

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

NO. 11-16776

RIGHTHAVEN LLC,
Appellant

v.

THOMAS A. DIBIASE,
Appellee

APPELLANT RIGHTHAVEN LLC'S OPENING BRIEF

Appeal from the United States District Court for the District of Nevada
Case No. 2:10-cv-01343-RLH-PAL

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, Appellant Righthaven LLC, a Nevada limited-liability company, files this statement identifying parent corporations and publicly held companies that own 10-percent or more of its stock:

None.

Dated this 22nd day of November, 2011.

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I. STATEMENT OF JURISDICTION

(a) *District Court Jurisdiction:* Appellant Righthaven LLC (“Righthaven”) sought to invoke the district court’s subject matter jurisdiction over its copyright infringement Complaint pursuant to 28 U.S.C. § 1331 and 28 U.S.C. § 1331. The district court determined that it lacked federal question subject matter jurisdiction over Righthaven’s copyright infringement action, which is the primary issue on appeal in this matter.

(b) *Appellate Jurisdiction:* This Court has jurisdiction pursuant to 28 U.S.C. § 1291.

(c) *Timeliness of Appeal:* Righthaven’s appeal is timely pursuant to Federal Rule of Appellate Procedure 4(a)(1)(A). The Clerk’s Judgment was entered in this action on June 22, 2011. Righthaven’s Notice of Appeal was filed on July 20, 2011.

(d) *Appeal From Final Judgment:* This case is an appeal of a final judgment entered on June 22, 2011.

II. ISSUES PRESENTED FOR REVIEW

1. Whether the district erred by determining that it lacked subject matter jurisdiction over Righthaven's copyright infringement, which was based on an accrued infringement claim, given the company's receipt of an assignment of ownership in the copyrighted work at issue along with the express right to sue for, among other things, past, accrued infringement claims (the "Assignment") from Stephens Media LLC ("Stephens Media") because the terms of a Strategic Alliance Agreement (the "SAA") granted Stephens Media a license-back to exploit the assigned work after the transfer of ownership to Righthaven.

2. Whether the district court erred by refusing to consider a Clarification and Amendment to Strategic Alliance Agreement (the "Amendment") in determining that it lacked subject matter jurisdiction over Righthaven's copyright infringement action.

III. STATEMENT OF THE CASE

On August 9, 2010, Righthaven filed its Complaint for copyright infringement. (EOR 1 at #1.) On October 29, 2010, Defendant Thomas A. DiBiase ("Defendant") answered the Complaint and asserted a counterclaim for declaratory relief of non-infringement. (*Id.* at # 19.)

On May 4, 2011, Defendant moved to dismiss Righthaven's Complaint pursuant to Federal Rule of Civil Procedure 12(b)(1) ("Rule 12(b)(1)"). (*Id.* at # 47.) Defendant's Rule 12(b)(1) motion argued that Righthaven lacked standing to sue for the accrued infringement claim under the Assignment in view of the more general terms of the SAA. (*Id.*) In response, Righthaven argued, among other things, that the Assignment effectively conveyed the accrued infringement claim, thereby giving it standing, and the terms of the SAA and the terms of the Amendment further supported the company's standing to maintain the action. (EOR 1 at # 55.)

On June 22, 2011, the district court found that it lacked subject matter over the action and dismissed Righthaven's Complaint without prejudice along with Defendant's counterclaim. (EOR 72.) In so dismissing, the district court incorporated its prior ruling in *Righthaven LLC v. Democratic Underground, LLC*, Case No. 2:10-cv-01356 (D. Nev. July 14, 2011) ("*Democratic Underground*"). (*Id.* at 2; EOR 116.) As with the *Democratic Underground* decision, the district court in this case did not consider the Assignment on its own merits, but instead interpreted the Assignment in view of the more general contractual provisions of the SAA, which does not specifically grant any assignments to any works. (*Id.*; EOR 116 at 4-11.) The district court further refused to consider the Amendment

to the SAA because it was not at issue when Righthaven filed its Complaint and it believed recognizing the Amendment would constitute rewriting the agreement between Righthaven and Stephens Media. (*Id.*; EOR 116 at 8 n.1.) The decision in *Democratic Underground* is currently not subject to appeal because it did not dispose of all claims and parties in the case by permitting a non-infringement declaratory judgment counterclaim asserted against Stephen Media to remain. (EOR 116 at 11-14.) Righthaven thereafter appealed the district court's decision. (EOR 81.)

