

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. **02-M-1662 (MJW)**

ROBERT HUNTSMAN, et al.,

Plaintiffs,

and

TRILOGY STUDIOS, INC., et al.,

Counterclaim Defendants

v.

STEVEN SODERBERGH, et al.,

Defendants and Counterclaimants

and

THE DIRECTORS GUILD OF AMERICA,

Defendant-in-Intervention and Counterclaimant-in-Intervention,

**MOTION PICTURE STUDIO DEFENDANTS' RESPONSE BRIEF IN OPPOSITION TO
CLEARPLAY, INC.'S, TRILOGY STUDIOS, INC.'S AND FAMILY SHIELD
TECHNOLOGIES, LLC'S MOTION FOR SUMMARY JUDGMENT**

FAEGRE & BENSON LLP
3200 Wells Fargo Center
1700 Lincoln Street
Denver, Colorado 80203
(303) 607-3500

LOEB & LOEB LLP
345 Park Avenue
New York, New York
(212) 407-4000

Attorneys for the Studio Defendants

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES.....	iii
PRELIMINARY STATEMENT	2
RESPONSE TO MOVANTS’ STATEMENT OF UNCONTROVERTED FACTS	9
ClearPlay, Inc.....	9
ClearPlay’s Preparation and Distribution of Edited Motion Pictures	10
The User’s Operation of ClearPlay Filter Files and Viewing of Edited Motion Pictures	12
Trilogy Studios, Inc.....	13
Trilogy’s Preparation and Distribution of Edited Motion Pictures	14
The User’s Operation of MovieMask Player and Viewing of Edited Motion Pictures	15
Family Shield Technologies LLC.....	18
Family Shield’s Creation and Distribution of Edited Motion Pictures	19
The User’s Operation of Movie Shield and Viewing of Edited Motion Pictures	20
ARGUMENT.....	22
I. THE ELECTRONIC EDITING PARTIES ARE PREPARING AND EXPLOITING INFRINGING DERIVATIVE WORKS BASED ON THE STUDIOS’ COPYRIGHTED MOTION PICTURES.....	22
A. The Copyright Act Does Not Require Infringing Derivative Works to be “Fixed” or Embodied in “Permanent or Concrete Form”.....	24
1. The Plain Language and Legislative History of the Copyright Act Confirm that Movants Are Preparing Infringing Derivative Works	24
2. There is No Basis for Applying <i>Galoob’s</i> Embodiment in “Concrete or Permanent Form” Standard in this Circuit.....	29

Page

B.	<i>Micro Star</i> Confirms that Even Under the Questionable Ninth Circuit Test the Edited Motion Pictures Prepared by the Electronic Editing Parties Are Embodied in “Permanent or Concrete Form” in their Filter Files.....	36
1.	Movants’ Edited Motion Pictures Are Embodied in Permanent or Concrete Form in their Filter Files.....	39
2.	Movants’ Edited Motion Pictures Incorporate Copyrighted Material from the Studios’ Motion Pictures	46
II.	FAMILY SHIELD IS COPYING THE STUDIOS’ MOTION PICTURES IN VIOLATION OF SECTION 106(1) OF THE COPYRIGHT ACT	48
	CONCLUSION	50

TABLE OF AUTHORITIES

CASES

	Page(s)
<u>Atlantic Richfield Co. v. Farm Credit Bank of Wichita</u> , 226 F.3d 1138 (10 th Cir. 2000)	22
<u>Ben Ezra, Weinstein, and Co., Inc. v. America Online Inc.</u> , 206 F.3d 980 (10th Cir. 2000), <i>cert. denied</i> , 531 U.S. 824 (2000)	26
<u>City and County of Denver v. Continental Air Lines, Inc.</u> , 712 F. Supp. 834 (D. Colo. 1989)	27
<u>Conley v. Gibson</u> , 355 U.S. 41 (1957)	22
<u>Dun & Bradstreet Software Serv., Inc. v. Grace Consulting, Inc.</u> , 307 F.3d 197 (3d Cir. 2002), <i>cert. denied</i> , 123 S. Ct. 2075 (2003)	25, 30
<u>In re Geneva Steel Co.</u> , 281 F.3d 1173 (10th Cir. 2002)	27
<u>Jacobsen v. Deseret Book Co.</u> , 287 F.3d 936 (10th Cir. 2002), <i>cert. denied</i> , 123 S. Ct. 623 (2002)	48, 49
<u>Lee v. Deck The Walls, Inc.</u> , 925 F. Supp. 576 (N.D. Ill. 1996), <i>aff'd</i> , 125 F.3d 580 (7 th Cir.1997)	28
<u>Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.</u> , 780 F. Supp. 1283 (N.D. Ca. 1991), <i>aff'd</i> , 964 F.2d 965 (9th Cir. 1992)	30, 31, 41
<u>Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.</u> , 964 F.2d 965 (9th Cir. 1992), <i>cert. denied</i> , 507 U.S. 985 (1993)	5, 29, 30, 31, 32, 33, 35, 36, 47
<u>Lone Ranger Television, Inc. v. Program Radio Corp.</u> , 740 F.2d 718 (9th Cir. 1984)	29
<u>Micro Star v. FormGen Inc.</u> , 154 F.3d 1107 (9th Cir. 1998)	6, 32, 35, 37, 38, 39, 40, 42, 43, 44, 46, 47

<u>Midway Mfg. Co. v. Artic Int'l Inc.</u> , 704 F.2d 1009 (7th Cir. 1983), <i>cert. denied</i> , 464 U.S. 823 (1983)	25
<u>New Mexico Cattle Growers Ass'n. v. U.S. Fish and Wildlife Serv.</u> , 248 F.3d 1277 (10th Cir. 2001)	27
<u>Poole v. County of Otero</u> , 271 F.3d 955 (10th Cir. 2001).	22
<u>Sega Enterprises Ltd. v. Accolade, Inc.</u> , 977 F.2d 1510 (9th Cir. 1992)	30
<u>Stenberg v. Carhart</u> , 530 U.S. 914, 942 (2000)	26
<u>United States v. Saenz-Mendoza</u> , 287 F.3d 1011 (10th Cir. 2002), <i>cert. denied</i> , 123 S. Ct. 315 (2002)	26
<u>Woods v. Bourne Co.</u> , 60 F.3d 978 (2d Cir. 1995)	28, 29

STATUTES

Fed. R. Civ. P. 56	2
17 U.S.C. § 101	7, 23, 26, 29, 30, 34
17 U.S.C. § 102.....	29
17 U.S.C. § 106	24

SECONDARY SOURCES

<i>The House Report on the Copyright Act of 1976</i> , H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. (1976)	28, 33, 34
<i>The Senate Report on the Copyright Act of 1976</i> , S. Rep. No. 94-473, 94th Cong., 1st Sess. (1975)	28, 33, 34
II William F. Patry, <i>Copyright Law and Practice</i> , Ch. 10, (1994 & 2000 Cumulative Supplement)	35

2 Melville B. Nimmer & David Nimmer, <i>Nimmer on Copyright</i> , § 8.09[A] (2003)	35
8 Melville B. Nimmer & David Nimmer, <i>Nimmer on Copyright</i> , Appendix 4 (2003)	28, 33, 34
8 Melville B. Nimmer & David Nimmer, <i>Nimmer on Copyright</i> , Appendix 4A (2003)	28, 33, 34
9 Melville B. Nimmer & David Nimmer, <i>Nimmer on Copyright</i> , Appendix 15 (2003)	28

Co-defendants Metro-Goldwyn-Mayer Studios Inc., Time Warner Entertainment Company, L.P., Sony Pictures Entertainment Inc., Disney Enterprises, Inc., DreamWorks L.L.C., Universal City Studios LLLP, Twentieth Century Fox Film Corporation, and Paramount Pictures Corporation (collectively, together with their subsidiaries and affiliates, the “Studios”), by their attorneys Loeb & Loeb LLP and Faegre & Benson LLP, respectfully submit this response brief in opposition to the motion, pursuant to Fed. R. Civ. P. 56, of Counterclaim-Defendants Nova Group Inc. d/b/a Trilogy Studios Inc. (“Trilogy”), Family Shield Technologies, LLC (“Family Shield”), and ClearPlay, Inc. (“ClearPlay”) (collectively referred to herein as the “Electronic Editing Parties” or the “Movants”), for summary judgment.

PRELIMINARY STATEMENT

The Studios’ copyright infringement claims are not an effort to halt innovative “technologies” nor do they concern the legality of how consumers watch movies in their homes. Rather, relying upon bedrock principles of copyright law and the plain language of the Copyright Act, the Studios simply seek to halt the commercial preparation and exploitation of unauthorized edited versions of their copyrighted motion pictures in direct violation of the Studios’ exclusive right to prepare derivative works.

Movants are not simply providing “technologies” that allow consumers unlimited “choice” in the privacy of their homes to edit out any scene or dialogue the consumer wishes from a motion picture. Rather, in their own facilities, Movants are

preparing edited versions of the Studios' motion pictures with scenes and dialogue that they, not the consumer, find "objectionable" edited out of the motion pictures.

The Electronic Editing Parties create their edited versions of the Studios' motion pictures as follows: they employ someone to watch the movie, (not necessarily anyone with any background in film editing), and this person decides which scenes and which dialogue he or she thinks should be deleted from the playback of the motion picture and places the appropriate detailed instructions in a motion picture-specific "Filter File."¹ This edited version of the motion picture (referred to hereinafter as an "Edited Motion Picture") is created by an Electronic Editing Party employee (or other person working on its behalf); it is not created by the ultimate consumer. The consumer has no discretion or ability to make her own pre-designated edits -- the edits are pre-designated by the Electronic Editing Party and fixed in the Filter File. Thus, the only "choice" a ClearPlay customer has is to watch the authorized version of a motion picture, or the version created by ClearPlay. Further, every ClearPlay customer using the ClearPlay Filter File for this motion picture will see exactly the same edited version created by ClearPlay. It is this Edited Motion Picture, created by the Electronic Editing Party, not the consumer, which is the infringing derivative work, and which they have made a business of creating, and which they distribute for profit to their customers.²

¹ ClearPlay's "Filter File," Trilogy's "Mask File" and Family Shield's "Shield File" are hereinafter referred to generally as a "Filter File."

