

No. 19-15506

**IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

ORACLE AMERICA, INC., and
ORACLE INTERNATIONAL CORPORATION,
Plaintiffs-Appellants,

v.

HEWLETT PACKARD ENTERPRISE COMPANY,
Defendant-Appellee.

On Appeal from the United States District Court
for the Northern District of California

**BRIEF OF THE COPYRIGHT ALLIANCE AS *AMICUS CURIAE*
IN SUPPORT OF PLAINTIFFS-APPELLANTS AND REVERSAL**

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rules 26.1 and 29(a)(4)(A) of the Federal Rules of Appellate Procedure, *amicus curiae* the Copyright Alliance states that it does not have a parent corporation and that no publicly held corporation owns 10% or more of *amicus*' stock.

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Pursuant to Federal Rule of Appellate Procedure 29(a), *amicus curiae* the Copyright Alliance respectfully submits this brief in support of appellants Oracle America, Inc. and Oracle International Corporation (collectively, “Oracle”). This brief is submitted with consent of all parties.¹

STATEMENT OF INTEREST OF *AMICUS CURIAE*

The Copyright Alliance is a non-profit, non-partisan, public interest and educational organization representing the copyright interests of more than 1.8 million individual creators and 13,000 organizations in the United States, across the spectrum of copyright disciplines. The Copyright Alliance is dedicated to advocating policies that promote and preserve the value of copyright, and to protecting the rights of creators and innovators.

The Copyright Alliance represents individual creators including authors, photographers, performers, artists, software developers, musicians, journalists, directors, songwriters, game designers, and many others. In addition, the Copyright Alliance represents the interests of book publishers, motion picture studios, software companies, music publishers, sound recording companies, sports leagues,

¹ The parties have consented to the filing of this amicus brief pursuant to Fed. R. App. P. 29(a)(2) and 9th Cir. R. 29-3. Pursuant to Fed. R. App. P. 29(a)(4)(E), *amicus* states that although Oracle America, Inc. is a member of the Copyright Alliance, no party’s counsel authored this brief in whole or in part, no party or party’s counsel contributed money that was intended to fund preparing or submitting this brief, and no person other than the Copyright Alliance, its members, or its counsel, contributed money that was intended to fund preparing or submitting this brief.

broadcasters, guilds, unions, newspaper and magazine publishers, and many other organizations.

These diverse individuals and organizations rely on copyright law to protect their ability to pursue a livelihood based on creativity and innovation, and to protect their investment in their creation and dissemination of copyrighted works. The Copyright Alliance's members rely on effective enforcement of claims against infringers to protect their intellectual property.

The Alliance's members have a strong interest in ensuring that courts ruling on infringement cases apply procedural rules and evidentiary burdens that do not impede creators and copyright holders in bringing meritorious claims. To that end, they have an interest in preserving the present, correct allocation of burdens in copyright cases: the plaintiff presents a *prima facie* case that copying of specific copyrighted material occurred, and the defendant presents evidence as to why each of its acts of copying was authorized or otherwise permitted. This low initial burden allows copyright plaintiffs to bring infringement claims without facing impracticably high costs and a low likelihood of success at the outset. And because evidence of a license or other authorization is likely to be in the hands of the defendant, this allocation of burdens imposes only limited costs on parties with meritorious defenses. The Alliance's members seek to preserve this state of affairs.

SUMMARY OF ARGUMENT

The district court's approach in this case, if allowed to stand, imposes new burdens on the enforcement of copyrights, no matter how egregious the violations of those rights. The ruling of the district court would encourage copyright violators, for example, to disguise their conduct behind technical complexity because the burden will be on holders of copyrights to penetrate that complexity. The practical effect would be to close the courthouse door to a broad swath of copyright claims and undermine the incentives to create and share that the copyright system is meant to protect.

