

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA
SIXTH APPELLATE DISTRICT

DVD COPY CONTROL ASSOCIATION,
INC.,

Plaintiff and Respondent,

v.

ANDREW BUNNER,

Defendant and Appellant.

Court of Appeal No. H021153

Santa Clara County Superior Court

Case No. CV – 786804

The Hon. William J. Elfving, Judge

**DEFENDANT ANDREW BUNNER'S
SUPPLEMENTAL OPENING BRIEF**

ON REMAND FROM THE SUPREME COURT OF CALIFORNIA

**EXPEDITED CONSIDERATION REQUESTED PURSUANT TO
NATIONAL SOCIALIST PARTY V. SKOKIE, 432 U.S. 43 (1977)**

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INTRODUCTION

This is a classic free speech case. It involves DeCSS, an original and independently created computer program for decrypting DVD movie disks that has been widely distributed throughout the world. Plaintiff DVD Copy Control Association, Inc. (DVD CCA) contends that DeCSS was reverse engineered from its own DVD decryption program called CSS, a competing decryption program also widely distributed throughout the world. DVD CCA further contends that CSS contained trade secrets notwithstanding its widespread distribution; that the alleged CSS trade secrets remain secret notwithstanding the widespread republication of DeCSS by numerous persons throughout the world with no connection to DeCSS's creators or to defendant Andrew Bunner; that the creators of DeCSS, to whom Mr. Bunner has no connection, misappropriated those trade secrets by reverse engineering CSS in violation of a purported license agreement with one of DVD CCA's licensees; and that Mr. Bunner knew or had reason to know that DeCSS was a misappropriation of DVD CCA's alleged trade secrets.

Nearly four years ago, the trial court entered a "preliminary" injunction prohibiting Mr. Bunner from republishing DeCSS, CSS, or any information that DVD CCA alleges to be a trade secret. This Court reversed the injunction on appeal as a violation of the First Amendment.

DVD CCA then sought and obtained review by the California Supreme Court. In its opinion, the Supreme Court held that whether the trial court's injunction is constitutional under the First Amendment and California's Liberty of Speech Clause depends in turn on whether an independent, de novo examination of the entire record leads to the conclusion that DVD CCA has carried its burden of showing that: 1) it is likely to prevail on its trade secret misappropriation claim; 2) it would

suffer irreparable harm without the injunction and the balance of harms weighs in its favor; and 3) the injunction does not violate the Intellectual Property Clause of the federal Constitution. The Supreme Court did not decide these questions but has left to this Court the task of conducting that searching, independent review.

The sparse and porous preliminary injunction record in this case cannot bear the weight of that scrutiny, and the injunction must be reversed. That threadbare record demonstrates, in many cases by DVD CCA's own evidence, that: CSS is not a secret because more than a hundred individuals or entities located in at least 11 states and 11 countries (including the popular "Download.com" site operated by the Internet news service CNET) distributed DeCSS without complaint from DVD CCA for more than three months before the injunction was issued; there is no evidence that whoever reverse engineered CSS actually assented to any license agreement restricting reverse engineering of CSS or that such an agreement would be valid; there is no evidence that whoever created DeCSS knew or should have known that any misappropriation occurred in the reverse engineering of DVD CCA's alleged trade secrets; and Mr. Bunner had no contact with the alleged creators of DeCSS, did nothing to aid in its creation or in its initial public distribution, and neither knew nor had reason to know of any misappropriation of DVD CCA's alleged trade secrets. These facts make it not just unlikely but impossible that DVD CCA will ultimately prevail on the merits of its action.

Nor did DVD CCA show that it would suffer irreparable harm without the injunction and that the balance of harms weighed in its favor. Any injunction was doomed to futility both because DVD CCA never served process on dozens of defendants, thus preventing the trial court from acquiring jurisdiction over them, and because many defendants lacked

sufficient contacts with California, making it impossible for the trial court to ever acquire jurisdiction over them. Moreover, DVD CCA's asserted harms were not future harms to itself that the injunction had any possibility of preventing, and in any event were outweighed by Mr. Bunner's harms.

Thus, this Court's prior conclusion that the injunction is unconstitutional remains the correct one, albeit for a different reason: The preliminary injunction issued here violates the First Amendment and the Liberty of Speech Clause and must be reversed because an independent, de novo review of the record reveals that DVD CCA has failed to carry its burden of showing that it is likely to prevail on the merits of its trade secret action and that the balance of harms weighs in its favor.

Finally, the injunction also violates the Intellectual Property Clause of the federal Constitution by prohibiting the republication of ideas already in the public domain, and should be reversed for this reason as well.

PROCEDURAL HISTORY

On December 27, 1999, after remaining silent for nearly three months while DeCSS was republished with heavy publicity on dozens, if not hundreds, of websites around the world, DVD CCA filed this action alleging misappropriation of its alleged trade secrets¹ and moved for an immediate temporary restraining order and preliminary injunction. After receiving evidence described in further detail below, the trial court enjoined Mr. Bunner from communicating any of the following ideas and information: "the DeCSS program, the master keys or algorithms of the Content Scrambling System ('CSS'), or any other information derived from this proprietary information." Order at 2, AA712. The communication ban

¹ We use the terms "the alleged CSS trade secrets" and "CSS algorithms and keys" interchangeably throughout this brief to designate those portions of CSS that DVD CCA contends are protectable trade secrets.

extends not only to the computer program DeCSS but also to written, verbal, or other representations of CSS's features, communicated in any medium.

On appeal, this Court reversed the injunction. It found that, even assuming arguendo that an independent, de novo review of the record would lead to the conclusion that DVD CCA was likely to prevail on the merits of its trade secret claim against Mr. Bunner and that the harm to DVD CCA from not issuing an injunction was irreparable and outweighed the harm to Mr. Bunner from the issuance of the injunction, the injunction nonetheless was a prior restraint that violated the First Amendment.

DVD CCA then sought review in the Supreme Court, which reversed this Court's decision and remanded for further proceedings by this Court, as described in more detail hereafter. *DVD Copy Control Ass'n v. Bunner*, 31 Cal.4th 864, 873, 875 & n. 5; 885 & n. 8; 889-90 (2003).

On November 28, 2001, after this Court's reversal of the preliminary injunction but before DVD CCA sought review in the Supreme Court, Mr. Bunner filed his motion for summary judgment in the trial court. In support of his motion, Mr. Bunner submitted extensive evidence of the ubiquitous public availability of the information that DVD CCA contends is a trade secret. DeCSS, as well as other information also disclosing CSS's algorithms and keys, remains available throughout the world from countless sources other than Mr. Bunner and the other 20 defendants named and served in this action.

The evidence submitted by Mr. Bunner includes declarations from Princeton Computer Science Professor Edward Felten (the chief computer science expert for the United States in the *United States v. Microsoft* case), University of California at Berkeley Computer Science Professor David Wagner, and Carnegie Mellon University Computer Scientists Dr. David

Touretzky and Gregory Kesden. (These declarations are included as exhibits to the mandate petition in related case H024755). This evidence demonstrates that: DeCSS remains available, at the very least, at *hundreds* of locations on the Internet, in both source code and object code versions. Other DVD software players available on the Internet have been created since the creation of DeCSS that also disclose the CSS algorithms and keys. Numerous additional programs performing the CSS descrambling function have been created in a variety of programming languages. DVD descrambling programs have been published in print by both MIT's journal *Technology Review* and *Wired Magazine*, and the *Wall Street Journal* published one of the CSS master keys. CSS and its algorithms and keys have been the subject of research, discussion, and teaching worldwide within the computer science community. Other descriptions and representations of the CSS algorithms and keys have been created in a vast variety of formats, including narrative descriptions, mathematical descriptions, and graphical, animated, and musical renderings of the CSS algorithms and keys.

Mr. Bunner's summary judgment motion was stayed by the trial court on DVD CCA's motion pending the Supreme Court's decision. DVD CCA has now filed a motion to further extend the stay until this Court decides this cause on remand.

REQUEST FOR EXPEDITED CONSIDERATION

Pursuant to *National Socialist Party v. Skokie*, 432 U.S. 43, 44 (1977) Mr. Bunner respectfully requests that the Court grant expedited consideration of this appeal. That decision holds that in cases like this one in which a preliminary injunction suppressing speech is in effect, the First Amendment demands "strict procedural safeguards," including "immediate appellate review." *Ibid.*

This requirement is a manifestation of the more general rule that the issuance of a preliminary injunction prohibiting speech imposes on courts a special and mandatory constitutional obligation to speedily resolve the litigation: “*First*, the burden of instituting judicial proceedings, and of proving that the material is unprotected, must rest on the censor. *Second*, any restraint prior to judicial review can be imposed *only for a specified brief period* and only for the purpose of preserving the status quo. *Third*, a *prompt final judicial determination must be assured.*” *Southeastern Promotions, Ltd. v. Conrad*, 420 U.S. 546, 560 (1975) (emphasis added); *see also Vance v. Universal Amusement Co.*, 445 U.S. 308 (1980); *National Socialist Party v. Skokie* 432 U.S. at 44; *United States v. Thirty-Seven Photographs*, 402 U.S. 363 (1971); *Blount v. Rizzi*, 400 U.S. 410, 417 (1971); *Freedman v. Maryland*, 380 U.S. 51, 58 (1965); *People ex rel. Busch v. Projection Room Theater*, 17 Cal.3d 42, 57 (1976). And more generally, as the California Supreme Court has recently reiterated, “because unnecessarily protracted litigation would have a chilling effect upon the exercise of First Amendment rights, speedy resolution of cases involving free speech is desirable.” *Winter v. DC Comic*, 30 Cal.4th 881, 891 (2003).

