to support a conclusion that *Junger* itself expressly rejected. *See also Karn*, 925 F.Supp. at 10 (upholding regulation of cryptography software under intermediate scrutiny because "the government's rationale for the regulation controls, regardless of the form of the speech or expression regulated").

The Court of Appeal's treatment of the posting of DeCSS as pure speech for which no injunction may issue would, if accepted, have serious and harmful collateral consequences. It suggests that no party may obtain preliminary injunctive relief against the posting of a computer program on the internet, no matter what the functional capacity of the program, leading to patently absurd results. A court could not, for instance, enjoin the posting or email broadcast of a

922 F.Supp. 1426, 1434-36; *Karn v. United States Department of State* (D.D.C. 1996) 925 F.Supp. 1, 9-10.

worm—a self-replicating, self-executing computer virus that hops from computer to computer erasing hard drives or causing other harm—because the worm itself would be considered pure speech under the Court of Appeal’s analysis. A suit for damages would be small comfort to businesses or individuals whose servers are attacked in the meantime, and it makes no sense to interpose the First Amendment as an obstacle to the best legal remedy available to prevent harm not caused by speech—just as it makes no sense to invoke the First Amendment to block courts from preventing the destruction of trade secrets through the distribution of illicit decryption software over the internet.

In sum, Bunner’s posting of DeCSS was conduct intended as a means of distributing a software program that both violates DVD CCA’s trade secrets and promotes copyright violations. Because the California UTSA and the trial court’s injunction in this case are directed at preventing the irreparable harm caused by that conduct, and not at any speech element that might be associated with it, the injunction should have been reviewed under the intermediate scrutiny standard of *O’Brien*.

C. The Superior Court’s Injunction Withstands Intermediate Scrutiny.

Under *O’Brien*, a government regulation is sufficiently justified: (1) if it is within the constitutional power of the Government; (2) if it furthers an important or substantial governmental interest; (3) if the governmental interest is unrelated to the suppression of free expression; and (4) if the incidental restriction on alleged First Amendment freedoms is no greater than is essential to

the furtherance of that interest. *See O'Brien*, 391 U.S. at 377. The trial court's order easily passes that test.

1. The Injunction Is Within the Constitutional Power of the Government.

The California UTSA was passed under the state's general police power. It is undisputed that the state has the power to pass trade secret laws. *See Kewanee Oil Co. v. Bicron Corp.* (1974) 416 U.S. 470, 493.

2. The Injunction Serves a Substantial Government Interest.

No one disputes that important government interests are furthered by trade secret law. Trade secret laws encourage growth by rewarding the producers of technological innovation. Beyond that, trade secret laws also promote business morality and protect the fundamental rights of the trade secret owner by punishing those who engage in unethical or improper means to acquire another's trade secret. For these reasons, courts have long recognized that trade secret laws further substantial government interests.¹⁷

3. California's Interest in Protecting Trade Secrets Is Unrelated to the Suppression of Free Expression.

California's interest in protecting trade secrets is to encourage economic growth and ethical business behavior and has nothing to do with the suppression of free expression. The inquiry is whether the government's interest is in suppressing the "expressive" aspects of the conduct, or instead is addressed to some other goal. *See Texas v.*

Johnson (1989) 491 U.S. 397, 406. “Where ‘speech’ and ‘nonspeech’ elements are combined in the same course of conduct, a sufficiently important governmental interest in regulating the nonspeech element can justify incidental limitations on First Amendment freedoms.” *See id.*

The nonspeech function of DeCSS allows a user to decrypt and copy DVDs. *See, supra*, Section II(B). And while the DeCSS code may communicate ideas about encryption technology to those few who can and care to read it, that is not the focus of the injunction, and Bunner does not contend that the government would have any interest in suppressing the improper distribution of the encryption technology contained in DeCSS or CSS if that were not the technology that protects DVDs. The injunction entered in this case was for the sole and limited purpose of protecting DVD CCA’s trade secrets.

4. The Injunction Does Not Burden Substantially More Speech Than Is Necessary to Further the Government’s Interest in Protecting Trade Secrets.