² Throughout their motion papers and written discovery responses Movants studiously avoid any admission or reference to the fact that they are creating or distributing "edited" versions of the Studios' films (*see, e.g.*, The Player Control Parties' Corrected Opening Brief in Support of Their

The distribution of Movants' Edited Motion Pictures is accomplished by distributing a software file specifically prepared for and only usable with a specific copyrighted motion picture. These individual motion picture-specific Filter Files serve no purpose or function other than to deliver to Movants' customers an unauthorized edited version (or versions) of a specific motion picture. While the customer must possess and insert a copy of the corresponding motion picture DVD in their DVD drive in order to view the Edited Motion Picture, this does not alter the fact (or the legal conclusion) that each Movant has prepared and distributed an unauthorized derivative work based upon a Studio's copyrighted motion picture. For example, what the customer views when employing the corresponding DVD and ClearPlay's software and Filter File to watch a ClearPlay Edited Motion Picture, is functionally equivalent to what the customer could view if they watched the same edited motion picture on one of the edited DVDs or VHS tapes prepared and distributed by one of the non-moving counterclaimant-defendants in this action (the "Mechanical Editing Parties"). In both cases, the customer possesses and can repeatedly

Motion for Summary Judgment, filed June 6, 2003 (hereinafter "Movants' Br.") at 23), preferring, instead, to disguise their activities as providing "technologies" or "tools" to allow a customer to alter their "experience" of watching a motion picture. Movants' own documents and marketing materials, however, refute these transparent efforts and confirm that the Electronic Editing Parties are in the business of selling Edited Motion Pictures. *See, e.g.*, Declaration of Jonathan Zavin, Esq., dated August 7, 2003 ("Zavin Decl.") Ex. 1 ("ClearPlay's editors review the major movies released each month and develop customized presentations you can enjoy in your home."); Ex. 2 (defining use of ClearPlay trademark and service mark as "editing objectionable content from DVDs"); Ex. 3 (Trilogy marketing materials which boast: "The library of edited movies is growing on a weekly basis as new DVD's are released and as masks for older titles are completed."); Ex. 4 (e-mail concerning design of Family Shield website referring to "Downloaded Movies" and requesting: "'EDIT' 'EDITED' 'EDITING': Can we have all uses of the word 'edit' changed to 'shield'."); Ex. 5 (Family Shield's instructions as to "How to Edit a Movie"); Ex. 6 at ¶ 8.

view a fixed edited version of the motion picture with the edits pre-determined by the respective editing party.

The Electronic Editing Parties claim that their method of preparing and distributing their Edited Motion Pictures gives them a technical way of avoiding infringing the exclusive right of the copyright owner to create derivative works, even though the edited work they create is functionally equivalent to that created by the Mechanical Editing Parties. Even though they prepare the Edited Motion Pictures, they claim that because what they distribute is a software file that does not contain the copyrighted images and dialogue from the motion picture, and not the complete Edited Motion Picture itself, that the allegedly infringing Edited Motion Pictures are not “fixed” and, therefore, cannot constitute infringing derivative works under the Copyright Act. *See* Movants’ Br. at 26, 28-29.

This argument fails, however, because under the clear language of the Copyright Act there is no requirement that a derivative work be “fixed” in order to be found infringing. Indeed, the drafters of the Copyright Act explicitly rejected this concept and cited numerous examples of works, such as ballet, pantomimes or improvised performances, which are not “fixed” in any permanent form, yet could infringe a copyright owner’s exclusive right to prepare derivative works.

No court in any Circuit has held that a work must be “fixed” in order to be an infringing derivative work under the Copyright Act. However, the Ninth Circuit alone, in *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965 (9th Cir. 1992) (“*Galoob*”), *cert. denied*, 507 U.S. 985 (1993), imposed a requirement that a work be

embodied in “permanent or concrete form” in order to be deemed an infringing derivative work. Movants (and *amicus* Intel Corp.) erroneously rely on *Galoob* for their assertion that the Edited Motion Picture viewed by a user utilizing a Filter File is not embodied in “permanent or concrete form” and, thus, cannot be an infringing derivative work.

The *Galoob* court’s imposition of a “permanent or concrete form” standard for infringing derivative works is not supported by the plain text or legislative history of the Copyright Act. Indeed, *Galoob* itself acknowledged that “fixation” is not required for an infringing derivative work; yet, with virtually no discussion, went on to impose the basically indistinguishable embodiment in “permanent or concrete form” requirement. This Court should not adopt the Ninth Circuit’s “permanent or concrete form” requirement in this Circuit.

In any event, in *Micro Star v. FormGen Inc.*, 154 F.3d 1107 (9th Cir. 1998) (“*Micro Star*”) the Ninth Circuit revisited and clarified *Galoob*’s “permanent or concrete form” standard. In *Micro Star*, the Ninth Circuit made clear that infringing derivative works (*i.e.*, modified audiovisual displays), were created and “embodied in permanent or concrete form” where, as here, the only material object distributed by the alleged infringer consisted of a computer disc containing software instructions that referenced a separate copyrighted work. Thus, even in the Ninth Circuit, the Edited Motion Pictures would be considered “permanently and concretely” embodied in the individual motion picture-specific Filter Files, and would be deemed infringing derivative works.

Movants' arguments to the contrary disregard the key holdings in *Micro Star*. Movants' arguments that the works they create are not infringing because they are not "substantially similar" to the Studios' copyrighted works are also faulty because they ignore the fundamental distinction in copyright law between a "work" -- in this case, specifically an "audiovisual work"³ -- and the "material objects" in which it may be embodied. The infringing derivative work prepared by Movants is the Edited Motion Picture. The Filter File is one of the "material objects" in which this infringing derivative work is embodied.

Thus, in the eyes of copyright law, there is no difference between the edited version of a Studio's motion picture contained on a single DVD prepared and sold by the Mechanical Editing Parties and the Edited Motion Picture prepared by Movants in their own offices and viewed when using the Filter File together with an authorized DVD containing a Studio's motion picture.⁴ They are both infringing derivative works, *i.e.*, modified audiovisual works, based upon and that incorporate copyrighted material from the Studios' motion pictures without the authority of the copyright owner.

Finally, this Court should disregard Movants' continued efforts to obfuscate the true issues presented by conflating concepts of contributory infringement with direct

³ "Audiovisual works" are defined in the Copyright Act as: "works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied." 17 U.S.C. § 101.

⁴ While the systems offered by Trilogy and Family Shield allow the user to select from several different levels or categories of pre-programmed edits, this option does not in any way alter the "permanency" of the different Edited Motion Pictures they create. These ratings-level "options"

infringement and by attempting to justify their infringement by focusing on what a consumer may or may not do “in their own homes.” As the Studios made abundantly clear in their pleadings in this action and before the Court, they are asserting solely claims of direct infringement. It is not the consumer’s operation and use of the Electronic Editing Parties’ software or Filter Files that is at issue here.⁵ Rather, it is Movants’ creation, distribution and sale of edited versions of a Studio’s film – that are prepared before they ever make their way to any consumers and that are “permanently embodied” in the Movants’ motion picture-specific Filter Files -- that directly infringe the Studios’ exclusive rights to prepare derivative works under § 106(2) of the Copyright Act.

are the simple equivalent of providing viewers with several different edited versions of a motion picture on a single or on multiple DVDs.

⁵ For this reason, the primary arguments and concerns raised in the brief of *amicus curiae* Electronic Frontier Foundation (“EFF”) are entirely off-point. The Studios’ claims against the Movants are not founded upon and do not concern public performance rights. The Studios object to the Movants’ preparation and exploitation of infringing derivative works. Whether a user’s viewing of an Edited Motion Picture in their own home constitutes a “private performance” is completely irrelevant. A consumer who purchases off the street a pirated copy of a Studio’s film on DVD likewise watches this pirated copy of the motion picture “in the privacy of his own home.” This too constitutes a “private performance,” yet, no one could seriously argue that such a use by the consumer means that the person who made and sold the pirated copy did not infringe the copyright owner’s exclusive reproduction and distribution rights. The EFF’s remaining arguments, such as those regarding the “balance” to be struck in copyright law, are meritless because they ignore that Congress already addressed the “balance” of interests at issue here by providing that there is no “fixation” requirement for infringing derivative works.

RESPONSE TO MOVANTS' STATEMENT OF UNCONTROVERTED FACTS

ClearPlay, Inc.

1. ClearPlay prepares unauthorized edited versions of the Studios' motion pictures and then distributes them to their customers who can view them utilizing ClearPlay's "Filtering Application" software and motion picture-specific "Filter File," together with the corresponding motion picture DVD. *See* Zavin Decl. Ex. 7 (Deposition of Matthew Jarman (hereinafter "Jarman Dep.)) at 41:20 – 43:13, 65:19-22, 68:23 – 73:5.

2. ClearPlay is in the for-profit business of providing its subscribers with unauthorized edited versions of major motion pictures with content that ClearPlay deems objectionable edited out of the motion pictures. *See* Zavin Decl. Exs. 1-2, 8.

3. The "ClearPlay" mark is registered as to its services of "editing objectionable content from DVDs" and its products: "computer software for use in filtering objectionable content from movies on DVDs." Zavin Decl. Ex. 2. ClearPlay markets itself and its products as providing "Hollywood Movies without Sex, Profanity, and Violence," and advertises that it "Takes Sex, Violence and Profanity Out of Movies." Zavin Decl. Exs. 9-10. ClearPlay was initially known as MovieCleaners, Inc. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 22:9-15; Ex. 11 at CP-000027.

4. ClearPlay's Filtering Application and Filter Files do not allow the user to pre-designate what specific scenes or dialogue, if any, he or she wants to be edited out of a particular motion picture. All of the edits contained in ClearPlay's motion picture-specific

Filter Files are made and pre-determined by ClearPlay. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 68:23 – 70:10, 88:16 – 89:5; Exs. 12-13.

5. ClearPlay first released its Filtering Application software to the public in late 2001. Generally speaking, ClearPlay’s Filtering Application software communicates with a DVD decoder, providing detailed navigation commands for the playback of a movie. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 57:22 – 58:1, 60:10-13, 66:17 – 67:17.

6. As a motion picture DVD is being played through a DVD decoder, ClearPlay’s Filtering Application and the corresponding Filter File instructs the decoder as to the specific scenes and dialogue to play or to edit out (*i.e.* content is not retrieved), as well as when the audio signal should be muted by setting the volume control to zero. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 41:20 – 42:12, 66:17 – 67:17, 73:9 – 74:8, 174:1 – 175:18; Exs. 12-13.

ClearPlay’s Preparation and Distribution of Edited Motion Pictures

7. Clearplay’s Filter Files are expressly created to comport with a specific DVD version of a motion picture (*e.g.* special, wide screen and full screen editions). The Filter File defines the content of a specific motion picture to be muted or skipped. Thus, the Filter File for one film cannot be used to view an edited version of another film. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 72:8 – 73:5, 174:10-21; Ex. 14 at p. 11, ¶ 7.

8. To create a Filter File for a specific film, ClearPlay uses a proprietary “Screening Application.” The Screening Application allows the ClearPlay editor to note time codes for the beginning and end of the precise scenes and dialogue to be deleted during

playback. In addition, the Screening Application contains the ClearPlay editors' comments concerning the specific edits made. The Screening Application is not distributed to the public. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 68:23 – 70:10, 77:14 – 78:9, 88:16 – 89:5, 109:10 – 111:3, 116:23 – 117:13, 118:13 – 119:23.

9. A ClearPlay employee watches the entire motion picture DVD through the Screening Application software and designates the scenes and dialogue to be skipped or muted. On average, it takes ClearPlay twelve hours to review a motion picture and create a ClearPlay Filter File. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 77:14 – 78:9, 79:14-24.