The necessity for prompt action is even greater here because DVD CCA has used the existence of this preliminary injunction appeal as an excuse for postponing for years the final resolution by the trial court of the merits of its claim. As noted above, after Mr. Bunner filed with the trial court his motion for summary judgment two years ago, DVD CCA successfully moved the trial court to stay the decision of Mr. Bunner’s motion, and has now moved to extend the stay pending this Court’s decision of this cause.

ARGUMENT

I. This Court Must Review The Record De Novo To Determine Whether It Demonstrates That DVD CCA Is Likely To Prevail On The Merits And Whether It Demonstrates That The Balance Of Harms Weighs In Favor Of DVD CCA

The Supreme Court held that the constitutionality of the preliminary injunction hinges on whether an “independent,” “de novo,” “constitutional fact review” of the preliminary injunction record shows that DVD CCA is likely to prevail on the merits of its trade secret action, that the balance of harms tips in DVD CCA’s favor, and that the injunction does not conflict with the Intellectual Property Clause of the federal Constitution. 31 Cal.4th at 873, 875 & n. 5; 885 & n. 8; 889-90. It has assigned this Court the task of conducting that review. 31 Cal.4th at 889-90. For the reasons set forth below, DVD CCA has failed to carry its burden of proof on these issues.

“On remand, the Court of Appeal must therefore make an independent examination of the entire record and determine whether the evidence in the record supports the factual findings necessary to establish that the preliminary injunction was warranted under California’s trade secret law.” 31 Cal.4th at 890 (internal quotation marks and citations omitted). Among the specific issues identified by the Supreme Court for determination by this Court are the following:

- Whether the CSS algorithms and keys were trade secrets at the time DeCSS was first created. 31 Cal.4th at 875.
- Whether by the time of the preliminary injunction the CSS algorithms and keys, notwithstanding their worldwide republication for three months and DVD CCA’s failure to take any action to suppress them, still remained trade secrets and had not become part of the public domain. 31 Cal.4th at 875 & n. 5.

- Whether the alleged reverse engineering outside the United States of a DVD player manufactured by a company called Xing amounted to an acquisition of DVD CCA's alleged trade secrets by improper means. *Ibid.*
- Whether the creation of DeCSS was a further misappropriation of DVD CCA's alleged trade secrets. *Ibid.*
- Whether Mr. Bunner knew or had reason to know at the time he posted DeCSS on his web site that DeCSS disclosed trade secrets acquired by improper means. 31 Cal.4th at 873, 875.
- Whether DVD CCA would suffer irreparable future harm in the absence of an injunction. 31 Cal.4th at 875.
- Whether any irreparable harm to DVD CCA outweighs the harm that an injunction would cause to Mr. Bunner. *Ibid.*

Each of the above findings is necessary to the conclusion that DVD CCA is likely to prevail on the merits of its trade secret action and the balance of harms weighs in its favor. If this Court exercising its independent judgment on the record before it concludes that even one of these contentions is unproven, then the preliminary injunction must be reversed.

Finally, even if this Court finds all of the above contentions to be true, it still must determine whether the injunction violates the Intellectual Property Clause of the federal Constitution because DVD CCA's alleged trade secrets have been publicly disclosed and are no longer secret. 31 Cal.4th at 875 n. 5.

II. DVD CCA Is Unlikely To Prevail On The Merits Of Its Trade Secret Claim Against Mr. Bunner

A. The Undisputed Evidence Of The Worldwide Distribution Of DeCSS For Over Three Months Before The Preliminary Injunction Was Entered Shows That The CSS Algorithms And Keys Were No Longer Secret At The Time Of The Injunction

Under California’s Uniform Trade Secrets Act (“UTSA”; Civil Code § 3426 et seq.), a trade secret exists only so long as the information in question remains “not . . . generally known to the public or to other persons who can obtain economic value from its disclosure or use.” § 3426.1, subd. (d); see also *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 475 (1974) (“The subject of a trade secret must be secret, and must not be of public knowledge or of a general knowledge in the trade or business.”).

Given this definition of “trade secret,” it is no surprise that California’s UTSA provides that once a trade secret has lost its secrecy, its publication may no longer be enjoined. § 3426.2 (“an injunction shall be terminated when the trade secret has ceased to exist”); see also *Vacco Industries, Inc. v. Van Den Berg*, 5 Cal.App.4th 34, 50 (1992) (“a trade secret is protectible only so long as it is kept secret”). As the legislative history to California’s UTSA explains, “an injunction accordingly should terminate when a former trade secret . . . becomes generally known.” Unif. Trade Secrets Act § 2 cmt., *reprinted in* 14 Unif. Laws Annot. 450 (West 1990); Sen. Com. on Jud., Rep. on Assem. Bill 501, 8 Sen. Jour. (1983-1984 Reg. Sess.) p. 13883 (“the comments of the national conference with respect to the act reflect the intent of the Senate Committee on Judiciary in approving Assembly Bill 501”). The statute’s prohibition of injunctive relief barring republication of information that is no longer secret is absolute and mandatory, and is not conditioned on the manner in which the information has become public.

Thus, under California's UTSA, general public disclosure over a significant period of time destroys the secrecy essential to a trade secret. *Vacco Industries, Inc. v. Van Den Berg*, 5 Cal.App.4th at 50; *Religious Tech. Center v. Netcom On-line Commun. Servs.*, 923 F.Supp. 1231, 1254 ("Once trade secrets have been exposed to the public, they cannot later be recalled."), 1256 (N.D. Cal. 1995); see also *Enterprise Leasing Co. v. Ehrnke*, 3 P.3d 1064, 1069 (Ariz. Ct. App 1999) (applying Uniform Trade Secrets Act: "the hallmark of a trade secret obviously is its secrecy . . . matters that are public knowledge are not safeguarded as trade secrets"); *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1002 (1984) (applying Restatement (First) of Torts trade secret law; "Information that is public knowledge or that is generally known in an industry cannot be a trade secret."); *Murray v. Bank One*, 649 N.E.2d 1307, 1313 (Ohio App. 1994) (applying Restatement (First) of Torts trade secret law; "If information is generally known in the industry, it is not 'secret' and 'cannot qualify as a trade secret.' "); 1 Milgrim on Trade Secrets § 1.05[1], at 1-197 (2000) ("Since secrecy is a requisite element of a trade secret, . . . unprotected disclosure of the secret will terminate that element and, at least prospectively, forfeit the trade secret status").

In particular, widespread and sustained publication for a significant period of time, on the Internet or elsewhere, destroys the secrecy essential to a trade secret. *Enterprise Leasing Co. v. Ehrnke*, 3 P.3d at 1069 (applying Uniform Trade Secrets Act: "[i]nformation is considered public knowledge if it is available in trade journals, reference books or published materials"). The legislative history of California's UTSA confirms this fact; it notes that "[o]btaining the trade secret from published literature" is a proper means of acquiring knowledge of the information alleged to be a trade secret. Sen. Com. on Jud., Rep. on Assem. Bill 501, 8 Sen. Jour.

(1983-1984 Reg. Sess.) p. 13883; see also *Religious Tech. Center v. Netcom On-line Commun. Servs.*, 923 F.Supp. at 1254, 1256; 1 Milgrim on Trade Secrets § 1.03, at 1-163 (2000) (“[W]hether secrecy is lost through seepage in conduct of business, sale or exposition of a product embodying the secret, disclosure of the idea through a trade or technical publication, or by way of patent . . . the principle remains: a secret on the wing cannot be recalled.”).

Thus, as the Supreme Court noted in its opinion, one question for this Court is whether “publication of [the alleged] CSS trade secrets on the Internet has . . . destroyed their trade secret status,” making “CSS technology . . . part of the public domain and no longer a protectable trade secret.” (31 Cal.4th at 875 & n. 5.) The evidence here shows without dispute that the alleged trade secrets had already been publicly and widely disclosed for over three months before the preliminary injunction issued. Accordingly, DVD CCA cannot prevail on the merits of its trade secret claim, which seeks only injunctive relief, and the injunction was unconstitutionally issued.

DeCSS was first posted for public distribution on the Internet on October 6, 1999. Order at 2, AA712; Wagner Decl. ¶ 28, AA 264; Hoy Reply Decl. ¶¶ 2, 3, AA479-80. However, it was not until almost three months later, on December 27, 1999, that DVD CCA filed this lawsuit. By that time, according to DVD CCA’s own evidence, DeCSS or links to it had been republished on “at least” 118 websites. Jonathan Shapiro Decl. ¶ 4, AA79. These websites were located in “at least 11 states and 11 countries.” *Ibid.*

Among these 118 websites scattered around the world was the “Download.com” web site of the Internet news provider CNET. Harvey Shapiro Decl. at ¶ 71 & Ex. A, RA36, RA169; Order at 2, AA712.