The trial court’s injunction was narrowly tailored to burden no more speech than absolutely necessary to protect DVD CCA’s trade secrets. The preliminary injunction expressly avoided prohibiting any pure speech by defendants: “Nothing in this Order shall prohibit discussion, comment or criticism, so long as the proprietary information identified above is not disclosed or distributed.” AA, p. 716. The injunction does not prohibit any speech beyond DVD CCA’s trade secrets. Bunner may still protest the existence of CSS,

¹⁷ A fuller discussion of the interests served by trade secret law is included

DVD CCA, the movie industry in general, or the Trilateral Commission. Nothing prevents him from discussing the theories or techniques of encryption used in DeCSS, so long as those discussions do not disclose trade secrets. The preliminary injunction does not restrict Bunner from discussing or publishing opinions and information about CSS or DeCSS. It does not enjoin him from developing his own encryption or decryption technology. He is free to study and experiment with cryptography. But he may not “express” his desire or ability to decrypt DVDs by distributing a computer program containing or substantially derived from misappropriated proprietary CSS algorithms and keys. Thus the injunction does not burden “substantially” more speech than is necessary to protect trade secrets.

III. THE SUPERIOR COURT’S NARROWLY TAILORED INJUNCTION IS NOT AN IMPERMISSIBLE PRIOR RESTRAINT.

A. Not Every Injunction Alleged to Restrict Expression Is an Impermissible Prior Restraint.

The preliminary injunction entered by the superior court is a routine order preserving private intellectual property rights, and the Court of Appeal was wrong to suggest that injunctions that restrict speech are only granted in the rarest occasions. As the district court in the DMCA case noted:

The classic prior restraint cases were dramatically different from this one. *Near v. Minnesota* involved a state procedure for abating scandalous and defamatory newspapers as public nuisances. *New York Times Co. v. United States* dealt with an attempt to enjoin a newspaper

in Section I, above. See, e.g., *supra*, footnote 8 and accompanying text.

from publishing an internal government history of the Vietnam War. *Nebraska Press Association v. Stuart* concerned a court order barring the reporting of certain details about a forthcoming murder case. In each case, therefore, the government sought to suppress speech at the very heart of First Amendment concern—expression about public issues of the sort that is indispensable to self government.

Reimerdes, 111 F.Supp.2d at 334 (footnotes omitted).

Those concerns do not exist when an injunction is sought by a private party to enforce an intellectual property right and the government's only interest is to protect innovation by enforcing those private rights. The government may not be able to prevent a person from speaking in a park, but surely a court can prevent that person from using property stolen from another to make that speech. That is why injunctions that incidentally restrict speech have *always* been available to protect intellectual property rights. “[T]here are not many reported cases in which challenges to copyright or trademark injunctions are made upon First Amendment grounds. Those challenges that are made have been summarily rejected.” *Ty, Inc. v. Publications International, Ltd.* (N.D. Ill. 2000) 81 F.Supp.2d 899, 902. That fact was acknowledged by Justice White in the Pentagon Papers case: “[n]o one denies that a newspaper can properly be enjoined from publishing the copyrighted works of another.” *New York Times Co. v. United States* (1971) 403 U.S. 713, 730 n.1 (White, J., concurring). Justice White distinguished injunctions sought by private parties to protect intellectual property rights from those sought by the government: “when . . . the complainant is a private copyright holder enforcing a private right,” the situation is “quite distinct from

the Government's request for an injunction against publishing information about the affairs of government." *Id.*

B. The First Amendment Prior Restraint Doctrine Does Not Prohibit Injunctions to Protect Intellectual Property.

Courts have frequently enjoined the dissemination of stolen intellectual property, noting that such injunctions are not impermissible prior restraints. When a "private plaintiff[]" attempts "to protect its property rights," a preliminary injunction does not "constitute an unconstitutional 'prior restraint.'" *Dallas Cowboys v. Pussycat Cinema, Ltd.* (2d Cir. 1979) 604 F.2d 200, 206. Because enforcement of intellectual property rights is content neutral, there is no question of government censorship and hence no need to engage in the prior restraint analysis. *See id.*