IV. STATEMENT OF RELEVANT FACTS

Righthaven asserts that it is the owner of a copyrighted editorial piece entitled "Retired teacher gets death penalty for wife's murder - Man who killed wife sought ultimate sentence" (the "Work"), which originally appeared in the *Las Vegas Review-Journal* on June 11, 2010. (EOR 1 at #1, Ex. 2.) Stephens Media is owner of the *Las Vegas Review-Journal*. (EOR 56 at 2.) Defendant was alleged to have displayed a 100% unauthorized copy of the Work on his Internet domain and related website content found at <nobodycase.com> (the "Website"). (EOR 1 at # 1, Ex. 3.)

After publication and after the Defendant's alleged infringement of certain exclusive rights in and to the Work under the Copyright Act of 1976 (the "Copyright Act"), Stephens Media assigned all rights, title and interest

in and to the Work, including the right to seek redress for all past, present and future infringements to Righthaven. (EOR 58 at 2; EOR 59.) Thus, Defendant's alleged act of copyright infringement occurred prior to the Assignment, thereby constituting an accrued claim at the time Righthaven was conveyed ownership rights in and to the Work. Separate and apart from the Assignment, Stephens Media and Righthaven had entered into the SAA, which was subsequently clarified and amended while its claims were pending before the district court. (EOR 56 at 2-3, Exs. 2-3; EOR 57 at 2-4, Ex. 2-3.)

On August 9, 2010, Righthaven filed its copyright infringement Complaint in the district court. (EOR 1 at # 1.) Specifically, Righthaven's Complaint alleged that the Defendant was the owner of the Internet domain, and maintains control of the content posted on the Website. (*Id.*) Righthaven further alleged that on or about June 11, 2010, the Defendant displayed an unauthorized 100% reproduction of the Work on the Website. (*Id.*, Ex. 3.) Based Defendant's alleged infringement of the Work, Righthaven sought, among other things, entry of a permanent injunction and an award of statutory damages. (EOR 1 at # 1.) Defendant was further alleged to have willfully infringed the Work. (*Id.*)

On May 4, 2011, Defendant moved to dismiss Righthaven's Complaint pursuant to Rule 12(b)(1), which was largely based on an attack of the SAA's terms that allegedly failed to grant Righthaven standing to sue for copyright infringement. (EOR 1 at # 47.) On or about May 9, 2011, Righthaven and Stephens Media executed the Amendment, which, among other things, clarified that Stephens Media was to be granted a non-exclusive license to exploit works assigned by it to Righthaven. (EOR 56 at 3, Ex. 3; EOR 57 at 3-4, Ex. 3.) The Amendment was effective as of January 18, 2010, thereby making it applicable to all previously assigned works under the SAA. (EOR 56 at 3, Ex. 3; EOR 57 at 3-4, Ex. 3.)

On May 21, 2011, Righthaven responded the Defendant's Rule 12(b)(1) dismissal request. (EOR 1 at # 55.) Righthaven's response argued, among other things, that it was granted all rights, title and interest in and to the Work along with the express right to sue for past, present and future infringements by Stephens Media under the Assignment. (*Id.*) As such, the company was vested with standing to sue for, at least, a past, accrued infringement of the Work. (*Id.*) Righthaven further argued that the SAA terms did not alter this required conclusion, which was wholly consistent with the company's and Stephens Media's intent when entering into the agreement. (*Id.*) Righthaven argued that to the extent the Court was inclined

to conclude the SAA failed to vest Righthaven with standing, it was expressly empowered to correct any defects in the SAA to effectuate the parties' intent. (EOR 1 at # 55.) Finally, Righthaven asserted that the Amendment removed all doubt as to whether the company had standing to maintain suit because it further clarified that Stephens Media only held an exclusive license to exploit the assigned Work under the SAA's terms. (*Id.*)