“Download.com” is a web site dedicated to providing the public with easy downloading of popular computer programs. See <http://www.cnet.com/aboutcnet/company/download.html> (describing Download.com as “the most comprehensive and useful resource on the Web for digital downloading”). According to CNET, by November 19, 1999, almost 5,000 copies of DeCSS had been downloaded by users from its web site. See http://news.com.com/2100-1023_3-233258.html?tag=prntfr.

In addition to the computer program versions of DeCSS that were republished, English language descriptions of the CSS algorithms and keys were also published on the Internet at this time, as well as written versions of the source code of DeCSS. Stevenson Decl. ¶¶ 15-18 & Exs. A, C-F, AA226-27, AA229-34, AA236-54 (in Confidential Appendix). CSS and DeCSS were also widely distributed and widely discussed in the academic cryptographic community. Wagner Decl. ¶¶ 30-31, AA264-65.

As concurring Justice Moreno concluded, this widespread, and worldwide, distribution of DeCSS on the Internet prevents DVD CCA from carrying its burden of showing that CSS was still secret. “[A] plaintiff carries the burden of showing that the trade secret remains a secret despite the Internet posting. In the present case, nothing in the record indicates that the DVD CCA met that burden.” 31 Cal.4th at 901 (conc. opn. of Moreno, J.) Thus, it is unnecessary to decide whether the CSS algorithm and keys were ever properly trade secrets given the millions of authorized DVD players containing them that were sold to the public, whether the reverse engineering of the Xing software DVD player and the creation of DeCSS were acquisitions of trade secrets by improper means, whether Mr. Bunner knew or had reason to know of any acquisition by improper means of DVD CCA’s alleged trade secrets, any other question relating to whether DVD

CCA is likely to prevail on the merits of its claim, whether the balance of harms weighs in DVD CCA's favor, or whether the injunction was otherwise properly issued. The Court need proceed no further in order to conclude that the worldwide republication of DeCSS for three months before this action was filed alone demonstrates that DVD CCA is unlikely to prevail on the merits and that the injunction accordingly must be reversed.

B. The Worldwide Distribution By DVD CCA And Its Licensees Of Millions Of Copies Of CSS Had Already Destroyed Any Secrecy In CSS *Before* The Creation Of DeCSS

A trade secret can only exist if the trade secret owner makes reasonable efforts to maintain the secrecy of the information in question, and if in fact the alleged trade secret remains undisclosed before the alleged misappropriation occurs. §§ 3426.1, subd. (d), 3426.2. Here, it was an intentional part of the business plan of DVD CCA and its licensees to distribute millions of copies of CSS and its algorithms and keys around the world to any consumer willing to pay for them.

Because DVD movie disks are encrypted, a DVD movie disk cannot be played unless it is first decrypted by a hardware or software DVD player. In order to perform the decryption and play the movie, every DVD player sold by DVD CCA's licensees must necessarily contain and use a copy of the CSS program containing the very algorithms and keys that DVD CCA claims are its trade secrets. It is novel, to say the least, for the creator of a mass-market consumer product to claim that the digital code sold inside every one of the millions of copies of its product nonetheless somehow remains secret from the world.

As the declarations of John Gilmore and David Wagner make clear, there is no meaningful secrecy to CSS, or any similar software product,

when it is distributed, as CSS was, in millions of copies in the mass consumer market. Gilmore Decl. ¶ 32, AA282; Wagner Decl. ¶¶ 16-18, 27, AA261, AA263.

DVD CCA contends nonetheless, in the declarations of its president John Hoy, that notwithstanding this widespread public distribution of the CSS program it has taken reasonable steps to maintain the secrecy of CSS by requiring its licensees to obscure from easy view the copies of CSS in the products they sell. Hoy Reply Decl. ¶ 31(c), AA492. Nothing in the license agreement, however, requires DVD CCA licensees to obscure CSS in their products. Hoy Reply Decl. Ex. C, CSS License Agreement at § 5.2, AA515-19. Nor do Hoy's declarations attest either that all of DVD CCA's licensees have in fact obscured CSS or that this technological obscuring is in fact a substantial barrier to reverse engineering. Obviously, the purported technological obscurity of the copies of CSS contained within the millions of consumer devices sold by DVD CCA's licensees was not a substantial barrier to reverse engineering in the case of DeCSS, which DVD CCA believes was done by a teenager. Thus DVD CCA is not likely to prevail on its trade secret claim for the independent reason that, even prior to the reverse engineering that created DeCSS, DVD CCA had not taken reasonable steps to preserve the secrecy of CSS. CSS, scattered across the world by DVD CCA and its licensees in millions of copies, was no longer secret in any meaningful sense of the word, but was available to anyone willing to take the time and effort to reverse engineer it.

C. DVD CCA Did Not Take Reasonable Steps To Preserve The Secrecy Of CSS Once DeCSS Was Publicly Released In October 1999

DVD CCA also failed to take reasonable steps to preserve the secrecy of the alleged CSS trade secrets once DeCSS was first posted on

the Internet on October 6, 1999. Upon discovering the existence of DeCSS, neither DVD CCA nor any other entity made any public announcement asserting that CSS was a trade secret or that DeCSS misappropriated any trade secrets. The “cease-and-desist” letters sent by the Motion Picture Association on behalf of various movie studios assert only that DeCSS is being used to infringe the copyrights in certain motion pictures by making unauthorized copies of those motion pictures. Harvey Shapiro Decl. Ex. A, RA 37-170. No such letter was sent to Mr. Bunner. (*Ibid.*) None of these letters asserts that DeCSS misappropriates any trade secrets of anyone, and none of these letters mentions DVD CCA or any objection by DVD CCA to DeCSS.

Instead, before this lawsuit was filed both the world at large and Mr. Bunner and every other defendant in particular heard only absolute silence from DVD CCA regarding DeCSS or any connection between DeCSS and any purported trade secrets. Because it failed to take any steps at all, much less all reasonable steps, to preserve the secrecy of the CSS algorithms and keys for three months after the publication of DeCSS, DVD CCA cannot prevail on its trade secret action.

D. DVD CCA’s Evidence Fails To Establish Any Likelihood That The Reverse Engineering of Xing’s DVD Player Or The Creation of DeCSS Was An Acquisition By Improper Means Of DVD CCA’s Trade Secrets

DVD CCA’s theory of misappropriation is simply stated: A DVD CCA licensee, Xing Technology Corp., manufactured and distributed to the public and to computer manufacturers a software version of a DVD player for use in personal computers. This DVD player incorporated a version of the CSS algorithms and keys. A Norwegian teenager, Jon Johansen, used information obtained from reverse engineering the Xing DVD player to

write an independent DVD decryption program called DeCSS. DVD CCA contends that there existed an end-user license agreement between Xing and the purchaser of the Xing player prohibiting reverse engineering, which the purchaser assented to by clicking on a “click-wrap” license appearing on his or her computer’s screen, and that the reverse engineering was a breach of this purported agreement and was an acquisition of DVD CCA’s trade secrets by improper means. Complaint ¶ 47, AA14.

The only defect of this theory is that there is no evidence to support it on numerous crucial points.

Remarkably, in its opening papers seeking a preliminary injunction filed December 28, 1999, DVD CCA submitted *no* admissible evidence that DeCSS used information that had been reverse engineered from the Xing software player. Nor did it submit any evidence of the existence of any agreement purporting to restrict anyone from reverse engineering Xing’s player to obtain DVD CCA’s alleged trade secrets. Nor did it submit any evidence that whoever reverse engineered the Xing player was a party to any such agreement, or that that person breached the agreement, or that the person who then used the information obtained from reverse engineering the Xing player to create DeCSS knew or had reason to know of any breach of the agreement. Instead, Hoy alleged (inadmissibly and conclusorily) “on information and belief” only that DeCSS “was obtained by willfully ‘hacking’ and/or improperly reverse engineering software created by CSS licensee Xing.” Hoy Decl. ¶ 27, RA9.