The defense of a license to a copyright is an affirmative defense. Once a plaintiff in a copyright infringement action has made out a *prima facie* case for infringement by showing ownership of a valid copyright and copying of constituent elements of the work that are original, the burden shifts to the defendant to prove that the copying was authorized by a license or other authorization. And because direct evidence of illicit copying is often in the possession of an infringing defendant, courts routinely permit plaintiffs in copyright actions to show copying in particular instances through circumstantial evidence.

The district court departed from these well-established principles by making the plaintiff prove the *absence* of a license and by establishing a new evidentiary standard for proof of copying. The district court imposed these burdens and

evidence thresholds on Oracle not to succeed on its own summary judgment motion, but to survive the defendant's motion.

Oracle's licenses do not permit downloading or installation of its software update patches for any server that is not under a service contract with Oracle. Oracle has offered evidence that Defendant-Appellee Hewlett Packard Enterprise Company ("HPE") subcontracted to Terix Computer Company, Inc. ("Terix") in order to "access Oracle software using a fraudulently procured Oracle support contract for a *single* server" and then "covertly used that access to download and otherwise reproduce *thousands* of copies of Oracle software for use on *thousands* of other servers not under an Oracle support contract—all in blatant violation of Oracle's software licenses and support contracts governing the use of that software." Appellant Br. 1.

Despite the fact that there could be no license authorizing the downloading, copying, or installation of Oracle's software on servers not under its service contracts, the district court granted summary judgment to the defendant. The district court did so on the grounds that Oracle could not identify any *particular* non-supported server on which a protected patch was improperly installed. Order Granting Defendant Hewlett Packard Enterprise Company's Motion for Summary Judgment and Denying Plaintiffs' Cross-Motion at 16, *Oracle Am., Inc. v. Hewlett Packard Enter. Co.*, No. 16-cv-01393-JST (N.D. Cal. February 2, 2019), ECF No.

893 [“Order”] (“Oracle could not identify any particular non-supported server on which a protected patch was improperly installed”).

The district court’s decision imposes impractical burdens on copyright holders, who are often ill-placed to bring forth direct evidence of copying or licensure. Because records of any unlicensed copying are likely to be in the hands of the infringer, the district court’s framework would require that plaintiffs engage in extensive, expensive, and burdensome discovery to prove a negative. Moreover, licensees are best placed to prove that their copying was authorized because they often have the best access to records of their licenses and their copying. And because the district court’s framework makes it harder and more expensive to prove infringement, it would also encourage bad actors to conceal their infringement and assert non-meritorious license defenses.

Copyright law rests on the idea that granting temporary exclusive rights gives creators an incentive to create and share their work. But when effective enforcement of those exclusive rights is undermined, so too is the incentive. The district court’s decision makes it more difficult and more expensive to enforce copyright against even egregious infringers, and should be reversed.

ARGUMENT

I. THE DISTRICT COURT FAILED TO APPLY THE RELEVANT LEGAL STANDARDS FOR LICENSING AND INFRINGEMENT.

In an infringement action, courts presume that any copying of a plaintiff's copyrighted material is unauthorized unless the defendant can demonstrate that it possessed a valid license or that it was otherwise authorized. A plaintiff in such an action is only required to prove two elements in their *prima facie* case: "(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991); *Range Rd. Music, Inc. v. E. Coast Foods, Inc.*, 668 F.3d 1148, 1153 (9th Cir. 2012).

Notably absent from the *prima facie* case is any requirement that the plaintiff prove that the copying was not authorized by a license. *See Muhammad-Ali v. Final Call, Inc.*, 832 F.3d 755, 760 (7th Cir. 2016) ("a plaintiff is *not* required to prove that the defendant's copying was unauthorized in order to state a *prima facie* case of copyright infringement") (collecting cases). Nor is the plaintiff required to prove each particular act of copying with direct evidence. *See Loomis v. Cornish*, 836 F.3d 991, 994 (9th Cir. 2016); *Baxter v. MCA, Inc.*, 812 F.2d 421, 423–24 (9th Cir. 1987).

