

which the transferee fails to enforce the copyright? Are there policy interests that would be served by denying standing to the author who owns a reversionary interest?

5. Who other than an author entitled to ongoing royalties may assert standing based on beneficial ownership? See *Warren v. Fox Family Worldwide, Inc.*, 328 F.3d 1136 (9th Cir. 2003) (holding that composer of television series soundtrack could not claim beneficial ownership of copyright based on his entitlement to ongoing royalties because the work-for-hire agreement he executed pursuant to §101(2) did not expressly provide for a beneficial interest in the series); *Silvers v. Sony Pictures Entm't, Inc.*, 402 F.3d 881 (9th Cir.) (en banc) (rejecting assertion of beneficial ownership based on assignment of accrued infringement claim without assignment of underlying rights in the copyrighted work), *cert. denied*, 546 U.S. 827 (2005).

6. As you learned in Chapter 9, claims for violation of the anti-circumvention provisions are different from claims for infringement. Section 1203 provides that “[a]ny person injured by a violation of §1201 or §1202 may bring a civil action in an appropriate United States district court for such violation.” 17 U.S.C. §1203(a). Courts have recognized those injured, and thus entitled to bring claims, to include the manufacturers of the technology that is allegedly being circumvented by the defendant or defendant’s devices, *RealNetworks, Inc. v. Streambox, Inc.*, No. 2:99CV02070, 2000 WL 127311, (W.D. Wash. Jan. 18, 2000), as well as copyright owners that are potentially harmed by the distribution of circumventing technology, *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp. 2d 294 (S.D.N.Y. 2000), *aff’d sub nom. Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001).

2. Declaratory Judgment Actions

Sometimes it is not the copyright owner that initiates the litigation. Individuals and corporations that are worried about liability for infringement may decide to go to court first, seeking a declaration that their activities do not constitute infringement. The next case addresses when these types of actions are permissible.

===== *Bryan Ashley International, Inc. v. Shelby Williams Industries, Inc.*
===== 932 F. Supp. 290 (S.D. Fla. 1996)

HIGHSMITH, J.: . . . Both the plaintiff [Bryan Ashley International, Inc.] and the defendant [Shelby Williams Industries, Inc.] sell furniture, including rattan and wicker items. By letter dated September 5, 1995, defense counsel warned the plaintiff of the plaintiff’s alleged “misappropriation of [the defendant’s] intellectual property” and demanded that the plaintiff “immediately cease and desist” from the alleged misappropriation or risk “disgorgement of profits improperly gained . . . as well as reimbursement to [the defendant] for attorneys’ fees incurred.” On September 22, 1995, the plaintiff filed the instant declaratory judgment action.

In its complaint, the plaintiff seeks a declaration that it has not violated Title 17, United States Code, Section 501 (“the Copyright Act”). . . . The defendant’s counterclaim alleges . . . copyright infringement in violation of the Copyright Act. Pursuant to Fed. R. Civ. P. 12(c), the plaintiff has moved, and the defendant has cross-moved, for partial judgment on the pleadings. . . .

The defendant contends that no actual controversy exists between the parties or, alternatively, that any controversy that existed is now moot.

A. Defendant's Rule 12(c) Motion

Pursuant to Title 28, United States Code, Section 2201, a declaratory judgment may issue only if there is an actual controversy between the parties before the court. The defendant contends that no actual controversy exists because it has never asserted a claim for copyright infringement of its furniture designs.

To determine the existence of an actual controversy in patent litigation, courts apply a two-part test:

First, there must be an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit. Second, the accused infringer or declaratory plaintiff must have actually produced or prepared to produce an allegedly infringing product.

Hewlett-Packard Co. v. Genrad, Inc., 882 F. Supp. 1141, 1156 (D. Mass. 1995) (citations omitted). This Court finds this test equally applicable in the context of copyright litigation.

In the instant action, the letter from defense counsel accusing the plaintiff of misappropriating the intellectual property of the defendant and demanding that the plaintiff cease and desist any further misappropriation amounts to action creating a “reasonable apprehension” of litigation, thus satisfying the first prong of the *Hewlett-Packard* test. Furthermore, the continued sale of the potentially “infringing products” satisfies the second prong of the test. See *Flint Ink Corp. v. Brower*, 845 F. Supp. 404, 407 (E.D. Mich. 1994) (patentee’s letters charging infringement and demanding the cessation of such infringement, along with alleged infringer’s denial of infringement, gave rise to actual controversy warranting issuance of declaratory judgment). The Court further notes that the defendant has acknowledged that “a justiciable controversy exists between the parties with respect to the right of [the plaintiff] to continue selling its accused furniture designs under threat of litigation.” Answer, at ¶10. Therefore, the plaintiff has sufficiently demonstrated the existence of an actual controversy.