The Court has clearly stated that "[a] prior restraint is a *content-based* restriction on speech prior to its occurrence." *Planned Parenthood Shasta-Diablo, Inc. v. Williams* (1994) 7 Cal.4th 860, 871, *judgment vacated and remanded in light of Madsen v. Women's Health Care Center* (1994) 512 U.S. 573, (1994) 513 U.S. 956, and *aff'd on remand*, (1995) 10 Cal.4th 1009 (*quoting Northeast Women's Center, Inc. v. McMonagle* (3rd Cir. 1991) 939 F.2d 57, 63) (emphasis added); *see also Madsen*, 512 U.S. at 763-64 (holding that a content neutral restriction on political speech is subjected to intermediate scrutiny, and that "[n]ot all injunctions that may incidentally affect expression . . . are 'prior restraints' in the sense that that term was used in *New York Times Co.*"); *cf. Southeastern Promotions, Ltd. v. Conrad* (1975) 420 U.S. 546, 558-59. Indeed, this Court upheld a

content neutral injunction on expressive conduct protesting abortion, a matter of public concern and therefore generally entitled to the strongest protection. *See Planned Parenthood*, 10 Cal.4th at 1025. Because DVD CCA's trade secrets are not matters of public concern, however, their posting is entitled to even less First Amendment protection than the conduct of the picketers in *Planned Parenthood*. *See Bartnicki v. Vopper* (2001) 532 U.S. 514, 533. Trade secrets are so clearly not of public concern that the Supreme Court recently used them to exemplify matters of "purely private concern." *See id.* Because injunctions to protect intellectual property are content neutral restrictions affecting conduct expressive of private concerns, they are not subject to a prior restraint analysis.

This holds true in all areas of intellectual property law. Lanham Act injunctions to prevent the copying of trademarks, for instance, have successfully withstood all First Amendment challenges.¹⁸ Similarly, injunctive relief has been repeatedly recognized as an

¹⁸ *See Brach Van Houten Holding, Inc. v. Save Brach's Coalition For Chicago* (N.D. Ill. 1994) 856 F.Supp. 472 (granting a preliminary injunction to prevent the defendant from using plaintiff's logo). "Trademarks are property rights and as such, need not 'yield to the exercise of First Amendment rights under circumstances where adequate alternative avenues of communication exist.'" *Id.* at 476. *See also Goto.Com, Inc. v. Walt Disney Co.* (9th Cir. 2000) 202 F.3d 1199 (affirming preliminary injunction in trademark infringement suit); *Dallas Cowboys Cheerleaders, Inc. v. Scoreboard Posters, Inc.* (5th Cir. 1979) 600 F.2d 1184 (affirming preliminary injunction and rejecting prior restraint argument in a case of alleged copyright and service mark infringement); *Ty, Inc. v. West Highland Pub., Inc.* (N.D. Ill. Oct. 5, 1998) 1998 WL 698922, at *19; *Playboy Enterprises, Inc. v. Calvin Designer Label* (N.D. Cal. 1997) 985 F.Supp. 1220 (granting preliminary injunction to prevent alleged trademark infringement); *Hasbro v. Internet Entertainment Group, Ltd.* (W.D. Wash.

appropriate means to protect the right of publicity, despite First Amendment challenges. *See, e.g., Winterland Concessions Co. v. Sileo* (N.D. Ill. 1981) 528 F.Supp. 1201, 1214 (preliminary injunction against production of shirts bearing the names of musical entertainers because “[t]he First Amendment is ‘not a license to trammel on legally recognized rights in intellectual property’”) (quoting *Dallas Cowboys Cheerleaders*, 600 F.2d at 1188).¹⁹ Requests for preliminary injunctions against copyright infringement also regularly survive First Amendment challenge. *See e.g., Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.* (D. Utah 1999) 75 F.Supp.2d 1290, 1295 (upholding preliminary injunction against posting of plaintiff’s copyrighted materials on the Internet because “[t]he First Amendment does not give defendants the right to infringe on legally recognized rights under the copyright law”).

C. Preliminary Injunctions Are Available to Protect Stolen Trade Secrets.

California courts have enjoined dissemination of trade secrets in a variety of circumstances, and courts have regularly issued or upheld injunctions on the publication of trade secrets over First Amendment defenses.²⁰ The Court of Appeal unsuccessfully attempted to distinguish this case by noting that prior courts had enjoined the “use” of trade secrets, but not their publication. 113

1996) 1996 WL 84853 (granting preliminary injunction in trademark infringement case).