On June 22, 2011, the district court found, without entertaining oral argument, that it lacked subject matter over the action and dismissed Righthaven's Complaint without prejudice along with Defendant's counterclaim. (EOR 72.) The district court's decision incorporated its prior ruling in *Democratic Underground*. (*Id.* at 2; EOR 116.). As with the *Democratic Underground* decision, the district court in this case did not consider the Assignment on its own merits, but instead interpreted the Assignment in view of the more general contractual provisions of the SAA despite the fact the SAA does not specifically effectuate the assignment of any work. (*Id.*; EOR 116 at 4-11.) In so interpreting the Assignment in conjunction with the SAA, the district court concluded that Righthaven was left with the mere right to sue and, as such, it lacked standing under this Court's decision in *Silvers v. Sony Pictures Entm't Inc.*, 402 F.3d 881, 884 (9th Cir. 2005) ("*Silvers*"). The district court further refused to consider the

Amendment to the SAA because it was not at issue when Righthaven filed its Complaint and it believed recognizing it would constitute a rewriting of the agreement between Righthaven and Stephens Media. (EOR 72; EOR 116 at 8 n.1.) Righthaven maintains the district court erred in determining as a matter of law that it lacked subject matter jurisdiction over the company's copyright infringement action against the Defendant.

V. ARGUMENT SUMMARY

1. The district court erred in determining that it lacked subject matter jurisdiction over Righthaven's copyright infringement action against the Defendant. As required by this Court's en banc decision in *Silvers*, Stephens Media assigned Righthaven ownership of the Work along with the express right to sue for, among other things, past infringements of the Work. Following assignment of the work to Righthaven, Stephens Media was granted a license-back to exploit the Work and to enjoy revenue from its exploitation efforts under the terms of the SAA. ***In sum, the transactional structure at issue in this case necessarily required ownership of the Work to vest in Righthaven pursuant to the express terms of the Assignment before Stephens Media was granted a license-back of exploitation rights under the SAA.***

Despite this transactional structure fully complying with the requirements of the *Silvers* decision, the district court determined that Righthaven was only conferred the bare right to sue and, as such, failed to vest the company with standing to maintain suit. Righthaven maintains the district court erred in its analysis and this Court must reverse the determination that subject matter jurisdiction was absent in Righthaven's copyright infringement suit against the Defendant.

2. Righthaven additionally argues below that the district court erred in refusing to consider the Amendment to the SAA in its subject matter jurisdiction analysis. Righthaven supplied the district court with considerable authority in support of its argument that the Amendment should be considered should a lack of subject matter jurisdiction be found under the Assignment and the SAA.

The district court rejected Righthaven's cited authority by reasoning that giving effect to the Amendment would essentially require it to rewrite the agreement between the parties to in order to grant Righthaven rights it never actually received. The district court's reasoning constitutes an impermissible prohibition against the ability of two private parties to amend a contractual agreement between them. In short, the district court refused to consider the Amendment on the grounds that it did not wish to give effect

to the agreement's terms because doing so would effectuate a result it did not wish to reach – that Righthaven had standing to maintain its action against the Defendant. Accordingly, the Court should reverse the district court and remand with instructions for it to consider the Amendment in its subject matter jurisdiction analysis or it should conclude Righthaven has standing to maintain suit based on the Amendment.

VI. ARGUMENT

A. The District Court Erred in Concluding it Lacked Subject Matter Jurisdiction Under *Silvers* Over Righthaven's Copyright Infringement Action Based on Its Interpretation of The Assignment And The SAA.

Righthaven maintains the district court erred in determining that it lacked subject matter jurisdiction over the company's copyright infringement action based on application of this Court's decision in *Silvers*. (EOR 72 at 2; EOR 116 at 4-11.) Accordingly, this Court should reverse the district court's subject matter jurisdiction determination.

The existence of subject matter jurisdiction is reviewed de novo on appeal. *Atwood v. Fort Peck Tribal Court Assiniboine & Sioux Tribes*, 513 F.3d 943, 946 (9th Cir. 2008). Standing is a subject matter jurisdictional requirement that can be raised at any time, including on a *sua sponte* basis. *D'Lil v. Best Western Encina Lodge & Suites*, 538 F.3d 1031, 1035 (9th Cir.