Alternatively, the defendant contends that any controversy that existed with respect to copyrights on the furniture designs was rendered moot by its acknowledgment that the defendant “does not assert that [the plaintiff] has infringed copyrights of [the defendant] on specific furniture designs.” Answer, at ¶¶12, 16, 23-25. However, absent the “filing [with the Court of] a formal covenant . . . not to sue [and absent] a final determination of noninfringement,” the defendant’s acknowledgments do not render moot the plaintiff’s declaratory judgment action. . . .

NOTES AND QUESTIONS

1. As this case illustrates, sending a cease-and-desist letter may have serious consequences for control over the forum in which any ensuing litigation may occur. There are competing policies at work here. On the one hand, there is a policy that favors dispute settlement, if possible, without resort to the courts. Thus, sending a cease-and-desist letter may be something to encourage. On the other hand, potential defendants should be able to obtain adjudication concerning their ability to continue their activities without facing mounting liability. Thus, once a potential defendant receives such notification from a copyright owner, he should not be forced to wait until the copyright owner chooses to file suit.

2. Declaratory judgment actions are also permissible to define rights and liabilities under the anti-circumvention provisions of the Digital Millennium Copyright Act (DMCA). All declaratory judgment actions are governed by the same standard, set forth in 28 U.S.C. §2201.

3. If an equipment manufacturer or service provider is sued for indirect infringement, do its customers have standing to seek a declaratory judgment that their activities are noninfringing? In *Newmark v. Turner Broadcasting Network*, 226 F. Supp. 2d 1215 (C.D. Cal. 2002), the defendant television and film studios had filed an indirect infringement lawsuit against SONICblue, the manufacturer of the RePlayTV, a digital video recorder that allowed users to record digital copies of television programs. RePlayTV devices could be programmed to skip commercials while recording and could be used to send copied programs to other RePlayTV owners via the Internet. The *Newmark* plaintiffs, five owners of RePlayTV devices, sought a ruling that their use of the devices to record and share programs did not infringe the defendants' copyrights. The studios moved to dismiss, arguing that they had never demonstrated any intent to sue individual users and that plaintiffs therefore had no "reasonable apprehension" of litigation. Observing that "no explicit threat of litigation is required to meet the 'case or controversy' requirement," the district court denied the motion. *Id.* at 1220. Do you agree with this decision? Given their potential exposure to a significant damages award, why do you suppose the plaintiffs chose to bring their ownership and use of RePlayTV devices to defendants' attention?

Subsequently, SONICblue filed for bankruptcy, the indirect infringement claims were settled, and the studios agreed not to sue the *Newmark* plaintiffs for direct infringement. In light of these developments, the court dismissed the *Newmark* plaintiffs' declaratory judgment claim, reasoning that the claim no longer presented an actual controversy. *See Paramount Pictures Corp. v. RePlay TV*, 298 F. Supp. 2d 921 (C.D. Cal. 2004).

D. PROPER DEFENDANTS

In Chapter 6, you learned that direct, contributory, and vicarious infringers are all proper defendants. One issue remains: Are there defendants that qualify as infringers but are nonetheless immune from suit? The immunity relevant here is sovereign immunity, which stems from the Eleventh Amendment:

In *Chisholm v. Georgia*, 2 Dall. 419 (1793), we asserted jurisdiction over an action in assumpsit brought by a South Carolina citizen against the State of Georgia. In so doing, we reasoned that Georgia's sovereign immunity was qualified by the general jurisdictional provisions of Article III, and, most specifically, by the provision extending the federal judicial power to controversies "between a State and Citizens of another State." U.S. Const., Art. III, §2, cl. 1. The "shock of surprise" created by this decision, *Principality of Monaco v. Mississippi*, 292 U.S. 313, 325 (1934), prompted the immediate adoption of the Eleventh Amendment, which provides:

The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

Though its precise terms bar only federal jurisdiction over suits brought against one State by citizens of another State or foreign state, we have long recognized that the Eleventh Amendment accomplished much more: It repudiated the central premise of *Chisholm* that the jurisdictional heads of