¹⁹ *See also Michaels v. Internet Entertainment Group, Inc.* (C.D. Cal. 1998) 5 F.Supp.2d 823 (granting a preliminary injunction against the dissemination of a videotape of the plaintiff based on a right-of-publicity claim).

²⁰ *See, supra*, footnotes 5-7 and accompanying text.

Cal.Rptr.2d at 349. In truth, however, most injunctions against the use or disclosure of trade secrets enjoin expression as much or more than the preliminary injunction in this case. In cases like *Pepsico, Inc., v. Redmond* (6th Cir. 1995) 54 F.3d 1262, in which the court enjoined a former employee of a company from going to work for a competitor, the concern is nearly always that the departing employee will *communicate* trade secrets to the new employer. *See id.* at 1272. No one worries that a former employee in possession of proprietary information—say, the design of an unpatented computer chip²¹—will go to a rival and start working on the factory floor. Instead, the harm is caused when the new employee communicates that trade secret to her employer, who then uses it to build a competing chip, much as Bunner has distributed DeCSS to allow users to decrypt and copy DVDs. When a trade secret is involved, it is the transfer of the secret and its subsequent use that ultimately results in the harm—and that transfer always occurs in some expressive form. Indeed, the order upheld in *Pepsico* explicitly enjoins the former employer “from forever disclosing [the former employer’s] trade secrets,” whether employed by the rival or not. *See id.*

So common is it for courts to directly or indirectly enjoin the communication of a trade secret that it is difficult to find cases in which a First Amendment defense prevents an injunction against disclosing trade secrets. Instead, Bunner has relied on *Procter and Gamble Co. v. Bankers Trust Co.* (6th Cir. 1996) 78 F.3d 219, a case

²¹ *See Garth*, 876 S.W.2d at 547-48.

that has little to do with trade secrets,²² and *Bridge C.A.T. Scan Associates v. Technicare Corp.* (2d Cir. 1983) 710 F.2d 940, in which the court reached the *opposite* conclusion from the one for which Bunner cites it. *Id.* at 946 (noting that an injunction on publication may be available “where a party has obtained [trade secrets] innocently but has thereafter learned of their misappropriation,” but disapproving of an injunction in the absence of evidence that any trade secrets were misappropriated).

Bunner also relies on *Ford Motor Co. v. Lane* (E.D. Mich. 1999) 67 F.Supp. 745, 747, which does conclude, erroneously, that the First Amendment protects publication of misappropriated trade secrets. This novel holding stands in stark relief to two centuries of precedent and has already been criticized by Roger Milgrim, author of the definitive trade secrets treatise, and others.²³ The Court should

²² In *Procter & Gamble*, the district court issued a protective order allowing litigants in a fraud case to designate which discovery documents they wanted filed under seal without judicial oversight. *See* 78 F.3d at 222. Eventually, both the district court and the court of appeal concluded that the documents were not entitled to confidentiality under Federal Rule of Civil Procedure 26(c), which allows sealing of court documents for “good cause.” *See id.*; FED. R. CIV. P. 26(c). There was no evidence that the documents contained trade secrets; the court of appeals noted that they were “standard litigation filings.” 78 F.3d at 225. No less a commentator than Roger Milgrim has noted that “the implication of *Procter & Gamble* is that if there is a legitimate trade secret interest in the matter sought to be protected, then it is within the power of courts to grant injunctive relief.” 3 MILGRIM, *supra*, § 14.01[2][a], at 14-26 n.15.

²³ *See* 3 MILGRIM, *supra*, § 14.01[2][a], at 14-26 n.15. Milgrim notes that the *Ford* court read *Procter & Gamble* to prohibit injunctions on the publication of trade secrets when “*Procter & Gamble* held nothing of the sort,” and comments that “there is a long line of authority upholding content neutral injunctions to protect intellectual property and that such injunctive relief is not an impermissible prior restraint.” *See id.* *See also*

reject *Ford's* novel, rigid, and inaccurate reading of the First Amendment.