2008); FED.R.CIV.P. 12(h)(3). Pursuant to Section 501(b) of the Copyright Act, only “the legal or beneficial owner of an exclusive right under a copyright” is entitled to sue for infringement. *Silvers*, 402 F.3d at 884. Section 106 of the Copyright Act, in turn, defines the exclusive rights that can be held in a copyright (*e.g.* the right to reproduce, to prepare derivative works, and to distribute copies). Exclusive rights in a copyright may be transferred and owned separately—for example, through assignment or an exclusive license—but no exclusive rights exist other than those listed in Section 106. *Silvers*, 402 F.3d at 885. While the right to assert an accrued cause of action for copyright infringement cannot be transferred alone, such a right can be transferred along with one or more of the exclusive rights in a copyright. *See id.* at 890.

The district court erred in finding a lack of subject matter jurisdiction because as the assignee-owner of the full right and title in and to the Work, Righthaven has standing to sue for acts of copyright infringement occurring after it acquired ownership of the copyright under the Assignment from Stephens Media. Pursuant to the express terms of the Assignment, Stephens Media also expressly transferred to Righthaven the right to assert accrued causes of action for infringement of the Work, giving Righthaven standing to sue the Defendant for infringement, even though his

infringement occurred prior to the Assignment. (EOR 57 ¶ 4; EOR 56 ¶ 4; EOR 58-59.) The fact that Stephens Media was subsequently granted a license-back to exploit the Work after the transfer of ownership to Righthaven by virtue of the Assignment does not, contrary to the district court's reasoning, mean that Righthaven was only granted only a bare right to sue in violation of the requirements set forth in *Silvers*. Adopting the district court's reasoning would essentially find that an assignment of ownership and the more limited grant of a license equate to the same property interests. In additionally, as discussed more fully as an alternative ground for reversal, Stephens Media and Righthaven executed a clarification and amendment to the SAA in order to further clarify and effectuate, to the extent not already accomplished, what has at all times been the intent of the parties—to transfer full ownership in copyright to Righthaven while subsequently granting Stephens Media a non-exclusive license back to exploit any assigned works. (EOR 57 ¶ 12, Ex. 3; EOR 56 ¶ 11, Ex. 3.) This Amendment cured any arguable defects in standing that existed under the parties' original contractual relationship, but was not considered by the district court. (*Id.*) Therefore, as set forth below, the district court erred in determining that it lacked subject matter jurisdiction.

1. The District Court Erred in Determining That Lacked Subject Matter Jurisdiction Because Righthaven Has Standing to Sue For Past Infringement Pursuant to The Express Language of The Assignment.

Binding precedent establishes that the assignment from Stephens Media to Righthaven conveys upon Righthaven standing to maintain its copyright infringement action against the Defendant. As such, the district court erred in concluding it lacked subject matter jurisdiction over Righthaven's Complaint. (EOR 72 at 2; EOR 116 at 4-11.) Accordingly, this Court must reverse the district court's subject matter determination upon review.

In *Silvers*, an *en banc* panel of this Court held that an assignor can transfer the ownership interest in an accrued past infringement, but the assignee has standing to sue only if the interest in the past infringement is expressly included in the assignment and the assignee is also granted ownership of an exclusive right in the copyrighted work. *Silvers*, 402 F.3d at 889-90. In so holding, the panel in *Silvers* aligned the law of this Circuit with that of the Second Circuit as set forth in *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 944 F.2d 971, 980 (2d Cir. 1991), which recognized the right to sue for past infringement when both the copyright and the accrued claims were purchased. *Silvers*, 402 F.3d at 889.

Specifically, the Assignment at issue in this case fully complied with the requirements under the *Silvers* decision because it transferred all exclusive ownership rights in and to the Work to Righthaven, and expressly included all accrued causes of action for copyright infringement:

Assignor hereby transfers, vests and assigns [the Work]...to Righthaven...all copyrights requisite to have Righthaven recognized as the copyright owner of the Work for purposes of Righthaven being able to claim ownership as well as the right to seek redress for ***past, present and future infringements*** of the copyright in and to the Work.