DVD CCA did not file and serve the Reply Declaration of John Hoy (AA478), which for the first time presented evidence of the use of information obtained from the Xing DVD player in DeCSS, and the declaration of Chris Eddy (AA338), a former Xing employee who discussed for the first time the Xing license agreement, until January 13,

2000, a week after Mr. Bunner had submitted his opposition papers. Thus, Mr. Bunner never had an opportunity to respond to the new evidence regarding Xing's player and the purported Xing end-user license presented for the first time in the Hoy Reply Declaration and the Eddy Declaration, and this Court would be entirely justified for that reason alone in disregarding the new information relating to the Xing player in the Hoy Reply Declaration and the Eddy Declaration.²

In any event, the evidence it did submit was utterly inadequate to demonstrate that DVD CCA is likely to prevail in showing that the alleged reverse engineering of the Xing DVD player and its use in the creation of DeCSS was an actionable breach of an agreement between Xing and the person who performed the reverse engineering that amounted to acquisition by "improper means." The trial court noted, when it addressed the "improper means" issue in its preliminary injunction order, that "Plaintiff's case is problematic at this pre-discovery stage." Order at 3, AA713. That is an understatement, to say the least. The record is not simply contested but is utterly silent on a multitude of facts the existence of which is essential to support any determination that the alleged reverse engineering of CSS was accomplished by improper means. Among these missing links are the following:

² Also worthy of note in evaluating the weight to be given to the declaration of Chris Eddy of Xing is the fact that, under the CSS license agreement, Xing faces liability to DVD CCA for liquidated damages in the amount of \$1,000,000 for failing to maintain the confidentiality of CSS. Hoy Reply Decl. Ex. C, CSS License Agreement § 9.3, AA525. Certainly, the possibility of Xing's massive liability could be expected to color the testimony of Eddy, its onetime Chief Technology Officer and Vice President of Engineering.

- **The Xing License Restriction Is Limited To Source Code.** The 1998 version³ of the Xing license agreement on which DVD CCA relies claims trade secret status only for the *source code* version of the Xing program, which Xing did not distribute to consumers, not for the object code version of the Xing program, which it did distribute to consumers: “The Product in *source code* is confidential and Xing’s protected trade secret.” AA339 ¶5 (emphasis added). Mass-market software makers do not distribute to their customers their source code, which is not directly usable by a consumer; instead, they distribute their product in object code version, which can be readily executed and run by a consumer’s computer. See Hoy Reply Decl. at ¶¶ 3-4 & fn.1, AA 479-80; Wagner Decl. ¶ 16, A261; Stern, *Shrink-Wrap Licenses of Mass Marketed Software: Enforceable Contracts or Whistling in the Dark?*, 11 Rutgers Computer & Tech. L. J. 51, 68-69 (1985). Xing claimed no trade secrets in the object code version that was distributed to consumers and allegedly used to create DeCSS.
- **The Xing License Restriction Is Limited To Xing’s Trade Secrets.** The Xing license agreement does not purport to protect or restrict the use of any trade secret interest held by DVD CCA, instead asserting rights only Xing’s own trade secrets: “The Product in source code is confidential and *Xing’s* protected trade secret.” AA339 ¶ 5 (emphasis added). DVD CCA presented no evidence or argument that it has standing to enforce Xing’s trade secret rights in this action, or that it has

³Although this case was filed in December 1999, DVDCCA presented only the 1998 version of Xing’s license agreement and only the testimony of a former Xing employee whose job there ended in 1998. DVD CCA presented no evidence regarding the terms of the Xing license agreement in use at the time of the preliminary injunction, no testimony by any current Xing employee, and no evidence that Xing considered the alleged reverse engineering to be a breach of its license agreement.

standing to enforce the Xing agreement. In its own license agreement with Xing, DVD CCA did not require Xing to include any anti-reverse engineering provision in Xing's end-user agreement or to otherwise prohibit reverse engineering by Xing's consumers. Hoy Reply Decl., Ex. C, CSS License Agreement at § 5.2, AA515-19. DVD CCA thus presents no evidence of any agreement or duty to keep *DVD CCA's* trade secrets confidential existing between it, or Xing and those who allegedly reverse engineered the Xing player or who created DeCSS.

- **No Evidence Of Assent To The Xing License By The Xing Program Purchaser.** No evidence was presented that whoever *purchased* the copy of the Xing program allegedly used to create DeCSS, or the computer containing the copy if it was purchased preinstalled, ever even saw the Xing license agreement, much less assented to it either by clicking on the agreement or otherwise.

Xing sold its DVD players to original equipment manufacturers (OEMs) of personal computers, who then sold the Xing player preinstalled (or "bundled") on their machines. Eddy Decl. ¶ 6, AA339-40. Because the Xing click-through license agreement appears only at the time of initial installation (AA340 ¶ 7), a consumer purchasing a computer with Xing software preinstalled by an OEM would not see a click-through license agreement, much less assent to it. Although Xing purportedly as of 1998 required its OEMs to pass on the terms of the Xing license to their customers (presumably in paper form) (AA339-40 ¶6), no evidence was presented that in fact any OEM actually did include a written copy of the Xing license agreement with their machines. Chris Eddy, the former Xing employee whose testimony DVD CCA presented, was careful not to state on whether or not any OEM actually had included the license agreement in the packaging of its

computers. Nor did he assert that consumers of OEM computers with preinstalled Xing players were given any opportunity to assent to the terms of the agreement. AA339 ¶ 6.

No evidence was presented that any version of the Xing license agreement at all ever appeared in “click-through” form on the particular computer containing the copy of the Xing program allegedly used in the creation of DeCSS, nor was there any evidence that the Xing license was provided in written form accompanying the initial sale of that computer.

- **No Evidence That The OEM-Provided Xing License Is Enforceable.** Even if the OEMs did pass along the paper license to consumers, it is highly questionable whether that license would be enforceable under traditional contract law. Many consumers do not purchase their computers directly from the OEM but from a retailer; thus, their contract is with the retailer, not the OEM, and the fact that the OEM wants to impose terms on the retailer-consumer contract does not make those terms enforceable unless both the retailer and the consumer intend them to be so. There is no evidence that the retailer and consumer involved in the sale of the machine with the Xing player on it intended for the Xing license to be part of their contract. It is doubtful that a consumer would even know of the Xing license at the time of sale, but would only discover it later, after the purchase was completed, when he went home and opened the box and found a piece of paper with the license printed on it (assuming the OEM bothered to put it in the box). Finally, even if such an agreement existed and were enforceable, it would bind only the first purchaser of the computer (the person who assented to it), not other users of that computer or someone who later purchased the computer from the original purchaser.

- **No Evidence That The Person Who Reverse Engineered The Xing Player Assented To The Xing License.** No evidence was presented that the person who reverse engineered the Xing player was the initial purchaser of the computer and the player, or that that person ever assented to the Xing license agreement either by clicking on the agreement or otherwise. Thus, there was no evidence that the person who did the reverse engineering was bound by the Xing license agreement, whatever the scope of its terms.
- **The Xing Player Can Be Reverse Engineered Without Seeing Or Assenting To The Xing License.** The record confirms without dispute that it is possible to reverse engineer the Xing software player without first having to view or click on a “click-wrap” license. Wagner Decl. ¶¶ 21-22, 27, AA262-64; Stevenson Decl. ¶ 19, AA228.
- **No Evidence That The Person Who Used The Results Of The Reverse Engineering To Create DeCSS Was Aware Of Or Assented To The Xing License.** No evidence was presented that whoever allegedly *used* information obtained from reverse engineering the Xing software player to create DeCSS was the same person who reverse engineered the Xing player. No evidence was presented that the person who used the information obtained from reverse engineering the Xing to create DeCSS knew or had reason to know of the existence of the Xing license agreement or of any breach of the Xing agreement by the person performing the reverse engineering, or that this person ever assented to the Xing license agreement either by clicking on the agreement or otherwise. Indeed, the Norwegian court that subsequently acquitted Jon Johansen in January 2003 found that while Johansen created DeCSS he did not perform the reverse engineering of the Xing software player. 1/7/03 Decision Of The Oslo First Instance Court, at p. 13, reproduced

as Ex. D to Defendant Andrew Bunner's Motion To Dismiss For Mootness, filed with the California Supreme Court 2/7/03.

Thus, the chain of crucial evidence necessary for DVD CCA to establish a likelihood of prevailing on the question of whether any reverse engineering of CSS was an acquisition of DVD CCA's trade secrets by improper means is entirely absent from the record.

But even if there had been evidence that the Xing license agreement protected object code as well as source code, that it protected DVD CCA's trade secrets as well as Xing's trade secrets, that it was presented to every consumer who purchased an OEM computer with a preinstalled Xing player, and that the person who actually used Xing's player to reverse engineer CSS and the person who created DeCSS had assented to the license agreement, there would still be fundamental questions as to the enforceability of a mass-market reverse engineering restriction in a form consumer license agreement. Weighing against enforceability are not only the statutory authorization of reverse engineering in California's UTSA (§ 3426.1, subd. (a) ("Reverse engineering or independent derivation alone shall not be considered improper means.")) and the public policies in favor of reverse engineering and free competition but also the first sale doctrine of copyright law and patent law, the preemptive scope of federal intellectual property law, and many other issues.

In *Vault v. Quaid*, 847 F.2d 255 (5th Cir. 1988), the United States Court of Appeals for the Fifth Circuit held that a mass-market consumer license provision purporting to prohibit reverse engineering of copy-protection software was preempted by federal law, even though the only purpose of the defendant's reverse engineering was to enable consumers to make unauthorized copies of copyrighted computer programs. *Id.* at 268-70. No California court, nor, as best we know, has any court anywhere ever

enforced a mass-market consumer license agreement purporting to prohibit reverse engineering.