D. The Superior Court's Injunction Enjoined Repeated Unlawful Conduct and Was Not an Impermissible Prior Restraint.

The superior court's injunction is excepted from the strict standard applied to prior restraints not only because it is a private party's content neutral attempt to enforce intellectual property rights, but also because it enjoins repeated, unlawful speech.²⁴ The protections of the First Amendment do not "extend to joining with others for the purpose of depriving third parties of their lawful rights." *People ex rel. Gallo v. Acuna* (1997) 14 Cal.4th 1090, 1112 (quoting *Madsen v. Women's Health Center, Inc.* (1994) 512 U.S. 753, 776).

Beckerman-Rodau, *supra*, at 5 ("trade secrets, despite any expressive component, should be treated as property that falls outside of the domain of the First Amendment. The very existence of a trade secret depends upon maintaining its secrecy. Therefore, protection of a trade secret via preliminary relief is necessary to avoid irreparable destruction of the property prior to any adjudication of rights in the trade secret.").

²⁴ See, e.g., *National Society of Professional Engineers v. United States* (1978) 435 U.S. 679 (approving an injunction against professional association's adoption of official opinions, policy statements or guidelines implying that competitive bidding was unethical); *Pittsburgh Press Co. v. Pittsburgh Comm'n on Human Relations* (1973) 413 U.S. 376 (upholding injunction against newspaper's posting job advertisements in gender-designated columns when it was furtherance of sex discrimination scheme); *Hughes v. Superior Court* (1950) 339 U.S. 460, 470 (holding that an injunction against picketing intended to pressure a store to adopt race-based hiring is constitutional); *Giboney v. Empire Storage & Ice Co.* (1949) 336 U.S. 490, 498 (holding an injunction against peaceful picketing to be constitutional because it was part of a course of conduct to violate a criminal statute against restraint of trade); *N.L.R.B. v. Local No. 3, Inter. Broth. of Elec. Workers, AFL-CIO* (2d Cir. 1987) 828 F.2d 936 (holding that an injunction of union's threat to strike was constitutional).

In recent cases such as *Aguilar v. Avis Rent a Car System Inc.* (1999) 21 Cal.4th 121, this Court has upheld injunctions on repeated and unlawful speech. To the extent that the trial court's injunction may be said to be directed against speech at all, it clearly falls within this category. In *Aguilar*, the Court held that an order enjoining a manager from using racially derogatory language was constitutional. *See id.* at 147. After a long review of the Supreme Court's prior-restraint jurisprudence, the Court noted, "[T]he protection even as to previous restraint is not absolutely unlimited," and "the phrase 'prior restraint' is not a . . . talismanic test." *See id.* at 145 (quoting *Near v. Minnesota* (1931) 283 U.S. 697, 716, and *Kingsley Books, Inc. v. Brown* (1957) 354 U.S. 436, 451). Indeed, the United States Supreme Court has approved of injunctions against the publication or broadcasting of booklets,²⁵ movies,²⁶ and advertisements that were in violation of anti-discrimination laws.²⁷ What is noteworthy about these cases is that they approve injunctions sought by the government on *pure speech*.

The Court concluded that injunctions on the publication of pure speech are not prohibited by the First Amendment when: (1) the speech at issue has already been published and the injunction is aimed at preventing them from continuing publication; (2) the speech is in furtherance of unlawful conduct or is itself unlawful; and (3) there has been a judicial determination to that effect prior to the issuance of the

²⁵ *See Kingsley*, 354 U.S. at 445.

²⁶ *Paris Adult Theatre I v. Slaton* (1973) 413 U.S. 49, 69-70 (holding that so long as a movie is judged obscene under the appropriate standard, its showing may be enjoined.).

²⁷ *Pittsburgh Press Co.* at 413 U.S. at 391.

injunction. *See id.* at 141-42. “[A] specific injunction, issued against a particular party on the basis of a proven past course of conduct, poses less of a danger to free speech interests than a general statutory prohibition.” *Id.* at 145. The Court reached the same conclusion in *Gallo*, stating that a specific injunction does not impose the same “pervasive ‘chill’” that a statutory prohibition on speech does. *Gallo*, 14 Cal.4th at 1114.