(EOR 57 ¶ 4; EOR 56 ¶ 4; EOR 58-59, emphasis added.) At the moment of the Assignment, Righthaven became the owner of the Work with all rights of ownership, including the right to register the Work, license the Work and seek redress for infringement, including past infringement. In other words, the Assignment conferred upon Righthaven the exclusive rights required under the Copyright Act to bring suit for ***both*** past and future acts of infringement. Following assignment of ownership to Righthaven, Stephens Media was granted a license to exploit the Work pursuant to the terms of the SAA. Righthaven thereafter sought registration of the Work with the United States Copyright Office and brought suit against a blatant infringer.

Contrary to the district court's decision, nothing in the SAA's provisions alters the unambiguous language of the Assignment or the rights that Righthaven acquired. First, the SAA does not effectuate the assignment of any work. (EOR 57 ¶ 5, Ex. 2 § 7.2; EOR 56 ¶ 5, Ex. 2 § 7.2.) Rather, the SAA reflects promises made by the parties with regard to future transactions in copyrights. (*Id.*) The SAA envisions an assignment to Righthaven of all rights, title and interest in and to potential copyrighted works, which includes the right to sue for any past, present or future infringements, coupled with a license back to Stephens Media of the right to exploit any copyrighted works. (*Id.*) But the SAA itself does not cause an assignment of property rights.

The district court initially erred in concluding the SAA limits the intent of the Assignment by virtue of the exclusive license, and the associated right to royalties from exploitation of a work, granted to Stephens Media under Section 7.2. (EOR 116 at 4-5.) In sum, the district court found that Righthaven's inability to exploit an assigned work along with its inability to participate in the receipt of royalties based on the grant of a license to Stephens Media somehow illustrates that the company was merely granted a bare right to sue under the Assignment. (EOR 116 at 4-5.) This interpretation eviscerates the real transactional structure set forth under

the SAA, which, together with the Assignment, fully comports with the holding in *Silvers*.

Under the SAA, when an individual assignment is ultimately executed by Stephens Media, Righthaven is assigned all ownership rights, along with the right to sue for past, present and future infringements, associated with the work assigned. (*See, e.g.*, EOR 57 ¶ 4, Ex. 1; EOR 56 ¶ 4, Ex. 1, EOR 58-59.) While Righthaven promises under the SAA to license rights back to Stephens Media to exploit the acquired works, there can be no license until *after* the assignment of ownership rights and the right to sue for past infringements is conveyed. Section 7.2 of the SAA serves to delineate that Righthaven has no right to exploit an assigned work or participate in associated royalties from any such exploitation *after the specific assignment of a work* based on the grant of an exclusive license to Stephens Media. (EOR 57 ¶ 5, Ex. 2 § 7.2; EOR 56 ¶ 5, Ex. 2 § 7.2, emphasis added.) Thus, the transactional structure set forth in the SAA conveys ownership and the right to sue for accrued infringement claims, which is precisely what is required to establish standing under *Silvers* for purposes of accrued or past infringement claims. The district court's conclusion that Section 7.2, which governs the license granted to Stephens Media following the specific assignment of a work, serves to somehow

divest Righthaven of ownership and the right to sue under the Assignment completely ignores the expressly defined assignment and license-back transactional structure contemplated by the parties under the SAA.

Nor does the SAA's right of reversion provision have any impact on Righthaven's present standing to sue for past infringement, which was also cited as a basis for the district court's conclusion. (EOR 116 at 5.) The right of reversion gives Stephens Media the right to regain the ownership to any assigned work in the future under certain conditions. (EOR 57 ¶ 5, Ex. 2 § 8; EOR 56 ¶ 5, Ex. 2 § 8.) That future right has no impact on Righthaven's current ownership status, its ownership status at the time of the assignment, or its status at the time it filed this action. Indeed, unless and until Stephens Media exercises its right of reversion, that right will have no impact whatsoever. Stephens Media has not exercised that right (*Id.*), and there is nothing in the record to suggest it will. Accordingly, the district court erred in relying in part on the right of reversion expressed in the SAA as somehow divesting Righthaven of the right to sue for past infringement despite the plain language of the Assignment.