A. License Is An Affirmative Defense, And The District Court Erred Forcing Oracle To Bear The Burden of Proving Defendant’s Copying Was Unlicensed.

Authorization by license is an affirmative defense to infringement which must be raised and proven by the defendant. This point is so fundamental that it is referenced in Rule 8. Fed. R. Civ. P. 8(c)(1) (“In responding to a pleading, a party must affirmatively state any avoidance or affirmative defense, including . . . license”); *Muhammad-Ali*, 832 F.3d at 761 (“As Rule 8 indicates, ‘the existence of a license, exclusive or nonexclusive, creates an affirmative defense to a claim of copyright infringement.’”) (citation omitted). Consistent with that principle, this Circuit recognizes that license is an affirmative defense rather than an element of the plaintiff’s *prima facie* case for copyright infringement. *Worldwide Church of God v. Phila. Church of God, Inc.*, 227 F.3d 1110, 1114 (9th Cir. 2000) (“The existence of a license creates an affirmative defense to a claim of copyright infringement.”) (citation omitted).²

² This settled law is echoed by virtually every other circuit. *E.g.*, *Baisden v. I’m Ready Prods., Inc.*, 693 F.3d 491, 499 (5th Cir. 2012) (“But regardless of whether a plaintiff can meet these elements, ‘the existence of a license authorizing the use of copyrighted material is an affirmative defense to an allegation of infringement.’”) (citation omitted); *Latimer v. Roaring Toyz, Inc.*, 601 F.3d 1224, 1235 (11th Cir. 2010) (same); *Roger Miller Music, Inc. v. Sony/ATV Publ’g, LLC*, 477 F.3d 383, 395 (6th Cir. 2007) (same); *Bourne v. Walt Disney Co.*, 68 F.3d 621, 631 (2d Cir. 1995) (same). Leading copyright scholars further validate this uncontested point. *E.g.*, 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.01[C][1] (2019) (“authorization from the copyright owner is an affirmative defense rather than an element of plaintiff’s case”).

As an affirmative defense, the burden of proving that a license authorizes the copying at issue falls on the defendant claiming the license's protection. *E.g.*, *Muhammad-Ali*, 832 F.3d at 760–61 (“the burden of proving that the copying was *authorized* lies with the defendant”); *Fahmy v. Jay-Z*, No. 2:07-CV-05715-CAS, 2015 WL 3407908, at *5 (C.D. Cal. May 27, 2015) (“an alleged infringer has the burden of showing that he holds a license”); 2 William F. Patry, *Patry on Copyright* § 5:133 (2019) (“All courts agree that the assertion of a license to excuse otherwise infringing conduct is an affirmative defense, the burden of which rests on the party putting forth the license.”) (citing cases).

Moreover, it is not enough to prove the existence of *a* license, regardless of whether the license bears on the alleged copying. Instead, the proof furnished must be consistent with the rule that “copyright licenses are assumed to prohibit any use not authorized.” *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989). That is, to meet its burden, the defendant must show the license *could actually authorize* the conduct at issue.

Some courts have concluded that the burden of proof may shift back to the plaintiff only after the defendant has definitively proved the existence of a relevant license, but that is not at issue in this case. *Bourne*, 68 F.3d at 631 (“We conclude that, in cases where *only the scope* of the license is at issue, the copyright owner bears the burden of proving that the defendant's copying was unauthorized.”)

(emphasis added). After the defendant has met its burden by showing that a relevant license exists that could actually authorize the conduct at issue, burden-shifting is consistent with the general rule because *scope* then becomes a question of contractual interpretation. See 23 Richard A. Lord, *Williston on Contracts* § 63:14 (4th ed. 2019) (“The plaintiff or party alleging the breach has the burden of proof on all of its breach of contract claims.”).