10. ClearPlay has created Filter Files for over 300 movies, the vast majority of which are the Studios' copyrighted motion pictures. *See* Zavin Decl. Ex. 15.

11. Filter Files are downloaded by consumers from ClearPlay's Internet web site at www.clearplay.com. Once at the appropriate page on the ClearPlay website, the customer is required to provide certain identification information and to pay for a subscription – \$7.95/month, \$79 annually, or \$299 lifetime. Payment of the subscription fee entitles the user to download to her computer: (a) a copy of the ClearPlay Filtering Application; (b) copies of all currently available ClearPlay Filter Files; and (c) copies of newly-created Filter Files as they are made available by ClearPlay during the subscription period. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 60:14-25, 72:8 – 73:5; Ex. 16.

12. Because ClearPlay does not obtain authorization, permission or license from the Studios to use their copyrighted works, ClearPlay benefits in the form of an

inherently low cost structure and very high gross margins. *See* Zavin Decl. Ex. 12; Ex. 17 at CP-000761.

The User's Operation of ClearPlay Filter Files and Viewing of Edited Motion Pictures

13. After a customer completes the registration and subscription process, he or she then downloads and installs the ClearPlay Filtering Application and Filter Files on their computer. Once this ClearPlay software is installed, if a user wants to view one of ClearPlay's edited versions of a motion picture, she would simply insert the appropriate motion picture DVD into the DVD drive of her computer, open the ClearPlay Filtering Application (which automatically recognizes the specific motion picture DVD and engages the corresponding specific Filter File), press the "Play" button on the ClearPlay user interface and then select "Play Movie" from the DVD's main menu screen. Without any further input or action by the user, ClearPlay's edited version of the motion picture plays from beginning to end, with all of the scenes and dialogue pre-selected by ClearPlay deleted from the movie. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 174:1 – 175:18.

14. Whenever they like, a user can repeatedly play the exact same version of an Edited Motion Picture simply by pressing the "Play" button on the ClearPlay user interface and selecting "Play Movie" from the DVD's main menu screen. Similarly, any number of users across the Country who have the motion picture DVD and have similarly installed the ClearPlay software can repeatedly watch the exact same Edited Motion Picture prepared by ClearPlay. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 174:1 – 175:18.

Trilogy Studios, Inc.

15. Trilogy prepares unauthorized edited versions of the Studios' motion pictures and then distributes them to their customers who can view them utilizing Trilogy's "MovieMask Player" software and a motion picture-specific "Mask File," together with the corresponding motion picture DVD. *See* Zavin Decl. Ex. 18 (Deposition of David Clayton (hereinafter "Clayton Dep.)) at 30:25 – 33:4, 22:20 – 23:8; 201:16 – 202:19; Ex. 19.

16. Trilogy's first, and currently only, fully commercially-released product is known as "MovieMask Player."⁶ MovieMask Player was first commercially released in August 2002. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 34:8 – 35:4.

17. Generally speaking, MovieMask Player instructs a user's computer hardware (including a DVD drive) to read the digital data on a motion picture DVD and convert it into video and audio signals. This results in the motion picture being played back on the display screen (such as a computer monitor or TV) and audio system connected to the computer. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 183:24 – 184:19.

18. As with traditional motion pictures on film, the video and audio portions of a motion picture on a DVD are divided into "frames." As a motion picture DVD

⁶ Trilogy is also currently developing a separate software application known as "MovieMask Designer." The software currently known as "MovieMask Designer" originated from the software application that Trilogy used internally to create each of its Mask Files. Trilogy currently uses its MovieMask Designer to create its Mask Files. While an incomplete, "beta" test version of MovieMask Designer was placed on the MovieMask web site for download and testing starting in February, 2003, it has not yet been completed nor commercially-released by Trilogy. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 98:8-11, 165:6-24. Notably, in its Statement of Facts and supporting declaration, Trilogy primarily describes features of the test version of MovieMask Designer, and not the MovieMask Player and Filter Files that are at issue in this litigation. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 195:6 – 198:7.

is being played through the MovieMask Player, it directs the hardware where to go on the DVD disc to read and play each frame of the motion picture. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 145:22 – 147:24.

19. A Mask File consists of a set of frame-accurate computer code prepared for a specific DVD version of a motion picture (for example, a DVD containing *Saving Private Ryan* - Special Limited Edition). The Mask File instructs the MovieMask Player, on a frame-by-frame basis, which scenes and/or dialogue to play or delete from the playback of the motion picture. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 158:9 – 159:4, 183:24 – 184:19; Ex. 19. While the MovieMask Player is playing the movie, the Mask File instructs it precisely as to which frames to play (or not to play), as well as the audio segments to be muted during playback. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 145:22 – 147:24.

20. MovieMask Player does not allow a user to pre-designate the specific scenes or dialogue from a motion picture DVD they want skipped or muted. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 51:22 – 52:23. Rather, a Trilogy customer can only view an edited version (or one of several edited versions) of the motion picture created and/or distributed by Trilogy, *i.e.*, the scenes and dialogue that are skipped and muted are pre-selected by Trilogy in the coding placed in the Mask File. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 51:22 – 52:23, 196:6 – 198:7.

Trilogy's Preparation and Distribution of Edited Motion Pictures

21. Using a Studio's motion picture on DVD and their MovieMask Designer software application, Trilogy employees prepare Edited Motion Pictures on their

premises through their creation and use of Mask Files. See Zavin Decl. Ex. 18 (Clayton Dep.) at 43:20 – 45:4.

22. The first step in creating a Mask File is to place a motion picture DVD, such as the *Saving Private Ryan* DVD, into the computer's DVD drive and running it through the MovieMask Designer's "discovery phase." During the "discovery phase" the MovieMask Designer software creates a permanent index of the location of each frame of the motion picture on the DVD. See Zavin Decl. Ex. 18 (Clayton Dep.) at 140:17 – 145:25.

23. Once the complete frame index is created, a Trilogy employee reviews the entire motion picture and, through the MovieMask Designer software, designates the scenes and dialogue he wants skipped or muted in the various edited versions (*i.e.*, M8, M12 or M16). See Zavin Decl. Ex. 18 (Clayton Dep.) at 148:14 – 153:8.

24. Trilogy's precise instructions as to which frames embodying the visual scenes and dialogue from the motion picture to skip and to mute during playback are permanently stored in the Mask File. See Zavin Decl. Ex. 19 at 19; Ex. 20 at Trilogy 000005.

25. Trilogy has created and/or distributes Mask Files for over 270 motion pictures, the vast majority of which are the Studios' copyrighted motion pictures. See Zavin Decl. Ex. 18 (Clayton Dep.) at 198:8-12; Ex. 19 at 22-27.

The User's Operation of MovieMask Player and Viewing of Edited Motion Pictures

26. In order to obtain Trilogy's MovieMask Player and Mask Files, a typical Trilogy customer would access Trilogy's internet website at www.moviemask.com.

The customer would provide required identification information and pay a \$79.95 fee for a one year subscription. Payment of the annual subscription fee entitles the user to download to her computer: (a) a copy of the MovieMask Player; (b) copies of all of currently available Mask Files from the “MovieMask Movie Library;” (c) copies of newly-created Mask Files from the “MovieMask Movie Library” as they are made available by Trilogy during the one-year subscription period; and (d) when it becomes available, a copy of MovieMask Designer. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 28:3-10, 93:18 – 94:24; Ex. 19 at 9.

27. After a customer completes the registration and subscription process, he then downloads and installs the MovieMask Player software on his computer. All of the currently available movie-specific Mask Files are also automatically downloaded with the MovieMask Player software. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 51:22 – 52:6.

28. Once the MovieMask Player is installed, if a user wants to view an edited version of a motion picture provided by Trilogy, she would simply insert the appropriate motion picture DVD (for example, *Saving Private Ryan* - Special Limited Edition) into the DVD drive on her computer, double-click on the MovieMask Player icon to start the program, and then click on the “Play Movie” button on the Main Menu screen. *See* Zavin Decl. Ex. 21. At that point, the pre-selected version of the motion picture (for example, Trilogy’s “M12” version of *Saving Private Ryan*) would begin playing on the user’s Computer monitor or TV. Without any further input or action by the user, the edited version of the motion picture created and distributed by Trilogy would play from beginning

to end, with all of Trilogy's pre-set, fixed edits to the scenes and dialogue made automatically. See Zavin Decl. Ex. 18 (Clayton Dep.) at 106:16 – 108:1.

29. Just as if a user had a copy of Trilogy's M12 edited version of *Saving Private Ryan* on a DVD, that user can repeatedly play the same exact M12 edited version of *Saving Private Ryan*, with the same exact scenes and dialogue deleted every time. Similarly, every user who plays Trilogy's M12 version of *Saving Private Ryan* will view the exact same edited version. See Zavin Decl. Ex. 18 (Clayton Dep.) at 112:11 – 114:16; Ex. 21.

30. Contrary to Trilogy's assertions in its moving papers (Movants Br. at 12, ¶ 34), Trilogy's MovieMask Player does not provide users "with a total of 72 separate pre-programming options." See Zavin Decl. Ex. 18 (Clayton Dep.) at 209:5 – 211:1. The MovieMask Player has a "Customize Ratings Options" menu which, in theory, allows the user to select to playback Edited Motion Pictures with four varying "ratings levels," "M8," "M12," "M16" and "M19"⁷ of pre-defined edits in three different content categories: Language, Violence and Adult Themes. However, as Trilogy's President admitted, many of the Mask Files use far fewer of these configuration options. See Zavin Decl. Ex. 18 (Clayton Dep.) at 193:11 – 195:5; Ex. 21. In fact, some Mask Files utilize only 6 of the configuration options. See Zavin Decl. Ex. 18 (Clayton Dep.) at 125:18 – 127:20; 128:18 – 129:13; Ex. 22.

⁷ While there is also a separate column for "Original," the "M19" version is also simply the original, unedited version of a film. See Zavin Decl. Ex. 18 (Clayton Dep.) at 122:1-19.

Family Shield Technologies LLC

31. Family Shield prepares unauthorized edited versions of the Studios' motion pictures and then distributes them to their customers who can view them utilizing Family Shield's "Movie Shield" hardware and software and motion picture-specific "Shield Files," together with the corresponding motion picture DVD or VHS videotape. *See* Zavin Decl. Ex. 23 at ¶¶ 74, 77-78, 130; Exs. 24-25.

32. Engineers Jason and Tiffany Crop invented the Movie Shield technology, which was originally named the CropBox. *See* Zavin Decl. Ex. 26 (Deposition of Kevin Martin (hereinafter "Martin Dep.)) at 18:2 – 19:20, 147:4-9; Ex. 27 (Deposition of Jason Crop (hereinafter "Crop Dep.)) at 12:10-21; Ex. 24. In or about December 2001, Kevin Martin, who later founded Family Shield, purchased the CropBox and all associated rights from its inventors. *See* Zavin Decl. Ex. 26 (Martin Dep.) at 23:12 – 24:10, 147:4-13; Ex. 27 (Crop Dep.) at 43:12-17; Ex. 28.