The district court's subject matter determination is essentially a finding that the Assignment is meaningless in view of the SAA's more general provisions. By adopting this position in finding that Righthaven

lacks standing to maintain suit for past infringement, the district court has called into question the viability of countless complex commercial and intellectual property transactions. “Principles of contract law are generally applicable in the construction of copyright assignments, licenses and other transfers of rights.” *Key Maps, Inc. v. Pruitt*, 470 F. Supp. 33, 38 (S.D. Tex. 1978). An assignment transfers all rights, title and interest in and to the assigned property. *See id.*; *see also Pressley’s Estate v. Russen*, 513 F. Supp. 1339, 1350 (D. N. J. 1981) (“An assignment passes legal and equitable title to the property . . .”). Axiomatically, when the totality of rights are assigned by one party to another, and the party receiving said assignment then conveys a license of some interest to the same party or to another party, complete title to ownership vests in the assignee ***prior to being divested through licensure***. The district court’s decision, however, is completely at odds with this fundamental proposition.

While the transactional structure described in the SAA, in which an exclusive license is given back to Stephens Media, may potentially be construed to limit Righthaven’s ability to bring suit for ***present and future infringements during the term of the license***, it does not limit the company’s ability to bring suit for past infringements, which is precisely the opposite result reached by the district court in finding a lack of subject

matter jurisdiction. As this Court held in *Silvers*, the right to sue for past infringement requires only an assignment of an ownership interest along with the expressed right to sue for an accrued claim for infringement.

Silvers, 402 F.3d at 889-90. As Righthaven was conveyed ownership along with the express right to sue for past infringement under the Assignment as required by this Court in *Silvers*, the district court erred in finding an absence of subject matter jurisdiction over the company's copyright infringement claim against the Defendant. Accordingly, the district court's subject matter determination must be reversed.

2. The District Court Improperly Construed The Contracts Without Regard to The Parties' Intent to Convey All Rights Necessary For Righthaven to Have Standing.

In finding that it lacked subject matter jurisdiction over Righthaven's copyright action, the district court improperly construed the SAA and the Assignment without regard to the parties' intent to convey all rights necessary to for Righthaven to have standing. The district court's failure to construe the SAA and the Assignment in a manner consistent with the parties' intent serves to underscore the error of its subject matter determination.

Under Nevada law,¹ the district court should have interpreted the SAA and the Assignment to find that they convey any and all rights necessary to establish Righthaven as the true and lawful owner of the copyright to the Work. To the extent any ambiguity exists with respect to whether the Assignment sufficiently conveyed the rights to Righthaven so that it has standing to bring this action, the district court should have looked to parties' intent. *See Sheehan & Sheehan v. Nelson Malley & Co.*, 121 Nev. 481, 488, 117 P.3d 219, 224 (2005) (internal quotation omitted). Moreover, pursuant to the express language of the SAA, if any portion of the SAA is deemed void or unenforceable, the district court was contractually vested with the power to correct any defective provision in order to "approximate the manifest intent of the [p]arties." (EOR 57 ¶ 11, Ex. 2 § 15.1; EOR 56 ¶ 10, Ex. 2 § 15.1.)

The record presented to the district court clearly established the parties intended to convey to Righthaven any right necessary for it to bring suit. As set forth in the cited supporting declarations and as reflected in the SAA, the Assignment, and the subsequently executed Amendment discussed below, the parties to the SAA and the Assignment intended to vest copyright ownership of specific works in Righthaven so as to grant it

¹ Nevada law governs the SAA. (EOR 57 ¶ 5, Ex. § 15.3; EOR 56 ¶ 5, Ex. § 15.3.)

the right to sue for infringement, including past infringement, while still permitting Stephens Media to use the works going forward based on a license of rights to do so from Righthaven. (EOR 57 ¶¶ 5-12, Exs. 2-3; EOR 56 ¶¶ 5-11, Exs. 2-3.) Accordingly, the district court should have construed the SAA and the Assignment in such a way that they conveyed to Righthaven all rights that are necessary to have standing to maintain its copyright infringement action against the Defendant. The district court, however, erred in failing to do so.

Specifically, the district court decision with regard to this issue reflects a startling degree of jaundiced consideration of a rather uncontroversial argument advanced by Righthaven. The district court reasoned that “[t]he entirety of the SAA was designed to prevent Righthaven from becoming ‘an *owner of any exclusive right* in the copyright’” (EOR 116 at 6, quoting *Silvers*, 402 F.3d at 886 (emphasis in original).) As argued above, this is not a correct interpretation of the assignment and license-back transactional structure set forth under the SAA and effectuated by the Assignment. The district court, however, relied upon its erroneous interpretation of the SAA and the Assignment as grounds for completely dismissing Righthaven’s request that it consider the parties’ intent when entering into these contractual agreements.