Here, the district court erred in demanding that the *plaintiff* prove that the servers for which patches were downloaded and on which installation took place were “non-supported”—i.e., unlicensed.³ Order at 16; see also *id.* at 14–15 (“some of the servers in question were covered by Oracle support agreements. Because Oracle cannot identify the ones that were not, summary judgment must be entered against it on those claims.”). As discussed above, the burden of proving authorization by license for each alleged act of infringement properly falls on the

³ In this case, Oracle’s licenses only permit the downloading and installation of its software patches for servers that are under valid service contracts. Order at 2–3; see also *Oracle Am., Inc. v. Terix Computer Co., Inc.*, No. 5:13-cv-03385-PSG, 2015 WL 2090191, at *6 (N.D. Cal. May 5, 2015) [“*Terix Order*”] (“using a customer’s credentials to—at the very least—download patches for any number of that customer’s machines, whether covered by license terms or not . . . is clearly not contemplated on the face of the license agreements”). Where there is not a valid service contract, there cannot be a valid license. A given server is either under contract—or it is not. This is a binary question of whether a license exists, not an interpretive question of its scope. Where there is copying of copyrightable material without a license or other authorization, there is infringement. See *Feist*, 499 U.S. at 361; *Range Rd. Music*, 668 F.3d at 1153.

defendant in a copyright action. It was therefore *HPE*'s burden to identify those licenses that applied to the downloading, copying, and installation at issue. *See Muhammad-Ali*, 832 F.3d at 760–61. This was reversible error.

B. The District Court Erred In Requiring Oracle To Present Direct Evidence of Particular Acts of Infringement To Survive Summary Judgment.

To survive a motion for summary judgment, a plaintiff in a copyright action need only show that a reasonable juror *could* conclude that the defendant “copied protectable elements” of the defendant’s protected work. *Loomis*, 836 F.3d at 994. The law does not require some sort of heightened proof in order to make this showing, let alone direct evidence. Direct evidence of copying—let alone *unauthorized* copying—is often difficult for copyright plaintiffs to procure, frequently making circumstantial evidence the most probative. *See Nimmer, supra*, § 13.01 (“It is generally not possible to establish copying as a factual matter by direct evidence, as it is rare that the plaintiff has available a witness to the physical act of copying.”).

Accordingly, courts routinely rely on circumstantial evidence as proof of copying. *Baxter*, 812 F.2d at 423–24 (“Because direct evidence of copying is rarely available, a plaintiff may establish copying by circumstantial evidence”). Courts properly use circumstantial evidence not only to find that a genuine issue of material fact exists which precludes summary judgment, but also to grant summary judgment

to moving plaintiffs on the basis that that no reasonable juror could conclude that copying had *not* occurred. *E.g., John Wiley & Sons, Inc. v. Book Dog Books, LLC*, No. 13CV816, 2016 WL 11468565, at *4 (S.D.N.Y. Mar. 29, 2016) (relying on circumstantial evidence to grant summary judgment on copying liability to plaintiff on issue); *Pearson Educ., Inc. v. Ishayev*, 9 F. Supp. 3d 328, 340 (S.D.N.Y. 2014) (same).

The district court erred in discounting circumstantial evidence to find that there was no genuine dispute of material fact such that it could grant summary judgment to the defendant. The court readily concluded that “testimony from HPE’s own employees is consistent with the conclusion that that HPE had a practice of installing patches downloaded from MOS for [REDACTED] on-contract servers, and installing patches downloaded from and delivered through Terix for [REDACTED] off-contract servers,” Order at 14, and this alone should have been enough given the terms of Oracle’s licenses. But the court went even further, dismissing weighty circumstantial evidence of copying in service of its improper theory of proof: “*Notwithstanding the evidence that HPE employees admitted to installing Terix patches on [REDACTED] servers, and the potentiality that some of those patches were unauthorized, some of the servers in question were covered by Oracle support agreements.*” *Id.* (emphasis added). Moreover, in discounting evidence that a juror *could* have credited as circumstantial evidence showing

unlicensed copying, the district court entered the jury's domain, speculating on the likelihood of alternative meanings: "The spreadsheet does contain an '[REDACTED]' label, but that is actually only one of three possible meanings for the dates shown on the spreadsheet. The '[REDACTED]' *might* also mean the patch release date or the date the file was updated on the machine." *Id.* at 16 (emphasis added).