33. Although Family Shield changed the name of the CropBox to Movie Shield, Family Shield has not made any significant changes or modifications to the design, operation or functionality of the CropBox hardware or its software applications. *See* Zavin Decl. Ex. 26 (Martin Dep.) at 23:12 – 24:10, 154:12 – 155:5.

34. Movie Shield (the CropBox) consists of three hardware devices: (a) the "Download Station," which connects to the user's personal computer; (b) the "Editing Station," which connects between the user's DVD player or VCR and television set; and (c) the "Transfer Pack" which is used to transport information from the Download Station to the

Editing Station. *See* Zavin Decl. Ex. 26 (Martin Dep.) at 157:25 – 158:17; Ex. 27 (Crop Dep.) at 89:5 – 100:17; Ex. 23 at p. 13-14, ¶¶ 4-7; Exs. 24, 29.

35. The Movie Shield hardware is used in conjunction with film-specific software files, “Shield Files.” Family Shield creates and sells Shield Files to consumers. Consumers obtain Shield Files by downloading them from the Family Shield Internet website (www.movieshield.com) where each Shield File is identified by the title of the film that it edits. *See* Zavin Decl. Ex. 26 (Martin Dep.) at 202:23 – 204:16; Ex. 25. This process is referred to as “downloading movies.” *See* Zavin Decl. Ex. 29 at Family Shield 00232, 00238-00239; *see also* Ex. 30 (“Upload Movie”).

36. A consumer transfers a downloaded Shield File from the Download Station to the Editing Station using the Transfer Pack. When used in conjunction with the Transfer Pack, Editing Station and a DVD or VHS tape, the Shield File operates by muting audio and blocking the video signal of certain content that has been pre-selected by Family Shield. *See* Zavin Decl. Ex. 26 (Martin Dep.) at 211:22 – 212:13; Ex. 27 (Crop Dep.) at 89:5 – 100:17, 131:17 – 133:17.

Family Shield’s Creation and Distribution of Edited Motion Pictures

37. The Shield File for one motion picture cannot be used to view an edited version of another film. Shield Files are created only by or at the direction of Family Shield, not consumers. *See* Zavin Decl. Ex. 26 (Martin Dep.) at 224:15-23, 227:12-17; Ex. 27 (Crop Dep.) at 56:5-17, 107:14 – 108:6; Ex. 23 at ¶¶ 74, 77.

38. The inventors of the CropBox (Movie Shield) created a detailed set of instructions as to “How to Edit a Movie” which Family Shield follows to create its Shield Files. See Zavin Decl. Ex. 5; Ex. 6 at ¶ 8; Ex. 31 at CROP 0045; Ex. 26 (Martin Dep.) at 225:2-10; Ex. 27 (Crop Dep.) at 29:3 – 30:21; see also Ex. 32 (instructions for “Capturing and Editing Movies”).

39. As set forth in the instructions, the creation of a Shield File requires the copying a motion picture’s closed caption data. Closed caption data consists of all of the dialogue contained in a particular film (*i.e.* the film’s screenplay), as well as general descriptions of the non-verbal actions taking place in the film. For each motion picture for which it makes a Shield File, Family Shield copies this dialogue and data in a “cc.log” file. See Zavin Decl. Ex. 5 at Family Shield 00253; Ex. 31 at CROP 0045; Ex. 32 at Family Shield 00036; Ex. 26 (Martin Dep.) at 217:12-16; Ex. 27 (Crop Dep.) at 30:22 – 32:10, 35:22 – 36:4, 37:15 – 38:23, 43:25 – 44:19, 182:22 – 185:4; Ex. 33 (closed caption “cc.log” file for the film *The Matrix*).

40. After Family Shield edits a film, it makes the film-specific Shield File available on its website for consumers to download. See Zavin Decl. Ex. 25; Ex. 6 at ¶ 9.

The User’s Operation of Movie Shield and Viewing of Edited Motion Pictures

41. In order to obtain Family Shield’s Movie Shield technology, consumers must access Family Shield’s Internet website at www.movieshield.com. Consumers can purchase the Movie Shield hardware for approximately \$90 with a set-up charge of \$27. See Movants’ Br. Ex. A-2 (Declaration of Kevin Martin) at ¶ 32. The consumer has the option to

pay for film-specific Shield Files per Shield File downloaded, or for a fixed monthly fee of \$19.99. *See id.*; Zavin Decl. Ex. 25.

42. A user can repeatedly view a Family Shield edited version of a Studio's movie, which will appear identical every time. Similarly, other Family Shield users can view the same edited version. *See* Zavin Decl. Ex. 27 (Crop Dep.) at 94:9 – 95:3.

43. Contrary to Family Shield's contention (Movants' Br. at 6, ¶ 5), Movie Shield does not permit the user to pre-designate the specific scenes and dialogue she wants to edit out of a particular film. All of the edits are made by Family Shield. The only "choice" that the user has is which of Family Shield's edited versions of a particular movie to watch. *See* Zavin Decl. Ex. 26 (Martin Dep.) at 221:19-23, 224:15-23; Ex. 27 (Crop Dep.) at 102:6 – 103:11.

44. While Family Shield claims that users have the option to choose to activate up to eight content categories to edit out of a film (Movants' Br. at 7, ¶ 10), only three of the nearly 150 edited films have such a capability. The majority of Family Shield's Edited Motion Pictures contain only a few categories of edited content, with several containing only one. *See* Zavin Decl. Ex. 30. Thus, Family Shield provides its customers with only a few edited versions of each copyrighted film.

ARGUMENT

I. THE ELECTRONIC EDITING PARTIES ARE PREPARING AND EXPLOITING INFRINGING DERIVATIVE WORKS BASED ON THE STUDIOS' COPYRIGHTED MOTION PICTURES

The Electronic Editing Parties' main challenge to the Studios' infringement claims is that the audiovisual displays (*i.e.*, the Edited Motion Pictures) viewed utilizing their Filter Files are not sufficiently "fixed, *i.e.*, put into a permanent or concrete form" to constitute infringing derivative works under the Copyright Act.⁸ *See* Movants' Br. at 26, 29 (emphasis in original). This argument is founded upon a fundamental misreading and

⁸ Movants also assert that they are entitled to summary dismissal because the Studios' pleadings only allege claims against them for contributory copyright infringement. *See* Movants Br. at 24-25. This "straw man" argument is disingenuous and should be rejected out-of-hand.

Movants' argument that "The Studios do not allege that the Player Control Parties themselves engage in the infringing conduct, but merely that their products cause infringements" (Movants' Br. at 25 (emphasis in original)) is incorrect. The second paragraph of the Studios' Counterclaims states: "These claims arise out of the Counterclaim-Defendants' unlawful creation, rental, sale or other public distribution of unauthorized edited, or otherwise altered, copies of the Studios' motion pictures on VHS videotapes and digital versatile discs ("DVDs") which have been purged of dialogue and visual material which these entities deem 'objectionable.'" With respect to each of the Movants, the Studios' Counterclaims clearly places them on notice that they are directly liable for copyright infringement arising out of their creation and sale of their Filter Files. *See, e.g.*, Studios' First Amended Counterclaims at ¶¶ 106-108, 113-115, and 120-122. Further, Movants' assertions entirely disregard the Studios' Statement Clarifying Claims which state, *inter alia*: "the Electronic Editing Parties are directly infringing the Studios' copyrights in their films by creating, marketing, distributing, selling and/or offering for sale (1) unauthorized edited versions of the Studios' films...." Finally, Movants' argument that they should be granted summary judgment due to a purported pleading defect is frivolous. *See, e.g.*, Fed. R. Civ. P. 56 (c); *Atlantic Richfield Co. v. Farm Credit Bank of Wichita*, 226 F.3d 1138, 1148 (10th Cir. 2000) (when applying summary judgment standard court must "view the evidence and draw all reasonable inferences therefrom in the light most favorable to the party opposing summary judgment") (quotation omitted); *Poole v. County of Otero*, 271 F.3d 955, 957 (10th Cir. 2001) (dismissal based on an alleged defect in the pleading "is inappropriate unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claims which would entitle him to relief.") (quoting *Conley v. Gibson*, 355 U.S. 41, 45-46, 78 S. Ct. 99, 2 L.Ed.2d 80 (1957)) (quotation omitted).

misapplication of copyright law. Pursuant to both the plain language and the legislative history of the Copyright Act, there is no requirement that a derivative work be “fixed”⁹ or embodied in any “permanent or concrete form” in order to be deemed infringing.

Moreover, Movants’ assertion that the Edited Motion Pictures they prepare and distribute are not “fixed” or contained in any “permanent form” (Movants’ Br. at 23, 29) is belied by the obvious purpose, function and use of their Filter Files: to provide their pre-made edited versions of the Studios’ motion pictures to their customers for a fee.¹⁰ The Electronic Editing Parties’ products are in no way the “technological equivalent to a parent’s hand over the eyes and ears of a child during a movie in a theater.” Movants’ Br. at 23. Unlike Movants’ Edited Motion Pictures, the version of a film that a child perceives through her parent’s hands is not fixed in any permanent form such that it cannot be (a) repeatedly distributed for profit to millions of customers across the nation at the same time; or (b) repeatedly played, with the identical edits just the same as a hard copy of the Edited Motion

⁹ The Copyright Act, 17 U.S.C. § 101, defines “fixed” as follows:

A work is “fixed” in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is “fixed” for purposes of this title if a fixation of the work is being made simultaneously with its transmission.

¹⁰ In the event that Movants dispute the Studios’ factual description of the function and operation of their respective DVD Software and Filter Files as set forth herein, the Studios respectfully submit that Movants’ motion must either be denied because there exists genuine issues of disputed fact, or continued, pursuant to Fed. R. Civ. P. 56(f), to allow for the completion of discovery on the issues described in the accompanying Rule 56(f) Declaration of Catherine S. Bridge in Support of Oppositions of the Director Parties and the Motion Picture Studios to ClearPlay, Inc.’s, Trilogy Studios, Inc.’s and Family Shield Technologies, LLC’s Motion for Summary Judgment.

Picture on a single DVD. Moreover, in that case, it is the supervising parent who chooses what the child sees and does not see, not the Electronic Editing Parties. Rather than a parent's hand, the Electronic Editing Parties' products are the "technological" and legal equivalent of the infringing Edited Motion Pictures being distributed on videotape and DVDs by the Mechanical Editing Parties.

A. The Copyright Act Does Not Require Infringing Derivative Works to be "Fixed" or Embodied in "Permanent or Concrete Form"

Movants' Edited Motion Pictures are indisputably works "based upon" the Studios' motion pictures and fit well within the Copyright Act's definition of "derivative works." Accordingly, Movants' motion must be denied. While the Copyright Act requires a derivative work to be "fixed in any tangible medium of expression" in order to be copyrightable, *see* Copyright Act § 102, under the plain language of the Act there is no equivalent requirement that a derivative work be "fixed" or otherwise embodied in "permanent or concrete" form in order to be deemed infringing.