In fact, the district court brazenly proclaimed that approving the transactional structure advanced by Righthaven's interpretation of the SAA and the Assignment, consistent with the parties' intent, "would require the Court to disregard the clear intent of the transaction and the clear precedent set forth by the *en banc* Ninth Circuit in *Silvers*." (EOR 116 at 6.) The district court's statement in this regard demonstrates not only a complete misinterpretation of the rights conveyed under the SAA and the Assignment, but it also demonstrates an inaccurate interpretation of the *Silvers* decision. Simply put, the district court's misinterpretation of the SAA and the Assignment together with its inaccurate interpretation of the *Silvers* decision resulted in committing error by failing to properly interpret the contracts at issue consistent with the express intent of the parties.

The district court further shunned the parties' intent to vest it with the power to correct any provision of the SAA deemed void or unenforceable so as to approximate their manifest intent. (EOR 116 at 7.) In this regard, the district court reasoned that despite finding the SAA essentially served to divest Righthaven of its ownership rights in the Work that were expressly granted under the Assignment based on its application of the *Silvers* decision, it reasoned that no provision of the SAA was found to be "void or unenforceable" so as to trigger the court's right to correct the SAA in order

to effectuate the manifest intent of the parties under Section 15.1. (EOR 116 at 7.) According to the district court, the fatal flaw with the SAA is that it “simply does not grant any of the exclusive rights defined under Section 106 of the [Copyright] Act required for standing.” (*Id.*) Thus, despite the parties’ express intent to grant Righthaven standing under the Copyright Act to sue for, at least, past infringements, they failed to effectuate this intent in a valid, enforceable agreement despite the district court finding the agreement violated of the standing requirements set forth in *Silvers*. Once again, the district court erred in reaching this conclusion against the parties’ express intent. This necessary conclusion further demonstrates the error of the district court’s subject matter jurisdiction analysis. Accordingly, the district court’s subject matter determination should be reversed.

B. The District Court Erred by Failing to Consider The Amendment in Finding a Lack of Subject Matter Jurisdiction.

As stated above, the district court erred in finding an absence of subject matter jurisdiction because Righthaven lacked standing to bring suit pursuant to the Assignment and SAA, which expressly confer (and reflect the intent to confer) full copyright ownership on Righthaven. The district court additionally erred in its subject matter jurisdiction analysis by refusing to consider the Amendment to the SAA, which further clarified the

parties' intent as set forth in cited supporting declarations and in the Amendment. (EOR 57 ¶ 12, Ex. 3; EOR 56 ¶ 11, Ex. 3.)

In the Amendment, Righthaven and Stephens Media promise to execute individual assignments for certain copyrighted works (as before), but Righthaven promises to grant Stephen's media only a non-exclusive license to exploit any assigned works. (*Id.* Ex. 3 at 1-2.) As a mere holder of the right to use the assigned copyrighted work, Stephens Media would not have standing to sue for infringement. *See, e.g., Silvers* 402 F.3d at 884-85. Thus, the sole party holding any exclusive rights, and the attendant standing to sue for infringement, would be Righthaven. *See id.* This agreement reflects the parties' intent to transfer full rights in the copyright to Righthaven. (EOR 57 ¶¶ 5-12, Ex. 3; EOR 56 ¶¶ 5-11, Ex. 3.) Further, the Amendment extinguishes the "right of reversion" previously held by Stephens Media, and replaces it with a standard option to re-purchase the copyright upon the satisfaction of certain conditions. (EOR 57 Ex. 3 at 2-3; EOR 56 Exs. 3 at 2-3.) The Amendment also contains provisions requiring Stephens Media to pay Righthaven royalties for its use of the Work, making Righthaven the beneficial owner in the Work, in addition to its status as legal owner. (*Id.* at 1-2.)