Had the court not impermissibly discounted circumstantial evidence of copying, it could not have granted summary judgment against the copyright holder. As noted above, courts routinely rely on circumstantial evidence in this context—not only to find a genuine issue of material fact which precludes summary judgment, but to grant summary judgment to moving *plaintiffs* because no reasonable juror could conclude that copying had *not* occurred. In its failure to allow Oracle to "establish copying by circumstantial evidence," the lower court committed reversible error. *Baxter*, 812 F.2d at 423.

The district court compounded this error with its excessive focus on the (incorrect) proposition that Oracle was required to produce particularized proof of protected patch installation on specific off-contract servers. The summary judgment standard requires the court to draw inferences in favor of the non-moving party, including from circumstantial evidence. Those inferences can furnish the requisite particularity. *See Friedman v. Live Nation Merch., Inc.*, 833 F.3d 1180, 1188–89

(9th Cir. 2016). If such circumstantial evidence and the inferences drawn from it *could* lead a reasonable juror to find that copying took place in particular instances, then the non-moving party has demonstrated a genuine issue of material fact that precludes granting summary judgment to the defendant. *See id.*; *Loomis*, 836 F.3d at 994.

II. THE DISTRICT COURT’S DECISION IMPOSES AN IMPRACTICAL BURDEN ON RIGHTSHOLDERS.

When courts allow rightsholders to present a *prima facie* case of infringement using circumstantial evidence while allocating the burden of proof to a defendant asserting the protection of a license, they enable copyright plaintiffs with meritorious copyright claims to bring them without prohibitive expense and without placing an unreasonable additional burden on good-faith licensees. The district court’s rejection of these principles imposes an impracticably high burden on copyright holders.

A. Rightsholders Are Often Ill-Placed To Bring Forth Direct Evidence Of Copying Or Licensure.

“In most infringement cases, evidence of direct copying is difficult to obtain.” *Smart Inventions, Inc. v. Allied Commc’ns Corp.*, 94 F. Supp. 2d 1060, 1065 (C.D. Cal. 2000). This because “it is rare that the plaintiff has available a witness to the physical act of copying.” Nimmer, *supra*, § 13.01. Not only that, defendants are

more likely to know how many copies they have made, or—in the case where valid licenses apply only for certain copies—to whom those copies have been distributed.

Here, for example, Oracle can show that materials were downloaded by accounts set up by Terix or HPE to pose as agents for customers with valid service contracts in order to supply patches to off-contract servers. Order at 14. Oracle would have little way of knowing—short of comprehensive access to records which only Terix, HPE, and their customers possessed—the particular servers those particular patches were ultimately downloaded for and installed on. Placing the burden on the copyright holder, here Oracle, to obtain comprehensive access to the other party's records at the discovery stage runs the risk of being considered excessively burdensome. It is precisely because of the limitations of direct evidence available to plaintiffs that courts have “long recognized that ‘circumstantial evidence can be used to prove any fact,’” *Friedman*, 833 F.3d at 1189 (citation omitted), including the fact of copying, *Baxter*, 812 F.2d at 423.

Under the district court's framework, bad-faith infringers would be motivated to obscure the nature of their infringing activities and to misconstrue licenses to authorize their conduct. The related *Terix* proceedings—a textbook case of a copyright violator operating in bad-faith with a manifestly illegal business model—are instructive on this point. Terix actively attempted to deceive Oracle about the nature of its activities, setting up fake companies, creating support contracts under

fake names, and paying with prepaid credit cards taken out in its customers' names. Press Release, Dep't of Justice, Co-Owner & CEO of Computer Company Sentenced for Conspiring to Steal Intellectual Property (April 5, 2018), <https://www.justice.gov/usao-sdoh/pr/co-owner-ceo-computer-company-sentenced-conspiring-steal-intellectual-property>. And Terix's executives pled guilty to criminal wire fraud charges for stealing Oracle's intellectual property. *See id.*; *United States v. Appleby*, No. 2:17-cr-00138 (S.D. Ohio), ECF No. 1 (information), Nos. 75, 78, 86 (judgments against specific executives).