1. The Plain Language and Legislative History of the Copyright Act Confirm that Movants Are Preparing Infringing Derivative Works

Section 106 of the Copyright Act provides, in pertinent part, that a copyright owner "has the exclusive rights to do and to authorize any of the following: (1) to reproduce the copyrighted work in copies or phonorecords; (2) to prepare derivative works based upon the copyrighted work" 17 U.S.C. § 106. Section 501 of the Act, titled "Infringement of copyright" provides "[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 . . . is an infringer of the copyright or right of

the author, as the case may be.” Thus, anyone who “prepares derivative works based upon the copyrighted work” without the authority of the copyright owner, infringes the copyright in that work. *See, e.g., Dun & Bradstreet Software Serv., Inc. v. Grace Consulting, Inc.*, 307 F.3d 197, 212 (3d Cir. 2002), *cert. denied*, 123 S. Ct. 2075 (2003) (holding that defendant’s computer program which was based upon plaintiff’s copyrighted computer program constituted an infringing derivative work); *Midway Mfg. Co. v. Artic Int’l Inc.*, 704 F.2d 1009, 1013-14 (7th Cir. 1983), *cert. denied*, 464 U.S. 823 (1983) (manufacturer of printed circuit boards which, when inserted into arcade video games, speeded-up the gameplay of the videogame created an infringing derivative work).

In order to determine what constitutes the “preparation of a derivative work,” the Court must look to the definition of a “derivative work” in the Copyright Act:

A “derivative work” is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a “derivative work”.

Copyright Act § 101 (2003).

Significantly, neither the term “fixed” nor the concept of “fixation” is included within the plain language of the statutory definition of a “derivative work.” Nor is any such requirement set forth in sections 106(2) or 501 of the Act, the key sections which relate to what acts are deemed infringements of the copyright owner’s exclusive rights. Indeed, while section 106(1) of the Act defines the reproduction right as the right to “reproduce the

copyrighted work in copies,”¹¹ the Act defines the exclusive right to “prepare derivative works” without any limitation that they likewise be embodied “in copies.”

The fact that “fixation” is not required for a finding of an infringing derivative work is further confirmed by the plain language of the definition of “fixed” in the Copyright Act. Critically, per the statutory definition, a work will only be deemed “‘fixed’ in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” 17 U.S.C. § 101 (emphasis added). Since the “authority of the author” is required by the Act in order for there to be a fixation, it is quite clear that Congress never intended fixation to be required for infringement, as opposed to copyrightability, since, by definition, all infringements are committed without the “authority of the author” or copyright owner.

Where, as here, Congress’ intent is unambiguous, the statutory language is conclusive. See *United States v. Saenz-Mendoza*, 287 F.3d 1011, 1014 (10th Cir. 2002), *cert. denied*, 123 S. Ct. 315 (2002) (“When a statute includes an explicit definition, [the Court] must follow that definition”) *quoting Stenberg v. Carhart*, 530 U.S. 914, 942 (2000); *Ben Ezra, Weinstein, and Co., Inc. v. America Online Inc.*, 206 F.3d 980, 984 (10th Cir. 2000), *cert. denied*, 531 U.S. 824 (2000) (“In construing a federal statute, we ‘give effect to

¹¹ “‘Copies’ are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term ‘copies’ includes the material object, other than a phonorecord, in which the work is first fixed.” 17 U.S.C. § 101.

the will of Congress, and where its will has been expressed in reasonably plain terms, that language must ordinarily be regarded as conclusive.”) (citation omitted).

Even if the statutory language were ambiguous – which it is not – the Court could resolve the ambiguity by reviewing the relevant legislative history. See *In re Geneva Steel Co.*, 281 F.3d 1173, 1178 (10th Cir. 2002) (“If a statute is ambiguous, a court may seek guidance from Congress’s intent, a task aided by reviewing the legislative history.”); *New Mexico Cattle Growers Ass’n. v. United States Fish and Wildlife Serv.*, 248 F.3d 1277, 1281 (10th Cir. 2001) (same); *City and County of Denver v. Continental Air Lines, Inc.*, 712 F. Supp. 834, 836 (D. Colo. 1989) (J. Matsch) (“The legislative history of the . . . Act reinforces this court’s conclusion [concerning Congress’ intent.]”).

Here, in both the Senate and House Reports, Congress clearly expressed its intent that a derivative work does not need to be “fixed” in order to infringe the copyright owner’s exclusive right to prepare derivative works:

The exclusive right to prepare derivative works, specified separately in clause (2) of section 106, overlaps the exclusive right of reproduction [in § 106(1)] to some extent. It is broader than that right, however, in the sense that reproduction requires fixation in copies or phonorecords, whereas the preparation of a derivative work, such as a ballet, pantomime, or improvised performance, may be an infringement even though nothing is ever fixed in tangible form.

H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 62 (1976); S. Rep. No. 94-473, 94th Cong., 1st Sess. 58 (1975) (emphasis added)¹² *reprinted in* 8 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, Appendix 4 at 4-29, Appendix 4A at 4A-106 (2003) (appended hereto).

Moreover, no court in this or any Circuit has held that “fixation” is required for finding an infringing derivative work.¹³ Indeed, the *Galoob* court, relied upon by

¹² The conclusion that “fixation” was not required for an infringing derivative work was also fully supported by the then Register of Copyrights in his Report to Congress on the general revision of the copyright law that resulted in the Copyright Act of 1976:

Moreover, there is one area in which the right "to prepare derivative works" may be broader than the rights specified in clause (1). Those rights are limited to reproduction in copies and phonorecords, and it is possible for a "derivative work," based on a copyrighted work, to be prepared without being fixed in a copy or record; examples are ballets, pantomimes, and impromptu performances. It is true that a derivative work would not itself be protected by statutory copyright if it were not fixed in a "tangible medium of expression" as required by section 102 of the bill. Nevertheless, since there is no requirement under the definition in section 101 that a "derivative work" be fixed in tangible form, clause (2) of section 106(a) would make the preparation of "derivative works" an infringement whether or not any copies or phonorecords had been produced.

Register of Copyrights, Supplementary Report on the General Revision of the United States Copyright Law, 1965 Revision Bill at 17 (House Comm. Print 1965) *reprinted in* 9 *Nimmer on Copyright*, Appendix 15 at 15-41 to 15-42 (emphasis added) (appended hereto).

¹³ *Amicus Intel* is simply wrong when it states that the court in *Lee v. Deck The Walls, Inc.*, 925 F. Supp. 576, 580 (N.D. Ill. 1996), *aff'd*, 125 F.3d 580 (7th Cir. 1997) “held that fixation is required for a derivative work to be infringing.” Brief *Amicus Curiae* of Intel Corporation in Support of the Motion of ClearPlay Inc. for Summary Judgment, dated July 11, 2003 (hereinafter “Intel Br.”) at 12-13. There is no language in that decision which states or even implies that the court adopted such a fixation requirement. The sole issue addressed by the court in *Lee* is whether an “alleged infringing ‘derivative work’ must contain sufficient creativity and originality to deem it a copyright infringement.” *Lee* at 580. Similarly, Intel’s reliance upon *Woods v. Bourne Co.*, 60 F.3d 978, 990 (2d Cir. 1995) is unfounded because the *Woods* court’s pronouncement that “[i]n order for a work to qualify as a derivative work it must be independently copyrightable” had nothing to do with infringing derivative works. The statement was made in the entirely inapposite context of

Movants, itself emphasized that “fixation” is not required for a finding that an infringing derivative work has been created. The court stated:

Our analysis is not controlled by the Copyright Act’s definition of “fixed.” The Act defines copies as “material objects, other than phonorecords, in which a work is fixed by any method.” 17 U.S.C. § 101 (emphasis added). The Act’s definition of “derivative work,” in contrast, lacks any such reference to fixation. *See id.* Further, we have held in a copyright infringement action that “[i]t makes no difference that the derivation may not satisfy certain requirements for statutory copyright registration itself.” *Lone Ranger Television v. Program Radio Corp.*, 740 F.2d 718, 722 (9th Cir. 1984) . . . A derivative work must be fixed to be protected under the Act, *See* 17 U.S.C. § 102(a), but not to infringe. . . . The definition of “derivative work” does not require fixation.

Galoob, 964 F.2d at 967-68 (emphasis in original; citations omitted).

Since there is no “fixation” requirement, Movants’ motion seeking dismissal because they are not creating infringing derivative works due to lack of fixation must be denied.

2. There is No Basis for Applying *Galoob*’s Embodiment in “Concrete or Permanent Form” Standard in this Circuit

Relying primarily upon the Ninth Circuit’s decision in *Galoob*, Movants assert that the Edited Motion Pictures they create are not sufficiently “fixed, i.e., put into a

determining whether a new work qualified as a protectible derivative work, not whether it was infringing. *See Woods*, 60 F.3d at 981. Further, as conceded by Intel, the *Woods* court did not even address the fixation issue. Again, like the court in *Lee*, the *Woods* court also dealt solely with the requirement of “originality” -- an issue not raised or challenged by Movants or any *Amicus* on this motion.

permanent or concrete form” to constitute infringing derivative works.¹⁴ See Movants’ Brief at 26-29. Movants’ reliance on *Galoob* is misplaced and cannot support dismissal of the Studios’ claims. No court other than the Ninth Circuit in *Galoob* has held that a new work, based upon an underlying copyrighted work, was not an infringing derivative work because it was not embodied in “permanent or concrete form.”¹⁵ Indeed, *Galoob*’s basis for creating this requirement is questionable, at best, and should give this Court significant pause before adopting it in this Circuit.

The defendant in *Galoob* manufactured a device called the Game Genie which, when inserted between Nintendo’s video game cartridges and Nintendo’s video game console, allowed a player to alter up to three features of the gameplay of a Nintendo video game. *Galoob*, 964 F.2d at 967. Significantly, the Game Genie device could operate with any Nintendo video game. *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 780 F. Supp. 1283, 1288 (N.D. Ca. 1991), *aff’d*, 964 F.2d 965 (9th Cir. 1992). By entering certain numerical codes through the Game Genie device, a consumer could increase the number of lives the player’s character will have (*i.e.*, increasing the number of chances a player would

¹⁴ Movants also cite, incorrectly, to *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1518 (9th Cir. 1992) for this proposition. The *Sega* court made no such holding. Rather, it merely stated a basic principle regarding the reproduction right, not at issue here, that “[i]n order to constitute a ‘copy’ for purposes of the Act, the allegedly infringing work must be fixed in some tangible form, “from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” *Id.* (quoting 17 U.S.C. § 101).