Indeed, Justice Moreno expressly rejected this theory in this case: “Civil Code section 3426.1, subdivision (a), defining ‘improper means,’ states ‘[r]everse engineering ... alone shall not be considered improper means.’ Apparently the word ‘alone’ refers to the fact that the item reverse engineered would have to be obtained ‘by a fair and honest means, such as purchase of the item on the open market for reverse engineering to be lawful.’ (Legis. Com. com., 12A pt. 1 West’s Ann. Civ. Code, *supra*, foll. Civ. Code, § 3426.1, p. 238, quoting Rest. Torts § 757, com. (f).) According to the allegations of the complaint, the alleged initial misappropriator of CSS, Jon Johansen, acquired the secret through reverse engineering. There is no allegation that he acquired the product containing CSS unlawfully, and that therefore improper means were employed. The DVD CCA argument below that violation of a ‘click license’ agreement prohibiting reverse engineering constituted the improper means does not appear to have merit. To be sure, contract plays an important role in trade secret law by protecting the trade secret holder against ‘unauthorized use or disclosure through a contract with the recipient of a disclosure’ or others who have had special access to trade secret information, via confidentiality agreements and the like. (Rest.3d Unfair Competition, § 41, com. d, p. 471, *italics added*.) But nowhere has it been recognized that a party wishing to protect proprietary information may employ a consumer form contract to, in effect, change the statutory definition of ‘improper means’ under trade secret law to include reverse engineering, so that an alleged trade secret holder may bring an action even against a nonparty to that contract. Moreover, if trade secret law did allow alleged trade secret holders to redefine ‘improper means’ to include reverse engineering, it would likely

be preempted by federal patent law, which alone grants universal protection for a limited time against the right to reverse engineer.” 31 Cal.4th at 901 n. 5 (conc. opn. of Moreno, J.).

Numerous commentators have also opined that such restrictions are unenforceable. Some argue that they conflict with copyright law. See, e.g., McManis, *The Privatization (or “Shrinkwrapping”) of American Copyright Law*, 87 Calif. L. Rev. 173 (1999); Rice, *Public Goods, Private Contract and Public Policy: Federal Preemption of Software License Prohibitions Against Reverse Engineering*, 53 U. Pitt. L. Rev. 543 (1992). Others believe they conflict with patent law. See, e.g., Mauk, Note, *The Slippery Slope of Secrecy: Why Patent Law Preempts Reverse Engineering Clauses in Shrinkwrap Licenses*, 43 Wm. & Mary L. Rev. 819, 843 (2001). Others deem them to be an abuse of intellectual property rights. See, e.g., Lemley, *Beyond Preemption: The Law of Intellectual Property Licensing*, 87 Calif. L. Rev. 111, 129 (1999). Yet others contend that such restrictions can only be enforced in individually negotiated agreements, and not in purported mass-market licenses. See, e.g., Nimmer, Brown & Frischling, *The Metamorphosis of Contract Into Expand*, 87 Calif. L. Rev. 17, 68 (1999); Reichman & Franklin, *Privately Legislated Intellectual Property Rights: Reconciling Freedom of Contract with Public Good Uses of Information*, 147 U. Pa. L. Rev. 875, 939 (1999).

Moreover, given DVD CCA’s theory that the reverse engineering of CSS occurred in Norway, DVD CCA has the additional hurdle of showing that the Xing agreement was also enforceable under Norwegian and European Union law. This it did not attempt to do. The only evidence on the point was the declaration of Law Professor Jon Bing of the University of Oslo, Norway, who stated that “no Norwegian courts have found click-

wrap licenses enforceable as a matter of law and is debatable that any would.”⁴ Bing Decl. ¶ 16, AA640.

Thus, independent of the absence from the factual record of credible evidence of any anti-reverse engineering agreement entered into by the person who created DeCSS, the highly problematic nature of the enforceability, under either California or Norwegian law, of mass-market consumer anti-reverse engineering agreements like the one DVD CCA relies on also demonstrates DVD CCA’s failure to establish any reasonable probability of showing that DeCSS was reverse engineered by improper means.

E. DVD CCA Presented No Evidence That Mr. Bunner Knew Or Had Reason To Know At The Time He Posted DeCSS On His Web Site That DeCSS Disclosed Trade Secrets Acquired By Improper Means

Even where a trade secret has been misappropriated, a subsequent republisher like Mr. Bunner cannot be held liable unless, “at the time of disclosure or use, [he] knew or had reason to know that his or her knowledge of the trade secret was: (i) Derived from or through a person who had utilized improper means to acquire it; . . . or (iii) Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use.” § 3426.1, subd. (2)(B). DVD CCA presented no such evidence.

⁴ DVD CCA did submit the declaration of a Norwegian lawyer. Tondel Decl., AA305. The lawyer, however, opined only on the question of whether DeCSS violated Norwegian criminal or copyright law, and whether any intermediate copies made in the course of reverse engineering were copyright infringements. He did not opine on whether a contractual restriction on reverse engineering in a mass-market consumer license agreement is an enforceable contract under Norwegian or European Union law. Thus, the Bing Declaration is the only evidence in the record on this point.

As noted above, DeCSS was first published on the Internet on October 6, 1999. Before this lawsuit was filed almost three months later on December 27, 1999, however, neither DVD CCA, the MPA, nor any other entity uttered a peep asserting that DeCSS infringed any trade secrets of anyone. Indeed, Toshiba, DVD CCA's predecessor in interest who at the time of DeCSS's initial posting on the Internet was co-owner of the alleged trade secrets DVD CCA is asserting here,⁵ issued a statement about DeCSS in which it pointedly omitted any claim of trade secret violation, and mentioned only potential copyright law violations: "The circulation through the Internet of the illegal and inappropriate software is against the stream of *copyright* protection. Toshiba, which has led the establishment of the DVD format and is the chair-company of the DVD Forum, feels it is a great pity." AA420 (emphasis added).

Mr. Bunner, as he makes clear in his declaration, neither knew nor had reason to know that DeCSS contained any trade secrets, nor did he know or have reason to know of any trade secret misappropriation in the course of any reverse engineering that may have occurred in the creation of DeCSS. Bunner Decl. ¶¶ 12-14. Neither DVD CCA, the MPA, nor any other entity had any prelitigation contact with Mr. Bunner asking him to remove DeCSS from his website or informing him that DeCSS misappropriated trade secrets. DVD CCA's own evidence demonstrates that Mr. Bunner received no notice until after this litigation was filed, and that he then immediately removed DeCSS from his website.⁶ The fact that

⁵ Before mid-December 1999, CSS was owned by three Japanese entities: Matsushita Electrical Industrial Co., Ltd.; Toshiba Corp.; and the CSS Interim Licensing Organization of Osaka, Japan. Complaint ¶ 44, AA13; Hoy Decl. ¶¶ 2, 10, 12, 13, 24, RA2-RA8; Hoy Reply Decl. Ex. C, §§ 9.2(b), 10.8, AA526, AA530; Turnbull Decl. ¶¶ 2-3, AA156; AA627.

⁶ DVD CCA submitted the declaration of Harvey Shapiro, the MPA's lawyer, to demonstrate the prelitigation notice and demand efforts that

he did so is also strong evidence that prior to being notified he neither knew nor had reason to know of any misappropriation of DVD CCA's trade secrets.

Given the unaccountable months of silence by DVD CCA and its predecessors in the face of the worldwide republication of its alleged trade secrets and extensive press coverage of that republication, it is perhaps not surprising that DVD CCA was unable to present any evidence to the contrary that at the time Mr. Bunner posted DeCSS on his web site he knew or had reason to know of the existence of any trade secrets in CSS, of any contractual prohibition against reverse engineering the Xing player or disclosing any trade secrets of DVD CCA it might contain, of any breach of

occurred before the filing of this action. His declaration identifies each of the web sites, individuals, and entities to whom notice and demand was provided, and attaches the letters sent to those to whom notice was provided. RA 13-170. Neither Mr. Bunner nor his web site ("sharedlib.org," see Complaint ¶ 6, AA3) are identified in the Harvey Shapiro Declaration as having received any notice or demand.

DVD CCA also submitted the declaration of its lawyer Jonathan Shapiro explaining the post-litigation efforts of DVD CCA to notify the defendants. The complaint was filed at 12:02 p.m. on December 27, 1999. AA1. DVD CCA first contacted Mr. Bunner by e-mail about an hour later. AA 82 at ¶ 16 ("On Monday, December 27, 1999, at 1:05 P.M. PST, an associate at [Weil, Gotshal & Manges], under my direction, sent, via electronic mail, copies of the Complaint and Notice of Application for Temporary Restraining Order (the 'Notice') to each defendant . . ."). Mr. Bunner was the first defendant to respond to the post-litigation notice and the first to agree to remove DVD CCA from his web site: "Within ten minutes of sending a copy of the Notice and the Complaint we received a call from defendant Andrew Bunner who indicated that he had received the Complaint and Notice via electronic mail and that he would take his web site down." AA 83 at ¶ 20. (Mr. Bunner was not formally served with the summons and complaint until the next day, December 28, 1999. RA 175.) In the Reply Declaration of Jonathan Shapiro, DVD CCA confirmed that Mr. Bunner had removed DeCSS from his web site. Jonathan Shapiro Reply Decl. at ¶ 6, AA346.

such a prohibition, or of any other fact that would have given him reason to know that DeCSS was created using trade secrets acquired by improper means.