In those proceedings, too, the “Defendants ma[d]e much of the particularity of Oracle's infringement claims—or lack thereof,” contending that it was necessary for Oracle to identify a license for each particularized act of infringement. *Terix Order* at *4. But Terix was the only party that possessed the list of customers that would allow Oracle to ascertain which servers were licensed under valid service contracts—and it fought discovery tooth-and-nail on the ground that the lists were trade secrets. *Order re: Discovery Disputes at 2, Oracle Am., Inc. v. Terix Computer Co., Inc.*, No. 5:13-cv-03385-PSG (N.D. Cal. Jan. 29, 2014), ECF No. 77.

As Magistrate Judge Grewal realized, permitting Terix to argue that its conduct was licensed while withholding the customer lists necessary to demonstrate the existence of those licenses would have been inconsistent with the well-settled rule that it is the defendant's burden to prove the existence of a license for each

potentially infringing act. *See id.*; *Terix* Order at *3–5. At summary judgment, *Terix* maintained its contention that the burden was on Oracle to show that that each act of infringement was unlicensed. Defendants’ Joint Opposition to Oracle’s Motion for Partial Summary Judgment at 14–16, *Oracle Am., Inc. v. Terix Computer Co., Inc.*, No. 5:13-cv-03385-PSG, 2015 WL 13617162 (N.D. Cal. Feb. 13, 2015) (arguing that the issue was the scope of the license and that Oracle could “succeed only by negating every license defense to every alleged act of infringement”). In response, the Court was compelled to comment that “Defendants identify no connection between identifying each act of infringement alleged and determining whether there is a license that allows the infringing conduct.” *Terix* Order at *4. And the Court further concluded that, as a matter, of law, the licenses raised by *Terix* *could not* authorize the conduct at issue, rendering the issue of scope irrelevant. *Id.* at *4–5.

As the *Terix* court correctly recognized, burdening creators with proving the existence of a license for each particularized act of copying places them in an absurd double-bind—requiring substantial discovery to meet their burden of proving a negative, while risking denial of that discovery on the ground that it is too burdensome on the alleged infringer. That is what happened in this case. Just as in *Terix*, here the alleged infringer possessed the customer records that would be necessary for Oracle to determine whether the downloading and installation of Oracle’s software was licensed pursuant to a valid service contract for each server.

But Magistrate Judge Laporte, who managed discovery in this case, determined that the “custodial searches” that would be necessary to determine which servers the disputed patches were installed on would be more burdensome and therefore more likely to fail the court’s proportionality analysis. *See* Order Denying Relief from Non-Dispositive Magistrate Judge Order, *Oracle Am., Inc. v. Hewlett Packard Enter. Co.*, No. 3:16-cv-01393-JST (N.D. Cal. June 21, 2018), ECF No. 605. Even against the background of those discovery disputes—and the fact that *HPE* was the party best placed to present evidence of license for the servers that it serviced—the district court nevertheless found that HPE was entitled to summary judgment because “*Oracle* has no evidence regarding the actual installation of individual patches on any individual server.” Order at 17 (emphasis added). This imbalance is precisely why the burden of presenting evidence about the existence of a license rests on the defendant in an infringement action, not—as the district court errantly applied it here—on the plaintiff. *Muhammad-Ali*, 832 F.3d at 761.

B. Licensees Are Best Placed To Prove That Their Copying Was Authorized.

In general, licensees are better positioned to prove that their copying was authorized than rightsholders are to prove that it was not. Practically speaking, “‘proving a negative is a challenge in any context,’ and if there is evidence of a license, it is most likely to be in the possession of the purported licensee.” *Id.* (citation omitted); *see also Bourne*, 68 F.3d at 631 (where the question is “whether

a license is held by the accused infringer,” “evidence of a license is readily available to the alleged licensee, [and] it is sensible to place upon that party the burden of coming forward with evidence of a license”) (citations omitted).