¹⁵ In fact, in the only case to discuss the “permanent or concrete form” requirement outside the Ninth Circuit, the Third Circuit in *Dun & Bradstreet Software Services, Inc.*, 307 F.3d at 210, held that defendants’ computer program was an infringing derivative work, even though it did not contain plaintiff’s copyrighted program because defendants’ program contained “Copy and Call”

have to play through a certain level of the video game without having to restart the game at the beginning), the strength of the character (*i.e.*, the amount of damage the character could sustain from enemies before the character would “die”), and the speed of the character. *See id.*

The Game Genie worked by selectively blocking the value of a single data byte sent by the game cartridge to the Nintendo system and replacing it with a new value. By entering different codes through the Game Genie, the players could choose which function to change and the desired level of the change. *Id.* The user had the ability to enter any three codes at a time from a selection of billions of possible different codes. *See id.*; *see also Lewis Galoob Toys, Inc.* 780 F. Supp. at 1289. The Game Genie did not alter any of the data or software stored on the game cartridges. Significantly, its effects were only temporary and ended when the video game was over. *Galoob*, 964 F.2d at 967. The effects of the changes depended entirely on how the individual player played any particular video game. As the District Court noted, “The Game Genie codes cannot change the plot, theme, or characters of any game.” *Galoob*, 780 F. Supp. at 1289.

Nintendo sued Galoob for contributory copyright infringement, claiming that the Game Genie allowed the players to modify a game’s audiovisual display, thereby creating infringing derivative works. The Ninth Circuit rejected Nintendo’s claim on the grounds that no derivative works were created because “[t]he altered displays do not

commands which directed the computer to call up, copy and run portions of plaintiff’s computer programs and code during the operation of defendants’ program. *Id.* at 210, 212-214.

incorporate a portion of a copyrighted work in some concrete or permanent form.” *Galoob*, 964 F.2d at 968 (emphasis in original).

As noted above, *Galoob* categorically rejected that fixation was required for an infringing derivative work. *Galoob*, 964 F.2d at 967-68. Nevertheless, the Ninth Circuit proclaimed, for the first time in copyright jurisprudence, that in order to constitute an infringing derivative work, the subsequent work must “incorporate a protected work in some concrete or permanent ‘form.’” *Galoob*, 964 F.2d at 967. Prior to this case no other court in any other Circuit had discussed or imposed such a requirement and, indeed, the *Galoob* court does not cite to any cases for specific support for its position.¹⁶

Rather, the *Galoob* court devised this requirement based upon its interpretation of the Copyright Act’s definition of a “derivative work.” Specifically, the court reasoned that embodiment in a “form” was required since “[t]he examples of derivative works provided by the Act all physically incorporate the underlying work or works.” *Galoob*, 964 F.2d at 967. *See also Micro Star*, 154 F.3d at 1111 (“[In *Galoob*], we noted that all the Copyright Act’s examples of derivative works took some definite, physical form and concluded that this was a requirement of the Act.”).

This interpretation is, to say the least, questionable. Particularly in light of the fact that several of the types of derivative works listed in the definition of a derivative work, such as musical arrangements, dramatizations or condensations, can be done by

¹⁶ The Ninth Circuit later commented in *Micro Star* that this new requirement “was recognized without much discussion in *Galoob*.” *Micro Star*, 154 F.3d at 1111.

improvisation or live performance and need not exist in any permanent or concrete “form” at all. Similarly, *Galoob*’s concrete form requirement contradicts the clearly expressed legislative intent, quoted above, that a derivative work, such as a ballet, pantomime, or improvised performance need not be fixed in any form in order to be infringing. See H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 62 (1976); S. Rep. No. 94- 473, 94th Cong., 1st Sess. 58 (1975) reprinted in 8 *Nimmer on Copyright*, Appendix 4 at 4-29 and Appendix 4A at 4A-106.

Further, *Galoob* erroneously cites a portion of the legislative history to support its “permanent form” requirement. See *Galoob*, 964 F.2d at 967 (“The Act’s legislative history similarly indicates that ‘the infringing work must incorporate a portion of the copyrighted work in some form.’”) (quoting 1976 U.S. Code Cong. & Admin. News 5659, 5675). As can be seen from the full text of this legislative history, the *Galoob* court took the quote out of its proper context:

Preparation of derivative works. -- The exclusive right to prepare derivative works, specified separately in clause (2) of section 106, overlaps the exclusive right of reproduction to some extent. It is broader than that right, however, in the sense that reproduction requires fixation in copies or phonorecords, whereas the preparation of a derivative work, such as a ballet, pantomime, or improvised performance, may be an infringement even though nothing is ever fixed in tangible form. To be an infringement the “derivative work” must be “based upon the copyrighted work,” and the definition in section 101 refers to “a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted.” Thus, to constitute a violation of section 106(2), the infringing work must incorporate a portion of the copyrighted work in some

form; for example, a detailed commentary on a work or a programmatic musical composition inspired by a novel would not normally constitute infringements under this clause.

H.R. REP No. 94-1476, 94th Cong., 2d Sess. 62 (1976); S. REP. No. 94-473, 94th Cong., 1st Sess. 58 (1975) reprinted in 8 *Nimmer on Copyright*, Appendix 4 at 4-29, Appendix 4A at 4A-106 (emphasis added).

As can be seen from the entire context of the legislative statement and the specific examples referenced, the sentence relied upon by *Galoob* was not referring to any concept of fixation or permanency. Indeed, if read as *Galoob* suggests, the second paragraph of the statement entirely contradicts what Congress just stated in the first paragraph, *i.e.*, that no fixation “in tangible form” was required. Rather, the quoted statement was clearly referring to the separate requirement that the infringing derivative work contain some portion of the underlying copyrighted work, *i.e.*, that it bear some “substantial similarity” to the underlying work.

Moreover, after expressly finding that there was no “fixation” requirement, the *Galoob* court makes no effort to explain how embodiment in “concrete or permanent form” differs in any material way from “fixation” -- defined in the Act as “embodiment in a copy [that] . . . is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” 17 U.S.C. § 101.¹⁷

¹⁷ The Ninth Circuit in *Micro Star* also failed to address this rather obvious issue when it addressed and re-applied the “concrete or permanent form” requirement.

It is precisely this lack of permanence, reflected in the very definition of “fixed,” that the *Galoob* court relied upon in holding that the audiovisual displays created while using the Game Genie device were not in permanent form and, thus, were not derivative works. *See Galoob*, 964 F.2d at 968. Similarly, it was this same “permanence” (or fixation) in the N/1 MAP files, which the Ninth Circuit relied upon in *Micro Star* to find that infringing audiovisual displays had been created. *See Micro Star*, 154 F.3d at 1110-11.

Several copyright treatises have criticized the *Galoob* court’s “permanent form” requirement and the fact that the difference between “permanence” and “fixation” was a distinction without a difference. *See* II William F. Patry, *Copyright Law and Practice*, ch. 10, p. 822-23 n. 21 (1994 & 2000 Cumulative Supplement) (appended hereto);¹⁸ 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, § 8.09[A] at 8-141 (2003) (“First, even after rejecting fixation as an infringement prerequisite, the [*Galoob*] opinion several times slid back towards fixation as a required standard [referring to the ‘concrete or permanent form’ requirement].”). Tellingly, throughout their brief, Movants themselves repeatedly equate and define the concept of “fixation” with the requirement of embodiment in

¹⁸ Patry explains:

In a move that is difficult to explain, however, the court found that there was no violation from an unauthorized speed-up kit because the resulting work did not “embody” the copyrighted work in “some form.” There is, though, no legal difference between “fixation” and “embodiment.” The court’s holding was based on a misapplication of the reference in the definition of a “derivative work” as involving a “form” in which a work is recast, transformed, or adapted, and, a misreading of the previous legislative reports’ statement that “the infringing work must incorporate a portion of the copyrighted work in some form.” Whether a work is disqualified from protection because it is not embodied in a “form” is irrelevant to whether that work is infringing.

“permanent or concrete form.” *See, e.g.*, Movants’ Brief at 26, 27, 29 (“fixed, i.e., put into a permanent or concrete form”).

No other court in any other Circuit has applied the Ninth Circuit’s “concrete or permanent form” requirement to find that no infringing derivative work was created. The Electronic Editing Parties do not cite any decision or reason why the Ninth Circuit’s questionable standard is applicable in this Circuit.

Accordingly, the Electronic Editing Parties’ motion should be denied because there is no requirement in the Copyright Act or in this Circuit, that a work be “fixed” or in “concrete or permanent form” in order to be deemed an infringing derivative work under § 106(2) of the Copyright Act.

B. *Micro Star* Confirms that Even Under the Questionable Ninth Circuit Test the Edited Motion Pictures Prepared by the Electronic Editing Parties Are Embodied in “Permanent or Concrete Form” in their Filter Files

Even if the Court were to adopt the Ninth Circuit’s “concrete or permanent form” or a similar “fixation” requirement for infringing derivative works, this requirement is easily satisfied by the Edited Motion Pictures embodied in the Filter Files in this case. The Electronic Editing Parties’ analysis of this point (Movants Br. at 27-28) is fundamentally flawed because it relies solely on *Galoob* and entirely ignores the key holding of *Micro Star* as it applies to the Edited Motion Pictures.

In *Micro Star*, the Ninth Circuit revisited and clarified the meaning and application of the “concrete or permanent form” requirement first announced in *Galoob*. In a situation closely analogous to the one presented here, the Ninth Circuit held that the

audiovisual displays of a video game created using the unauthorized computer software files distributed by Micro Star were in “concrete or permanent form” and, thus, were infringing derivative works. *See Micro Star*, 154 F.3d at 1112 (“Because the audiovisual displays assume a concrete or permanent form in the MAP files, *Galoob* stands as no bar to finding that they are derivative works.”) (emphasis added). Reversing the lower court which had erroneously relied on *Galoob*, the Ninth Circuit found that infringing derivative works were created despite the fact that -- as in the present case -- the only product (software files) distributed by the infringer consisted solely of computer code instructions that “referenced” the copyrighted work. *Id.* at 1109, 1112.

Perhaps not surprisingly, Movants rely solely upon *Galoob*, and do not even attempt to address the holding of the subsequently decided *Micro Star*, in their argument that the Edited Motion Pictures are not infringing derivative works.¹⁹ *See* Movants Br. at 27-28. *Micro Star* both soundly refutes Movants’ lack of permanent form and aptly serves to distinguish the holding of *Galoob* from the present case.

In *Micro Star*, FormGen, the defendant copyright owner in a declaratory judgment action brought by Micro Star, created the PC-based video game *Duke Nukem 3D* (“D/N-3D”) which allowed the player to explore, through a first-person view, a futuristic city filled with evil aliens to destroy while searching for the hidden passage to the next level which contained different terrain and different aliens. *Micro Star*, 154 F.3d at 1109. The

¹⁹ *Amicus Intel* makes this same critical error of entirely ignoring the impact of *Micro Star* in its flawed analysis of whether the audiovisual displays are embodied in permanent form. *See Intel Br.* at 11-13.

game also included a “Build Editor” which allowed users to design their own new levels in which to encounter and destroy aliens. With FormGen’s encouragement, players could post their own custom-designed levels on to the Internet for sharing with other gamers. Micro Star downloaded 300 such user-created levels, copied them on to a CD and sold them commercially as *Nuke It* (“N/I CD”). *Id.* As with Movants’ Filter Files and the Studios’ motion pictures, the N/I CD which was the subject of *Micro Star* could only be used in conjunction with D/N-3D and by persons who already owned a copy of the game. *See id.* at 1112 n. 5.