Instead, in the absence of any such evidence, DVD CCA, and the trial court, engaged in the crudest sort of guilt by association, asserting that Mr. Bunner should be held accountable for “the state of mind of the hacker community.” Hoy Reply Decl. ¶ 9, AA482. Rather than trying to establish what Mr. Bunner personally knew or had reason to know, DVD CCA instead relied on a great mass of anonymous hearsay it harvested from the Internet, for which it tries to hold him vicariously liable without ever even showing that he was aware of it, much less that, had he been aware of it, it would have caused him to know that DeCSS disclosed trade secrets that were acquired by improper means.

This material comes from a website known as “slashdot.org,” which is an Internet forum allowing anyone to post comments on computer-related topics great and small. It contains tens of thousands of these comments from its readers. Moreover, DVD CCA carefully selected the comments it presented to the trial court to choose only those it thought favorable, and did not include all comments relating to DeCSS on slashdot.org. (See, e.g., AA468-470 (DVD CCA presented only four of 648 comments for 12/29/99 slashdot.org article “DVD Hearing Today”).)

First, there is not a shred of evidence that Mr. Bunner read a word of the Internet comments submitted to the trial court by DVD CCA. Nor, even though he was familiar with the slashdot.org website, did he have any legal duty to read those comments or any of the other tens of thousands of comments posted there, any more than the rest of us have a duty to read every word of every website we may visit. Even less did he have a duty to

credulously and passively believe every comment posted there, no matter how baseless, incredible, or erroneous.

Second, the comments show nothing more than an ill-informed and contentious debate, encompassing many different points of view, among a self-appointed peanut gallery of anonymous kibitzers who had no personal knowledge of the creation of DeCSS and no connection to Andrew Bunner. *None* of the commenters purport to possess any first-hand, or even second-hand, knowledge of the reverse engineering of the Xing software player or the circumstances of DeCSS's creation. None of them assert any knowledge of or connection to Mr. Bunner. Instead they commented on press reports, rumors, and each other's idle speculations.

Third, none of the comments assert that the person who reverse engineered the Xing player thereby acquired trade secrets by improper means, or that DeCSS discloses trade secrets that were acquired by improper means. All of the references to the Xing software player in the Internet comments and articles on which DVD CCA relies assert that the reverse engineering of the Xing player came about because of Xing's negligence in failing to take adequate technical measures to obscure its software, not because of any breach of the Xing license agreement by the creators of DeCSS. See, e.g., AA428 ("Xing themselves were the culprits"); AA436 ("Xing had inadvertently neglected to encrypt its decryption key"); AA438 (Article published in *Wired News*, an online news service: "XingDVD . . . had failed to encrypt its key because of an oversight."); AA448 ("the code got out because Xing were clumsy (or intentionally leaked it, who knows)"); AA460 ("The people who cracked the encryption aren't the ones who should be blamed. . . . If anyone should be blamed, it is . . . Xing. They didn't encrypt their key, as they should have."); AA468 ("Xing . . . left their decoding key accessible in their player

software; [Johansen] didn't even 'reverse engineer' the code or crack the crypto. They just found the key lying around, effectively."); AA470 ("Xing accidentally disclosed the trade secret by not properly securing it."). None of them assert that the reverse engineering of the Xing player breached the Xing license agreement.

Fourth, the prevailing sentiment of the comments was that there was no unlawful conduct in the creation of DeCSS. See, e.g., AA383 ("Well, if they reverse engineered it, it should be legal."); AA387 ("In Europe, the law explicitly overrides those agreements, and states that you CAN reverse engineer to make a compatible product. That is clearly the case here."); AA388 ("Also, the laws that European countries have on reverse engineering typically explicitly make any license clauses disallowing reverse engineering null and void. So what the license says about reverse engineering is something you can ignore completely."); AA401 ("Nor is there a law against . . . writing software that will read bits off of a DVD and . . . display them as a movie"); AA402 ("Making software to crack the encryption to the best of my knowledge is legal."); AA404 ("I don't think [the companies] have a good case"); AA405 ("it should be legal to write a DVD player with this DeCSS stuff"); AA405 ("Hasn't Derek effectively clean-room reverse engineered the copy protection on DVDs? Without prior knowledge of how the copy protection functioned, how can this be a violation?"); AA425 ("Building a player for instance that used the OS version of the decryption algorithm wouldn't be violating anyone's copyright."); AA428 ("it will be tough to prove [the creator of DeCSS] did anything illegal"); AA445 ("Reverse-engineering a program just to get it working under another environment is legal in most countries."); AA466 ("the country where the reverse engineering was done does not prohibit the practice, hence it was LEGAL to reverse engineer the Xing DVD player").

Those who thought otherwise generally did so out of their legally erroneous belief that *all* reverse engineering is per se unlawful, or out of a belief that DeCSS was a copyright violation, not a trade secret violation. There is, of course, nothing unlawful about reverse engineering under California's UTSA, which specifically approves of it. There was much discussion of *Xing's* potential liability to DVD CCA for failing to conceal the operation of the Xing software player. See, e.g., AA422; AA423; AA427; AA431; AA446; AA449; AA464 ("The DVD consortium has failed to keep its trade secret. . . . They do have a case against Xing since Xing signed an [nondisclosure agreement] to keep DVD crypto info secure and did not. But there's no basis for a suit against anyone else on this matter."); AA470 ("it would allow D[VD]CCA . . . to sue Xing for not protecting the information given to them as required by the license. I don't believe it would apply to the people who read and reverse-engineered Xing's unprotected CSS implementation."). Other commenters indulged in ungrounded speculation about Norwegian law regarding reverse engineering.

The only sensible conclusion that an intelligent reader would draw from the comments is that the commenters knew nothing about DeCSS, its creation, or its legality beyond their own guesswork. Even if Mr. Bunner had read every line of those ramblings, they do not present credible first-hand information worthy of belief that would have given him reason to know that DeCSS was created using trade secrets obtained by improper means. And DVD CCA and its predecessors, who were in the best position to inform the world of whether they considered DeCSS to be a

misappropriation of their alleged trade secrets, kept silent and voiced no allegations of a trade secret violation.⁷

Neither California's UTSA nor the First Amendment permit Mr. Bunner to be held liable without an individualized showing that he knew or had reason to know that the reverse engineering of the Xing software player was in breach of the Xing license. Trade secret misappropriation is an intentional tort, and the "had reason to know" standard of section 3426.1 is a subjective standard that looks to what the individual defendant had reason to know from the facts and circumstances of which he was actually aware. "The First Amendment similarly restricts the ability of the State to impose liability on an individual solely because of his association with another." *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886, 918-19 (1982). Because "guilt by association is a philosophy alien to the traditions of a free society and the First Amendment itself," *id.* at 932, where a party seeks a speech-restricting injunction against a defendant, it is not enough to show that persons other than the defendant may have had a state of mind that

⁷ Regrettably, however, the trial court dipped its broad brush into this sea of rampant speculation and tarred Mr. Bunner with these comments made by others. Not even attempting to examine Mr. Bunner's personal knowledge, even though he was the only defendant to appear and defend against the injunction, the trial court made no particularized finding whether Mr. Bunner himself knew or had reason to know about the alleged breach of the licensing agreement. Instead, treating the defendants en masse, it found generally that "various defendants' inclination to boast about their disrespect for the law, is quite compelling on . . . Defendants' knowledge of impropriety." AA714. The trial court reached this conclusion despite finding that, on the record before it, it was "problematic" (AA713) whether the alleged trade secrets were obtained through improper means and that it itself was not "well positioned" to determine whether the reverse engineering of the Xing player was unlawful under Norwegian law. Thus, although the court was itself unable to determine whether the purported trade secrets were obtained improperly, it did not pause in attributing knowledge of impropriety to Mr. Bunner.

would have made them culpable, even if the defendant is associated with those other persons (as Mr. Bunner here was not). Instead, any imposition of liability “must be supported by findings that adequately disclose the evidentiary basis for concluding that specific parties agreed to use unlawful means, that carefully identify the impact of such unlawful conduct, and that recognize the importance of avoiding the imposition of punishment for constitutionally protected activity.” *Id.* at 933-934.

Thus, even apart from the fact that the postings themselves show no awareness of any alleged breach of a Xing license agreement in the reverse engineering of the Xing player or the creation of DeCSS, DVD CCA’s reliance on the ramblings of unidentified individuals discussing what thought they knew about DeCSS is no substitute for the individualized proof of Mr. Bunner’s knowledge required here. Because no evidence was presented linking Mr. Bunner to these postings or showing that he was even aware of their existence, they cannot be used to show that he had reason to know that the reverse engineering of the Xing player and the creation of DeCSS were accomplished by improper means.

F. The Preliminary Injunction, By Restraining The Republication Of Ideas Previously Disclosed To The Public, Is Unconstitutional Under The Intellectual Property Clause Of The Federal Constitution

Independent of its defects under California trade secret law outlined above, the preliminary injunction at issue here is also unconstitutional under the Intellectual Property Clause of the federal Constitution, which authorizes Congress: “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.” U.S. Const., art. I, § 8. The preeminent purpose of the Intellectual Property Clause is to advance the

useful arts and sciences through the public disclosure and circulation of intellectual creations and ideas; rewarding authors and inventors is only one means by which this goal is advanced. *Feist Publications v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991).