The superior court’s injunction restricts less speech than the one upheld in *Aguilar*. As a specific injunction, it addresses itself only to the parties to the case and does not have the same chilling effect as a statutory prohibition. It also enjoins only speech that has already been published and subjected to judicial scrutiny. The *Aguilar* injunction upheld a prohibition on pure speech, while DeCSS is mixed speech and conduct. More importantly, unlike the injunction in *Aguilar*,²⁸ the trial court’s order is content neutral and was issued solely to protect intellectual property rights, not because the government disagreed with the ideas communicated by DeCSS.

The injunction merely prohibits conduct that is unlawful. The trial court concluded that the evidence is “quite compelling” that Bunner’s posting violated trade secret law. The Second Circuit has independently concluded that posting DeCSS violates the DMCA. *See Corley*, 273 F.3d at 455. Finally, DeCSS is designed to enable users to violate copyright law by reproducing copyrighted DVDs. In sum, Bunner’s posting of DeCSS directly violated two statutes and abets the violation of another. Indeed, the district court in *Corley*

²⁸ *See Aguilar*, 121 Cal.4th at 135 n.4 (holding that the injunction was not issued to regulate “secondary effects” of the prohibited speech).

concluded that because DeCSS allows copying of DVDs, its posting is part of a course of conduct whose purpose is to break the law and may be enjoined on that basis alone. *See Reimerdes v. Universal City Studios, Inc.* (S.D. N.Y. 2000) 82 F.Supp.2d 211, 223.²⁹

Although this case differs from *Aguilar* in that the *Aguilar* injunction issued after a jury determination, the concern expressed in

Aguilar that a prohibition on speech will be issued before its legality

can be adjudicated in an adversarial proceeding is not present here.

First, the question of whether posting DeCSS is enjoined has already been closely examined by the trial judge. The superior court chose not to issue a temporary restraining order before it could adequately address Bunner's arguments. The preliminary injunction was issued after a lengthy hearing in which the superior court heard oral argument from both sides and had the opportunity to consider voluminous documentary evidence. Moreover, because the restriction is content neutral, the primary rationale behind the prior restraint doctrine is not implicated in this case.

Unlike the classic prior restraint cases such as *Pentagon Papers* or *Near*, there is no rational concern in the trade-secret context that the Government will preempt the courts' power to make First

²⁹ "Even assuming that some would use DeCSS only to view copyrighted motion pictures which they lawfully possessed, and thus arguably not infringe plaintiffs' copyrights, the record clearly demonstrates that the chief focus of those promoting the dissemination of DeCSS is to permit widespread copying and dissemination of unauthorized copies of copyrighted works. The dissemination of DeCSS therefore is the critical component of a course of conduct, the principal object of which is copyright infringement. That DeCSS arguably is expressive to some degree does not alter that reality." *Id.*

Amendment determinations because it dislikes the speech at issue. For all these reasons, the superior court's injunction is not an impermissible prior restraint.

CONCLUSION

For these reasons, the Court of Appeal's decision should be reversed and the injunction reinstated.

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PROOF OF SERVICE

I, Sylvia R. Vela, certify and declare as follows:

I am over the age of 18 years, and not a party to this cause and employed in the county where the mailing took place. My business address is 111 Congress Avenue, 4th Floor, Austin, Texas, which is located in Travis County, where the mailing took place. On March 22, 2002, I served **Petitioner's Opening Brief on the Merits** by placing a true copy in a sealed envelope and served to each party herein by overnight delivery via **Federal Express** to:

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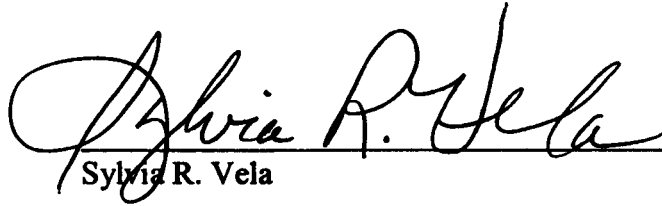
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CERTIFICATE OF COMPLIANCE

I certify that this brief complies with the type-volume limitation of the California Rules of Court Rule 14(c)(1).

Exclusive of the exempted portions in California Rules of Court Rule 14(c)(3), the brief contains 12,284 words.

Christopher J. Cox ^{w/permission} *by [signature]*

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