FormGen claimed that the audiovisual displays generated when D/N-3D is run in conjunction with Micro Star’s N/I CD MAP files were infringing derivative works. *Id.* Just as Movants have claimed with respect to their Filter Files in the present case, Micro Star, relying upon *Galoob*, claimed that it was not creating any derivative work because the alleged derivative audiovisual displays were not incorporated in any “permanent or concrete form.” *Micro Star*, 154 F.3d at 1110-11.

The *Micro Star* court rejected challenges identical to the ones asserted here by the Electronic Editing Parties and made rulings on two key issues which, even under the Ninth Circuit doctrine, are dispositive of Movants’ assertion that they are not creating infringing derivative works.

1. Movants' Edited Motion Pictures Are Embodied in Permanent or Concrete Form in their Filter Files

First, the *Micro Star* court held that the audiovisual displays created when D/N-3D was played using the N/I MAP files were embodied in a permanent and concrete form and were, therefore, derivative works. *Micro Star*, 154 F.3d at 1112. The court distinguished *Galoob* as follows:

[t]he audiovisual displays generated by combining the Nintendo System with the Game Genie were not incorporated in any permanent form; when the game was over, they were gone. Of course, they could be reconstructed, but only if the next player chose to reenter the same codes. . . . [W]hereas the audiovisual displays created by the Game Genie were never recorded in any permanent form, the audiovisual displays generated by D/N-3D from the N/I MAP are in the MAP files themselves. In *Galoob*, the audiovisual display was defined by the original game cartridge, not by the Game Genie; no one could possibly say that the data values inserted by the Game Genie described the audiovisual display. In the present case the audiovisual display that appears on the computer monitor when a N/I level is played is described—in exact detail—by a N/I MAP file.

Micro Star, 154 F.3d at 1111 (emphasis added).

This same distinction applies with equal force to Movants' Edited Motion Pictures and Filter Files. While the unique audiovisual display created by a player using *Galoob*'s Game Genie to play through a video game with, for example, enhanced character strength is "gone" once the video game was over, the Edited Motion Picture prepared by Movants and viewed by their customers is not "gone" when they stop the playback of the Edited Motion Picture. Just like the audiovisual display and MAP files in *Micro Star*, the Edited Motion Picture is permanently defined in precise frame-by-frame or split second-by-split-second detail by the instructions in the Filter Files. *See* Movants' Br. at 11, ¶ 28; Zavin

Decl. Ex. 18 (Clayton Dep.) at 140:17 – 147:24; Ex. 20; Ex. 26 (Martin Dep.) at 211:22 – 212:13; Ex. 27 (Crop Dep.) at 89:5 – 100:17, 131:17 – 133:17. As with all audiovisual works generated from electronic media (such as videotape or DVD), the exact same Edited Motion Picture can be instantly and endlessly viewed and repeated by any user simply by pressing the “play” button.²⁰ See Zavin Decl. Ex. 7 (Jarman Dep.) at 174:1 – 175:18; Ex. 18 (Clayton Dep.) at 106:16 – 108:1; Ex. 27 (Crop Dep.) at 94:9 – 95:3.

Tellingly, the *Micro Star* court focused on the fact that the data codes that a Game Genie user could enter to temporarily alter the functionality of a game character as they were playing through a video game did nothing to define the audiovisual display the player was viewing. *Micro Star*, 154 F.3d at 1111. In stark contrast, the Electronic Editing Parties spend hours reviewing each of the Studios’ motion pictures and, through their Filter Files, creating a specific, permanent audiovisual work (*i.e.*, an Edited Motion Picture) with content they deem objectionable removed. The sole purpose and function of the Filter Files is to permanently “define” and embody this audiovisual work so Movants can sell them.²¹

²⁰ Thus, *amicus* Intel is simply wrong as a matter of fact when it asserts that “[t]he sequence of images [from ClearPlay’s Edited Motion Pictures] exists only as it is being watched; the images do not reside on the DVD or in any other fixed or permanent form.” Intel Br. at 13. The sequence of images constituting the Edited Motion Picture is no more “gone” after it is viewed by the user than any audiovisual display generated when a viewer watches any movie on VHS videotape or on a DVD. As with all movies (or videogames) on electronic media, when the viewer presses the “stop” button on ClearPlay’s DVD user interface the sequence of images constituting the Edited Motion Pictures ceases to be displayed, yet they still “exist” in “permanent form” in the electronic media. While in this case the electronic media consists of a combination of ClearPlay’s Filter Files and a motion picture DVD, it is precisely this type of combination that *Micro Star* found to constitute a permanent embodiment of an infringing derivative work.

²¹ It is the fact that the Filter Files “define” the audiovisual display that makes them distinctly different from the hypothetical laminated “Parents Guide” to the *Harry Potter* book

Again, just as with the MAP files in *Micro Star*, while the copyrighted images and sounds are contained solely on the Studios' DVDs, Movants' Filter Files control and define exactly what scenes and dialogue from a specific motion picture will be displayed during playback. Unlike the Game Genie device in *Galoob* that allowed a user to chose from billions of options so as to alter the functionality of his character in numerous Nintendo video games, the Filter Files are film-specific works that deliver to the user, in a permanent form, Edited Motion Pictures created by Movants, not by their customers.²²

In addition to focusing on the wrong "derivative work" (*i.e.*, the Filter File rather than the Edited Motion Picture), the Electronic Editing Parties' attempt (Movants' Br. at 31) to distinguish *Micro Star* on the grounds that the N/I MAP files described the

proffered by *amicus* Intel as an allegedly non-infringing work. Intel Br. at 7. The "Parents Guide" merely suggests to a parent by page number and paragraph which passages she might want to skip when reading the book to her child. The parent is free to follow each of these individual recommendations or not, and when reading the book to her child again, may well read it differently the second time than the first. The suggestions made in the Parents Guide are just that, suggestions, they don't "define" the work in either the way that the N/I MAP files did in *Micro Star* or the Movants' Filter Files define their audiovisual work. When the consumer plays a motion picture using the ClearPlay Filter File, they are watching the Edited Motion Picture as "defined" by ClearPlay in its Filter File.

²² The fact that Trilogy's MovieMask Player and the Family Shield's Movie Shield system allow a user to select from a limited number of different pre-programmed skips and mutes within certain categories (such as language or adult themes) does not make their systems any more like the Game Genie device in *Galoob*, which allowed users to chose a unique experience by providing users with billions of potential code options. See *Micro Star*, 154 F.3d at 111; *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 780 F. Supp. 1283, 1289 (N.D. Ca. 1991), *aff'd*, 964 F.2d 965 (9th Cir. 1992). Regardless of the different levels of pre-designated skips and mutes a user can select in those systems, a limited number of edited versions of the films are still permanently embodied in Trilogy's and Family Shield's Filter Files. The user of the N/I CD in *Micro Star* could select and play any one of 300 levels contained on the N/I CD, yet the court held that infringing derivative works had been created. Moreover, the specific scenes and dialogue that are edited out of each of these multiple versions are by no means infinite (nor are they even remotely close to the "billions" of code options

audiovisual displays “in exact detail,” whereas their Filter Files do not “describe” any visual element, fails because it disregards the close similarities in how the N/I MAP files and their Filter Files actually function and “define” the audiovisual display. The overall operation of the N/I CD in conjunction with D/N-3D game to produce the resulting infringing audiovisual displays is strikingly similar to the overall operation of Movants’ Filter Files and DVD Software²³ in conjunction with the Studios’ DVDs.

FormGen’s D/N-3D video game consists of three software components: the game engine, the source art library and the MAP files. *Id.* at 1110. Significantly, this 3-part system correlates almost precisely with Movants’ DVD Software, a Studio’s motion picture DVD and the Filter Files at issue in this case.

The D/N-3D game engine is the main program which governs the *Duke Nuke’em* gameplay; “It tells the computer when to read data, save and load games, play sounds and project images onto the screen.” *Micro Star*, 154 F.3d at 1110. Similarly, in the present case, the DVD Software tells the computer when and where to read data, and when to play sounds and project the images from the motion picture DVD onto the screen. *See* Zavin Decl. Ex. 7 (Jarman Dep.) at 73:9 – 74:8; Ex. 18 (Clayton Dep.) at 145:22 – 147:24, 183:24 – 184:19; Ex. 26 (Martin Dep.) at 211:22 – 212:13; Ex. 27 (Crop Dep.) at 89:5 – 100:17.

available to the Game Genie user) and are not specifically chosen by the user. *See* Zavin Decl. Ex. 18 (Clayton Dep.) at 193:11 – 195:5, 198:8-20; Ex. 30.

²³ “DVD Software” refers, respectively, to ClearPlay’s Filtering Application, Trilogy’s MovieMask Player and Family Shield’s Movie Shield operating software.

The actual artwork for the images that appeared during the playing of the D/N-3D videogame -- either using FormGen's own MAP files or using Micro Star's MAP files from its N/I CD -- was contained in a separate set of image files known as the "source art library" which was provided in FormGen's D/N-3D game. *Micro Star*, 154 F.3d at 1110. Similarly, in the present case, all of the images and sounds which appear during the playback of the Edited Motion Pictures are contained in the motion picture DVD.

In order to create the audiovisual display for each level, the D/N-3D game engine would invoke the specific MAP file for each level. "Each MAP file contains a series of instructions that tell the game engine (and, through it, the computer) what to put where." *Id.* "The MAP file describes the level in painstaking detail, but it does not actually contain any of the copyrighted art itself; everything that appears on the screen actually comes from the [D/N -3D] art library." *Id.* Thus, during gameplay, the D/N-3D game engine would call up the particular MAP file for each level, which would then, in turn, tell the game engine where to place each of the artwork files it drew from the source art library in order to create the appearance of the game's audiovisual display. *Micro Star*, 154 F.3d at 1110.

The N/I MAP files in *Micro Star* did not "describe" the audiovisual display in any narrative sense or by using any of the copyrighted artwork from the video game. Rather, the N/I MAP files were simply a set of computer code instructions that instructed the game engine as to which artwork file would appear when and in what location during the play of the video game. *See id.*

Movants' Filter Files "define" the audiovisual display of a Studio's film in essentially the same way. The Filter Files are a set of coded instructions that tell the DVD Software (and, through it, the computer and DVD drive) what scenes and dialogue from a motion picture to play (or not to play) and when. See Zavin Decl. Ex. 7 (Jarman Dep.) at 73:9 – 74:8; Ex. 18 (Clayton Dep.) at 145:22 – 147:24, 183:24 – 184:19; Ex. 26 (Martin Dep.) at 211:22 – 212:13; Ex. 27 (Crop Dep.) at 89:5 – 100:17. Just like the N/I MAP files, the Filter Files control what images and sounds from the motion picture are played, but do not contain any of the audiovisual content from the Studio's motion pictures; everything that appears on the screen actually comes from the motion picture DVD.