The clause is both a positive grant of authority to Congress to enact the patent and copyright laws and a preemption of any attempt by the states to create any exclusive rights in ideas that have been publicly disclosed. These publicly disclosed ideas become part of the public domain, and a state may not restrain their dissemination or use. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156, 158 (1989); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. at 490.

State trade secret law lacks the federal constitutional status that patent and copyright law possess. The holder of a federal copyright or a patent is granted a constitutionally-sanctioned exclusive right enforceable against the world at large. State trade secret law does not, and cannot, provide the holder of a trade secret with an exclusive property right in an idea, enforceable against all the world. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. at 490 (patent rights operate “ ‘against the world’ ” while trade secret rights do not); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156, 158 (1989). Thus, trade secret protection lacks a fundamental characteristic of other forms of intellectual property: the absolute and unlimited right to exclude others.⁸ “[T]he legal protection

⁸ Thus, although trade secret law is often lumped together with copyright, trademark, and patent law under the rubric of “intellectual property,” that term is an ill-fitting label for trade secret law, whose obligations remain founded on duties arising out private consensual relationships or generally applicable criminal or tort sanctions. Robert G. Bone, *A New Look at Trade Secret Law: Doctrine in Search of Justification*, 86 Cal. L. Rev. 241, 303 (1998) (“Although treated as a branch of intellectual property, trade secret law, with its relational focus, fits poorly with other intellectual

accorded trade secrets is fundamentally different from that given to patents, in which the patent owner acquires a limited term monopoly over the patented technology, and use of that technology by whatever means infringes the patent. The owner of the trade secret is protected only against the appropriation of the secret by improper means and the subsequent use or disclosure of the improperly acquired secret. There are various legitimate means, such as reverse engineering, by which a trade secret can be acquired and used.” *Cadence Design Systems, Inc. v. Avant! Corp.*, 29 Cal. 4th 215, 222 (2002).

In *Bonito Boats*, the Supreme Court struck down as preempted by the Intellectual Property Clause a “Florida statute endow[ing] the original boat hull manufacturer with rights against the world, similar in scope and operation to the rights accorded a federal patentee” because the federal Constitution preempts states from creating intellectual property rights against the world for an idea embodied in “an item in general circulation.” 489 U.S. at 156, 158. In rejecting Florida’s attempt to create exclusive rights in publicly disclosed boat design ideas, the high court described the preemptive effect of the Intellectual Property Clause and the public domain of ideas it establishes: “ ‘[A]ll ideas in general circulation [are] dedicated to the common good unless they are protected by a valid patent.’ ” *Id.* at 159-60. “[I]deas once placed before the public without the protection of a valid patent are subject to appropriation without significant restraint. . . . [¶] . . . States may not offer patent-like protection to intellectual creations which would otherwise remain unprotected as a matter of federal law. . . . [C]oncepts within the public grasp, or those so obvious that they readily could be, are the tools of creation available to all.” *Id.* at 156; *see*

property theories, such as copyright, patent, and trademark, that grant property rights against the world.”).

also *Feist Publications v. Rural Tel. Serv. Co.*, 499 U.S. at 347-351 (copyright protection is constitutionally limited to original forms of expression, and cannot be extended to the ideas expressed); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 164-165 (1995) (trademark law cannot be used to monopolize functional features of unpatented products).

An essential part of the framework of these constitutional limitations on state trade secret law is the fundamental requirement that “The subject of a trade secret must be secret, and must not be of public knowledge or of a general knowledge in the trade or business.” *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. at 475. It is only because of this requirement of secrecy that, for example, “ ‘the [patent law] policy that matter once in the public domain must remain in the public domain is not incompatible with the existence of trade secret protection.’ ” *Bonito Boats*, 489 U.S. at 155; see also *Chicago Lock Co. v. Fanberg*, 676 F.2d 400, 405 (9th Cir. 1982) (any prohibition of reverse engineering by trade secret law would be preempted by patent law).

It is for this reason that the U.S. Supreme Court has described trade secret law as a “sieve” rather than a barrier: “Trade secret law provides far weaker protection in many respects than the patent law. While trade secret law does not forbid the discovery of the trade secret by fair and honest means, e. g., independent creation or reverse engineering, patent law operates ‘against the world,’ forbidding any use of the invention for whatever purpose for a significant length of time. The holder of a trade secret also takes a substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship, in a manner not easily susceptible of discovery or proof. Where patent law acts as a barrier, trade secret law functions relatively as a sieve.” *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. at 489-90 (citation and footnote omitted).

Once information passes through the sieve of trade secret law into the domain of what is publicly known, it cannot be strained back out again and restored to secrecy. Accordingly, the injunction in this case suppressing ideas and information previously the subject of widespread and sustained public disclosure is unconstitutional under the Intellectual Property Clause.

III. The Record Demonstrates That The Balance Of Harms Weighs Heavily In Favor Of Mr. Bunner

A. Because The Preliminary Injunction Was Destined To Be Ineffectual, Refusing It Would Have Caused No Irreparable Harm To DVD CCA

DVD CCA bears the burden of showing that it will suffer irreparable harm absent injunctive relief, and that this harm outweighs the harm to Mr. Bunner from the injunction. 31 Cal.4th at 875. As part of this burden, it must show that the injunction will be effective in preventing the harm it asserts, for the refusal to issue an ineffectual injunction does not harm the plaintiff because it leaves the plaintiff in no worse position without the injunction than it would be with the injunction.

This rule has special force in cases of speech-restricting injunctions. The First Amendment require a court, as part of its balancing of the harms that will occur from granting or withholding a preliminary injunction restricting speech, to consider carefully whether the injunction will be effective in preventing harm to the defendant.⁹ *Nebraska Press Ass'n v. Stuart*, 427 U.S. 539, 565-66 (1976). Accordingly, this court “must . . . assess the probable efficacy of” the preliminary injunction “as a workable

⁹ This rule also finds support in the principle that equity will not command a futile act: “The equity court, moreover, must always be alert in the exercise of its discretion to make sure that its decree will not be a futile and ineffective thing.” *MacDougall v. Green*, 335 U.S. 281, 290 (1948).

method of” preventing the harm that justifies the injunction. *Id.* at 565. In doing so, it “cannot ignore the reality of the problems of managing and enforcing pre-trial restraining orders.” *Ibid.*

Here, it was clear from the outset for at least two independent reasons that the preliminary injunction that DVD CCA sought was doomed to ineffectuality.

First, the worldwide public dissemination and republication of DeCSS in the nearly three months between its initial public release on October 6, 1999 and DVD CCA’s filing of this lawsuit on December 27, 1999, including its republication on at least 118 Internet websites and the downloading of at least 5,000 copies of DeCSS from download.com alone, made it impossible for a preliminary injunction to unring the bell and restore the CSS algorithms and keys to secrecy. Nothing the trial court could have ordered would have achieved that purpose.

Second, a court must also assess the jurisdictional reach of its injunctive power in deciding whether the injunction will be efficacious in preventing the future harm asserted by the plaintiff. *Nebraska Press Ass’n v. Stuart*, 427 U.S. at 566. Here, the trial court did not have, and could not acquire, jurisdiction over more than a handful of the persons and entities republishing DeCSS both on the Internet and in other media of communications. By the time of the injunction, DVD CCA had completed service of summons and process, and the trial court had acquired personal jurisdiction over, no more than 16 defendants.¹⁰ Roberto Decl. AA539, AA543-44. Nor was Jon Johansen even a named defendant at that point,

¹⁰ At that time, DVD CCA had also initiated service of process under the Hague Convention on four additional foreign defendants. Roberto Decl., AA540, AA556.

despite the fact that the complaint attributed the initial disclosure of DeCSS to him. Complaint ¶ 45, AA13.

It is, of course, only by naming and serving as parties to this action all those who were allegedly violating its trade secrets that DVD CCA could have made the preliminary injunction enforceable against them, and thereby have made it an effective tool against the continuing republication of DeCSS. As a matter of fundamental due process, the Court's injunction is only effective against those defendants over whom the Court has acquired personal jurisdiction by DVD CCA's service of a summons and the complaint. Judge Learned Hand long ago explained this point with his customary clarity and wisdom: "[N]o court can make a decree which will bind any one but a party; a court of equity is as much so limited as a court of law; it cannot lawfully enjoin the world at large, no matter how broadly it words its decree. If it assumes to do so, the decree is pro tanto brutum fulmen [i.e., a futile threat], and the persons enjoined are free to ignore it. It is not vested with sovereign powers to declare conduct unlawful; its jurisdiction is limited to those over whom it gets personal service, and who therefore can have their day in court." *Alemite Mfg. Corp. v. Staff*, 42 F.2d 832, 832-33 (2d Cir. 1930). Thus, as the United States Supreme Court has observed: "The need for in personam jurisdiction also presents an obstacle to [the efficacy of] a restraining order that applies to publication at large as distinguished from restraining publication within a given jurisdiction." *Nebraska Press Ass'n v. Stuart*, 427 U.S. at 565-66.