Here, HPE has access to its individual servers and can produce evidence of licensure to support an affirmative defense of license without requiring Oracle to search it out through discovery. Placing the burden on movant-defendants to rebut a well-supported inference of unauthorized copying is consonant with the general evidentiary principle—reaffirmed by this Court in a recent copyright case—that “fairness dictates that a litigant ought not have the burden of proof with respect to facts particularly within the knowledge of the opposing party.” *Adobe Sys. Inc. v. Christenson*, 809 F.3d 1071, 1079 (9th Cir. 2015).

C. The District Court’s Framework Would Encourage Bad Actors To Conceal Their Infringement And Assert Non-Meritorious License Defenses.

Bad-faith behavior of the kind at issue in this case is not limited to the software industry. The burdens are particularly difficult where facts of copying and license are buried in servers or obscured by technical complexity. But the district court’s framework would work havoc in other copyright-reliant industries by shifting these burdens onto parties ill-equipped to bear them—thereby reducing the disincentives for bad-faith conduct by other parties.

Consider, for example, a photographer who grants an agency license to sublicense her work to others during the duration of their contract. Then suppose that one of the parties terminates the contract, but the agency continues to distribute and generate revenue off of the photographer's work. Any copies of the photographer's work distributed after the termination of the contract would manifestly not be covered by a license, but evidence of whether and when the copies were distributed to third parties would likely be within the exclusive control of the agency. Under the district court's framework, the photographer would face the substantial burden of preemptively proving (1) distribution of each infringing photo with direct evidence, and (2) that each infringing photo was not covered by a license. Faced with proving the illicit dissemination of each of potentially thousands of copies of her work with evidence in the possession of a large and well-resourced infringer, the photographer would be at a material disadvantage no matter how meritorious her claims.

A similar issue arises in printing or record production, where a contract might only license a limited number of copies or copies distributed through a particular distributor or only in a particular geographic region. If the printer or record manufacturer exceeds the number of authorized copies, they are clearly liable for copyright infringement. So too is a distributor who distributes them through unauthorized channels or outside the regions permitted by their contract. But

evidence of the extent and nature of that infringement will lie with the printer or record manufacturer, not the rightsholder. A musician will have no means of knowing which record is the 5,001st when the license only authorizes 5,000. And the author or small publisher will have no means of determining whether copies that wind up in a particular bookstore are distributed under terms consistent with the license without knowing which distributors the bookstore deals with. The district court's framework places rightsholders like these at a disadvantage precisely because it requires them to prove with particularity that particular acts of copying were unlicensed even if they can present clear evidence that *some* copying was unauthorized by license. This makes it dramatically harder for copyright holders to assert their rights in the face of even clear bad-faith conduct.

In digital industries, where copying is virtually costless and tangible evidence often absent, the incentives to bad behavior created by the district court's decision abound. And so too do the means of obscuring that illicit conduct. Acting under a cloak of technical complexity and bad-faith license defenses, infringers can abuse the discovery process' proportionality analysis and make it difficult if not impossible for copyright holders to bring infringement claims. The byzantine procedures Terix adopted—setting up fake companies, having its customers and fictitious persons place orders, paying by prepaid credit card—to attempt to hide its infringement behind the veneer of license are a prime case study. Press Release, Dep't of Justice,

supra. If this Court were to require that the plaintiff produce direct evidence of the defendant's unlicensed copying, as the district court did, it would incentivize infringers to obscure their trail *just enough* to best the trial court's evidentiary burdens through layers of technical deception and bad-faith license arguments. That cannot be what the Copyright Act intends.