Contrary to Movants' assertion, the Filter Files are not at all like the "Pink Screener" referenced by the *Micro Star* court as a "low tech example" of something that is not a derivative work. See *Micro Star*, 154 F.3d at 1111, n. 4. Critically, unlike the Filter Files, the "big piece of pink cellophane" which might be placed over a television screen cannot possibly fit within the definition of a "derivative work" because it is not "based upon" any preexisting copyrighted work. It will operate precisely the same -- giving all content a pinkish hue -- regardless of what movie or program is on TV. Movants' Filter Files, however, are "based upon," specifically created for, and will only work with each particular corresponding Studio motion picture. Unlike the Pink Screener, the Filter Files will only work to edit out designated content from one specific film. Rather, Movants' Filter Files are like the types of works which "define" the specific audio or visual playback the *Micro Star*

court found to be embodied in permanent or concrete form.²⁴ Instructions utilizing a “time code” that refer to and can be used solely to conjure up a specific visual image or portion of dialogue are no less representative or “descriptive” of a copyrighted work than notes on a piece of sheet music or the digital instructions contained in the N/I MAP files.²⁵

²⁴ Similarly, Movants’ Filter Files and Edited Motion Pictures are distinctly different from Nimmer’s “poem in the sand” example of a non-fixed work cited by Movants. Movants’ Br. at 27, n. 8. Unlike the words written in the sand, the Edited Motion Pictures are not “washed away” when the surf comes in. Rather like any work embodied in an electronic medium, they can be instantly replayed and repeated -- they are permanently embodied in the Filter Files. Further, unlike Movants’ Edited Motion Pictures, a poem written in the sand cannot be simultaneously and permanently distributed to millions of people.

²⁵ *Amicus* Intel attempts to persuade the Court that failing to grant ClearPlay’s motion for summary judgment would somehow “chill innovation and stifle the development of new generations of products.” Intel Br. at 3-4. Intel, however, does not give a single example of any such products or technologies. Nor does it provide any explanation of how or why such products would need to incorporate a sequence of “time codes” -- tied specifically and exclusively to the copyrighted content on a specific motion picture DVD. Intel’s arguments suffer from the same fatal flaw as those pressed by Movants: they disregard the undisputed fact that the sole function, purpose and end product of ClearPlay’s Filter Files is to provide unauthorized Edited Motion Pictures -- created by ClearPlay, not the consumer -- to their customers for a fee. Rejection of Movants’ arguments would no more chill legitimate innovation than any copyright decision finding that a defendant had developed a new way to infringe copyrights.

Much of Intel’s brief is dedicated, erroneously, to attempting to minimize the function and significance of the “time codes” in ClearPlay’s Filter Files by claiming that they are simply uncopyrightable data “mechanically” and “automatically” inserted during the production of DVDs. The problem, for Intel and Movants, is that the instructions and time codes in the Filter Files are not just random, “automatic” or abstract data compiled and distributed by ClearPlay for no reason. Rather, they correlate exclusively to specific copyrighted material, *i.e.*, scenes and dialogue, from the Studio’s films and, as with the N/I MAP files in *Micro Star*, are used solely to permanently embody and define the audiovisual display viewed while using them and the copyright owner’s work. In the current world of computers, software and digitization, virtually all copyrighted content can be reduced to a set of digital codes which, on their own, are meaningless, but when used in conjunction with “machines” and other copyrighted works, such as software, can easily reproduce a copyrighted work in recognizable form. In short, *Micro Star* already addressed and disposed of the arguments raised by Intel.

2. **Movants' Edited Motion Pictures Incorporate Copyrighted Material from the Studios' Motion Pictures**

Like the infringer in *Micro Star*, Movants also argue that they are not creating infringing derivative works because their Filter Files do not “incorporate any copyrightable subject matter from the films at all.” Movants’ Br. at 31. This point, however, misconstrues the primary derivative work at issue both here and in *Micro Star*.

As in *Micro Star*, the key question here is whether the audiovisual work (*i.e.*, the Edited Motion Picture), rather than the software file, incorporates copyrightable subject matter from, *i.e.*, is substantially similar to, the underlying copyrighted work. *See Micro Star*, 154 F.3d at 1112 (“To prove infringement, [FormGen] must show that [D/N-3D’s and N/I’s audiovisual displays] are substantially similar in both ideas and expression.”) (brackets in original; citation omitted). The *Micro Star* court held “FormGen will doubtless succeed in making these showings [of substantial similarity] since the audiovisual displays generated when the player chooses the N/I levels come entirely out of D/N-3D’s source art library.” *Id.* (emphasis added).

Similarly, in the present case, it cannot be disputed that the audiovisual works (*i.e.*, the Edited Motion Pictures) prepared by Movants and viewed using Movant’s DVD Software, the Filter Files and a DVD contain copyrighted material from the Studios’ motion picture DVDs. Accordingly, as with the audiovisual displays generated by the N/I MAP files when used in conjunction with the copyrighted D/N-3D game in *Micro Star*, the Edited Motion Pictures easily satisfy the requirement of substantial similarity for infringing derivative works.

While the court in *Micro Star* went on to also reject Micro Star's "further" argument that its N/I MAP files could not be infringing derivative works because, while they reference the D/N-3D art library, they do not incorporate any of the copyrighted art files themselves, *Micro Star*, 154 F.3d at 1112, this portion of the court's decision was purely dicta. Having already held in the prior paragraph that the audiovisual displays generated by N/I's MAP files and the D/N-3d game were substantially similar to FormGen's copyrighted material, the discussion of the MAP files themselves infringing the *Duke Nuke 'em* story was entirely unnecessary to their finding that the audiovisual displays were infringing derivative works. Similarly, in this case, since the Edited Motion Pictures are obviously substantially similar to the Studio's copyrighted motion pictures, it is not necessary for the Court to determine that Movant's Filter Files themselves are infringing derivative works.

Finally, in holding that the N/I MAP files incorporated material from the underlying video game, the *Micro Star* court found it significant that the N/I MAP files could only be used in conjunction with the *Duke Nuke 'Em* game:

We note that the N/I MAP files can only be used with D/N-3D. If another game could use the MAP files to tell the story of a mousy fellow who travels through a beige maze, killing vicious saltshakers with paper-clips, then the MAP files would not incorporate the protected expression of D/N-3D because they would not be telling a D/N-3D story.

Micro Star, 154 F.3d at 1112 n. 5.

This same fact holds true for Movants' Filter Files in the present case: each film-specific Filter File can only be used in conjunction with a specific motion picture to create an edited version (or versions) of that particular film. *See* Zavin Decl. Ex. 14 at p. 11,

¶ 7; Ex. 18 (Clayton Dep.) at 22:11-23; Ex. 23 at ¶¶ 74, 77. Notably, unlike these Filter Files, the Game Genie device found non-infringing in *Galoob* worked with numerous different copyrighted Nintendo video games. *See Galoob*, 964 F.2d at 967.

Accordingly, the Electronic Editing Parties' motion for summary judgment on the grounds that their derivative works do not exist in a "permanent or concrete form" or do not incorporate protected material from the Studios' copyrighted motion pictures should be denied in its entirety.

II. FAMILY SHIELD IS COPYING THE STUDIOS' MOTION PICTURES IN VIOLATION OF SECTION 106(1) OF THE COPYRIGHT ACT

Family Shield's motion for summary judgment must also be denied because facts obtained in discovery have revealed that, contrary to its assertion in its summary judgment papers (Movants' Br. at 25-26), Family Shield is copying protected material from the Studios' copyrighted motion pictures when it creates its Shield Files.

"In order to prove copying of legally protectible material, a plaintiff must typically show substantial similarity between legally protectible elements of the original work and the allegedly infringing work." *Jacobsen v. Deseret Book Co.*, 287 F.3d 936, 942-43 (10th Cir. 2002), *cert. denied*, 123 S. Ct. 623 (2002). To decide whether two works are substantially similar the court asks "whether the accused work is so similar to the plaintiff's work that an ordinary reasonable person would conclude that the defendant unlawfully appropriated the plaintiff's protectible expression by taking material of substance and value." *Id.* at 943 (quotations omitted).

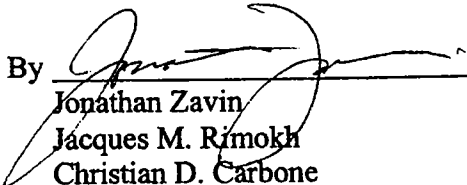
Family Shield is indisputably infringing the copyrights in the Studios' motion pictures by directly copying the dialogue and descriptions of on-screen action contained in the Closed Captioning text from each motion picture into Family Shield's "cc.log" file that it prepares for each motion picture. *See* Zavin Decl. Ex. 5 at Family Shield 00253; Ex. 31 at CROP 0045; Ex. 32 at Family Shield 00036; Ex. 26 (Martin Dep.) at 217:12-16; Ex. 27 (Crop Dep.) at 30:22 – 32:10, 35:22 – 36:4, 37:15 – 38:23, 43:25 – 44:19, 182:22 – 185:4; Ex. 33 (Family Shield's closed caption "cc.log" file for the film *The Matrix*). Evidence of such verbatim copying is clearly sufficient to deny Family Shield's summary judgment motion. *See, e.g., Jacobsen*, 287 F.3d at 947-48 (finding that evidence of verbatim copying of lines from plaintiff's book sufficient to overcome defendant's dismissal motion).

CONCLUSION

This case, and this motion, are not about the Studios trying to restrict a technology that allows consumer choice. This case and this motion are about companies that are creating and selling infringing edited versions of the Studios films – the “choice” they are offering the consumer is whether to purchase and use Movants’ infringing works (which is somewhat akin to a counterfeiter selling fake Rolex watches on the street claiming that he is simply offering consumers a choice, *i.e.*, whether they want the real Rolex watch or the fake Rolex).

For all of the foregoing reasons, we respectfully urge that the Electronic Editing Parties’ motion for summary judgment be denied.

Respectfully submitted this 8th day of August, 2003,

By 
Jonathan Zavin
Jacques M. Rimokh
Christian D. Carbone
LOEB & LOEB LLP
345 Park Avenue
New York, New York
(212) 407-4000

By: Natalie Hanlon-Leh

Thomas B. Kelley
Natalie Hanlon-Leh
Christopher P. Beall
FAEGRE & BENSON LLP
3200 Wells Fargo Center
1700 Lincoln Street
Denver, Colorado 80203
(303) 607-3500
(303) 607-3600 – Fax

Attorneys for the Studio Defendants/Counterclaimants

NY291004.1