Nor could the trial court even theoretically have acquired jurisdiction over the universe of DeCSS republishers. As the Supreme Court held in the related appeal of *Pavolich v. Superior Court*, 29 Cal.4th 262, 273-76 (2003), the trial court lacks personal jurisdiction over the many non-California republishers of DeCSS. (Only three of the defendants served by

DVD CCA were California residents. Roberto Decl. AA539, AA543-44.) This fact alone doomed any possible injunction to ineffectuality.

B. The Alleged Harms That DVD CCA Complained Of Were Either Already Completed, Were Suffered By Nonparties To This Litigation, Or Were Speculative And Without Evidentiary Foundation

In addition, the alleged harms of which DVD CCA complained were all ones that either were already completed, were harms to rights of nonparties that could not be adjudicated by the California courts, or were harms that were speculative and without evidentiary foundation.

In its moving papers submitted in December 1999 and January 2000, DVD CCA identified three alleged harms in support of its request for an injunction: 1) the possibility that the motion picture, consumer electronics, and computer industries would abandon the DVD format, leaving DVD CCA without a business purpose for its existence, 2) the possibility that DeCSS would be used to create copies of DVD movies that infringed the copyrights of various nonparty movie studios; and 3) the recorded music industry's decision to delay introduction of a DVD audio format. Hoy Decl. ¶¶ 31-34, RA 10-11; DVD CCA's Mem. at 11, AA45; DVD CCA's Reply Mem. at 9-10, AA611-12.

Even assuming an effectual injunction could have been crafted and jurisdiction could have been obtained over all the world's DeCSS republishers, none of these arguments represents a showing of future irreparable harm to DVD CCA sufficient to justify the injunction here.

No evidence was presented that the motion picture, consumer electronics, and computer industries were ever considering abandoning the DVD format, nor was that ever a plausible, much less a likely, outcome. At the time of the preliminary injunction, DVD players and DVD movies had already been on the market for years, representing a large and highly

profitable installed base of millions of DVD players and tens of millions of DVD disks that those industries would be loath to walk away from. And since that time, the adoption of the DVD format has continued unabated notwithstanding the continued public availability of DeCSS (of which this Court is aware from the record in the related writ of mandate proceeding No. H024755), becoming the fastest-adopted consumer electronic product in history. See

http://mpaa.org/useconomicreview/2002/2002_Economic_Review.pdf, at pp. 30-32;

http://www.ce.org/press_room/press_release_detail.asp?id=10317.

The second alleged harm—the possibility that DeCSS would be used to create copies of DVD movies that infringed the copyrights of various nonparty movie studios—is neither a cognizable harm nor one supported by the evidence. It is not cognizable both because DVD CCA lacks standing to raise in this state-court trade secret action any hypothetical copyright claim of a nonparty and because the trial court lacks subject-matter jurisdiction to issue an injunction in a trade secret case to prevent the infringement of a nonparty’s federal copyright, a matter within the exclusive jurisdiction of the federal courts. 28 U.S.C. § 1338, subd. (a).

It is unsupported by the evidence because DVD CCA has never presented any evidence of a single movie ever having been copied in violation of the copyright laws using DeCSS. The record was undisputed that commercial pirates do not need to use DeCSS, or any encryption program, to pirate a movie but can instead make an exact bit-by-bit copy of the entire DVD disk containing the encrypted movie, and let the

consumer's authorized DVD player do the job of decryption at the time the movie is viewed.¹¹ Wagner Decl. ¶ 33, AA265.

Finally, the recorded music industry's decision to forego introduction of a DVD audio format based on CSS was a *fait accompli* by the time this lawsuit was filed. Hoy Decl. ¶ 34, RA11. By then, the recorded music industry had already decided to use a different security system than CSS, and enjoining further republication of DeCSS could have no effect on their plans. *Ibid.*

Thus, none of the possible harms proffered by DVD CCA were plausible future harms to it that the injunction would have remedied, and thus none of them merit balancing against the harm to Mr. Bunner.

C. The Harm To Mr. Bunner From Gagging His Federal And State Constitutional Right To Speak For Nearly Four Years Is Manifest And Continuing

The harm to Mr. Bunner from suffering a deprivation of his constitutional right to speak, however, is concrete, manifest, and has continued for nearly four years. It exists as a matter of law and a matter of fact.

“ ‘The loss of First Amendment freedoms, for even minimal periods of time, unquestionably constitutes irreparable injury.’ ” *Ketchens v. Reiner*, 194 Cal. App. 3d 470, 480 (1987), *quoting Elrod v. Burns*, 427 U.S. 347, 373 (1976) (plur. opn.). DVD CCA consistently denigrates Mr. Bunner's constitutional injury, calling it valueless because it cannot be measured as profit and loss, the only measure of value that DVD CCA knows. Our constitutional freedoms, however, transcend the monetary

¹¹ Moreover, a recent study by AT&T Research and the University of Pennsylvania showed that the vast majority of pirated films have as their source not DVDs that are sold to consumers but bootleg copies that are surreptitiously released by industry insiders. See <http://www.patrickmcdaniel.org/pubs/drm03.pdf>, at pp. 1, 7.

calculation of the marketplace. Liberty of speech gives life a spirit and savor so precious that many have risked, and lost, their lives trying to obtain it; it is incalculable not because it is valueless but because it is valuable beyond measure. Loss of that liberty through a judicially imposed gag order like the one that has silenced Mr. Bunner for years is irremediable.

Mr. Bunner has also suffered continuing and significant reputational injury from being enjoined as a trade secret misappropriator, and has been branded far and wide as a thief and a copyright pirate. In its papers seeking an injunction, DVD CCA accused Mr. Bunner of committing a “malicious, continuous and illegal theft of proprietary information” and engaging in a concerted “scheme” to “illegally . . . pirate copies of copyrighted motion pictures.” DVD CCA Ex Parte App. at 2:17-18, 4:12-13, AA51, AA53; see also DVD CCA Mem. at 7:13-14 (“the primary purpose of the defendants is to encourage wholesale copying and distribution of copyrighted motion pictures”), 13:14-15, AA41, AA47; DVD CCA Reply Mem at 9:23 (referring to “defendants and other intellectual property thieves”), AA611. Issuance of the injunction put an official imprimatur on these baseless accusations.

Most recently, Attorney General Bill Lockyer, the chief law enforcement officer of California, who appeared at the behest of DVD CCA to argue on its behalf to the California Supreme Court, has portrayed Mr. Bunner as a thief handing out burglary tools. The Reuters news service carried Lockyer’s vilification of Mr. Bunner worldwide: “California’s top prosecutor on Thursday argued that an engineer [Andrew Bunner, identified later in the article] had acted as a thief and not a free speech advocate when he published on the Internet computer code used to decrypt DVDs. [¶] ‘The program we are talking about is a burglary tool,’ Attorney General Bill

Lockyer told the California Supreme Court. . .”

<http://in.tech.yahoo.com/030529/137/24pnw.html>. Other accounts were similarly pejorative: “Calling Bunner a ‘hacker,’ Lockyer told the high court Thursday that DeCSS is nothing more than ‘a burglary tool’ used by Bunner and others for ‘breaking, entering and stealing.’ ”

<http://www.law.com/jsp/article.jsp?id=1052440811375>. Lockyer continued his jeremiad against Mr. Bunner upon the Supreme Court’s issuance of its opinion: “This ruling makes it clear that the First Amendment may not be used as a shield for the blatant piracy and theft of trade secrets . . .”

<http://caag.state.ca.us/newsalerts/2003/03-101.htm>.

The public obloquy to which Mr. Bunner, as the only defendant to oppose the injunction, has been subjected was an entirely foreseeable harm resulting from the issuance of the injunction. It only compounds the harm already caused him by the loss of his constitutional rights for years. Together, these harms far outweigh DVD CCA’s asserted future harms, which as we have shown are both nonexistent and irremediable by injunction, and accordingly the injunction was issued contrary to law for this reason also.

CONCLUSION

Concurring Justice Moreno got it exactly right when he concluded that “DVD CCA[’s] trade secret claim is patently without merit.” 31 Cal.4th at 891. As the review of the evidence in the record set forth above shows, that conclusion is the only possible one that this Court can reach on an independent, de novo review of the record in this case. As it did previously, this Court should vacate the trial court’s preliminary injunction order and remand for further, and prompt, proceedings on the merits of the case.

Dated: January 8, 2004

Respectfully submitted,

Richard R. Wiebe
Attorney for Defendant Andrew Bunner

CERTIFICATE OF COMPLIANCE

Pursuant to California Rule of Court 14(c), I certify that this brief contains 13,564 words.

Richard R. Wiebe

CERTIFICATE OF SERVICE

I am over the age of 18 years, and not a party to this action. My business address is 425 California Street, Suite 2025, San Francisco, California, 94104, which is located in the county where the service described below took place.

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

Dated: January 8, 2004

Richard R. Wiebe

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