D. The District Court's Burden Allocation Would Disproportionately Harm Small Creators.

If the district court's erroneous standards are impracticably high for a large, well-resourced copyright holder like Oracle, they would be insuperable for the smaller creators who form the bulk of the Copyright Alliance's membership. Litigating copyright claims is extremely expensive, and "federal court is effectively inaccessible to copyright owners seeking redress for claims of relatively low economic value, especially individual creators who are of limited resources." United States Copyright Office, Copyright Small Claims 8 (2013). Requiring creators to prove acts of copying with direct evidence, often requiring detailed forensic analysis (as here), would be even more expensive—as would requiring rightsholders to "prove a negative," *Muhammad-Ali*, 832 F.3d at 761, invariably necessitating substantial discovery to overcome a license defense. In 2017, the average cost of litigating a copyright infringement case was \$278,000. American Intellectual Property Law Association, 2017 Report of the Economic Survey I-189 (2017). In smaller infringement actions, such costs are "completely disproportionate to what

most individuals could invest in a lawsuit,” to say nothing of the likely “recover[y] in a relatively modest infringement case.” United States Copyright Office, *supra* at 8.

These increased costs would deter small creators from pursuing all but the simplest, clearest claims.⁴ *See, e.g.,* Shyamkrishna Balganesh, *Copyright Infringement Markets*, 113 Colum. L. Rev. 2277, 2288–90 (2013) (high litigation costs deter creators from bringing claims). Reaffirming the general rules that the district court failed to heed will ensure that the courthouse doors remain open even to small creators.

III. FEDERAL COPYRIGHT LAW MUST BE INTERPRETED TO PROTECT RIGHTSHOLDERS.

Federal copyright law is premised on the fundamental principle that creators are incentivized to write and discover—to the benefit and advancement of society as whole—when they are guaranteed exclusive rights to reproduce and profit from their

⁴ The Copyright Act’s fee-shifting provision, 17 U.S.C. § 505, would not sufficiently correct for the imbalance that the district court’s improper framework imposes. In general, full costs and attorneys’ fees are for winners—and even then they are discretionary. Burdening plaintiffs with proving the non-existence of a license for each act of infringement would substantially increase their costs while reducing drastically their likelihood of success. That is a poor way to motivate the private enforcement which the copyright system encourages and which is reflected in the incentive created by section 505. *See McCulloch v. Albert E. Price, Inc.*, 823 F.2d 316, 323 (9th Cir. 1987) (“section 505 is intended in part to encourage the assertion of colorable copyright claims, to deter infringement, and to make the plaintiff whole, fees are generally awarded to a prevailing plaintiff”) (citations omitted).

works. U.S. Const. art 1, § 8, cl. 8 (“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”). The Copyright Clause and the statutory regime that gives it force and form reflects a judgment “that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in ‘Science and useful Arts.’” *Mazer v. Stein*, 347 U.S. 201, 219 (1954). “By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas.” *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985). Scholars have further validated the courts’ conclusion that copyright protections motivate creation. *E.g.*, William M. Landes & Richard A. Posner, *The Economic Structure of Intellectual Property Law* 38–39 (2003) (explaining economic incentives for creators). Providing creators with the exclusive right to reproduce their work—and to permit others to do so—gives them incentives to create and to share their creations, secure in the knowledge that the courts will protect their rights against imitators, counterfeiters, and illicit distributors.

But those incentives are only as good as the ability of creators and owners to validate their property rights in court. Burdening copyright holders with rules that make it more difficult and expensive to prosecute claims of infringement, as the district court did in this case, shackles that ability. This Court should take the

opportunity to reaffirm that the courthouse doors will remain open to all copyright holders, not just large and well-resourced ones who may be able to afford to meet the impracticably high standards applied by the district court. Likewise, it should signal that the law will grant no quarter to bad actors who can obscure their infringement secure in the knowledge that small creators will be unable to afford to vindicate their rights in court.

CONCLUSION

For the reasons set forth above, and for those set forth in Oracle's brief, *amicus curiae* respectfully requests reversal of the decision below.

August 5, 2019

Respectfully submitted,

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