Significant, persuasive authority accompanied Righthaven's argument that the district court should consider the Amendment in its subject matter jurisdiction analysis. For instance, courts frequently allow parties to a copyright transfer to subsequently clarify or amend their agreement in order to express their original intent to grant the assignor the right to sue for infringement. *See Billy-Bob Teeth, Inc. v. Novelty, Inc.*, 329 F.3d 586, 591 (7th Cir. 2003) (recognizing that an oral assignment can be confirmed later in writing); *Imperial Residential Design, Inc. v. Palms Dev. Group, Inc.*, 70 F.3d 96, 99 (11th Cir. 1995) (“[A] copyright owner’s later execution of a writing which confirms an earlier oral agreement validates the transfer ab initio.”); *Arthur Rutenberg Homes, Inc. v. Drew Homes, Inc.*, 29 F.3d 1529, 1532 (11th Cir. 1994); *see also Intimo, Inc. v. Briefly Stated, Inc.*, 948 F. Supp. 315, 318 (S.D.N.Y. 1996) (giving effect to a “very late” amendment granting the plaintiff the right to bring the accrued causes of action); *Goldfinger Silver Art Co., Ltd. v. Int’l Silver Co.*, 1995 WL 702357, at *4 (S.D.N.Y. Nov. 28, 1995) (holding that plaintiff could cure standing defect after the action was filed); *Infodek, Inc. v. Meredith-Webb Printing Co., Inc.*, 830 F. Supp. 614, 620 (N.D. Ga. 1993) (holding that second assignment cured standing defect).

The district court refused to consider the Amendment in its subject matter analysis. In reaching this conclusion, the district court reasoned that the Amendment “cannot create standing because ‘[t]he existence of federal jurisdiction ordinarily depends on the facts *as they exist when the complaint is filed.*’ *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 571 n.4 (1992) (quoting *Newman-Green, Inc. v. Alfonzo-Larrian*, 490 U.S. 826, 830 (1989)) (emphasis in *Lujan*).” (EOR 116 at 7.) The district court thereafter acknowledged that “Righthaven’s assertion is not entirely wrong, but the cases Righthaven cites in support of its proposition are all distinguishable as they deal with significantly different matters than those presently before the Court.” (*Id.* at 8.)

Specifically, the district court distinguished the above cases cited by Righthaven as involving pre-lawsuit agreements that were lacking written documentation necessary to recognize the assignment of rights. (*Id.*) According to the district court, in each of these cases the courts merely gave effect to what the parties had actually done. (*Id.*) Here, the district court reasoned, that Righthaven was improperly asking it to “fundamentally rewrite the agreement between Righthaven and Stephens Media to grant Righthaven rights that it never actually received.” (EOR 116 at 8.)

In reaching its conclusion, the district court erred by failing to give effect to an amendment to a contract entered into by private parties pursuant to their express authority to do so under the terms of the operative agreement. In this regard, the district court did not cite any authority that would prohibit Righthaven and Stephens Media from amending the SAA to further clarify and effectuate their intent. Rather, the district court somehow concluded it was improper to give effect to the Amendment because it would apparently rewrite the agreement between two private parties. The ability to amend a contract rests with the parties to the contract. The court should give effect to the amended contract based on its interpretation of the terms contained in it – not based on its objection to what results from its interpretation of the amended terms. In essence, the district court’s reasoning in this regard repudiated two private parties’ right to amend a contract in order to find the absence of subject matter jurisdiction. Whether or not this was in fact the intended result, the district court nevertheless erred in its failure to consider the Amended in finding a lack of subject matter jurisdiction.

In sum, given that the parties to the Assignment and the Amendment do not dispute the rights in the Work and the Defendant was not prejudiced in any way by the Amendment, the district court—if it finds that original

standing was defective—should have allowed the Amendment to cure the defect without dismissing the case. *See Intimo, Inc.*, 948 F. Supp. at 317-18; *Infodek, Inc.*, 830 F. Supp. at 620; *Wade Williams Dist., Inc. v. Am. Broad. Co., Inc.*, 2005 WL 774275, at *4 (S.D.N.Y. April 5, 2005); *see also Dubuque Stone Prod. Co. v. Fred L. Gray Co.*, 356 F.2d 718, 724 (8th Cir. 1966); *Kilbourn v. Western Surety Co.*, 187 F.2d 567, 571 (10th Cir. 1951). The district court erred by failing to properly consider these cited authorities in concluding that consideration of the Amendment would require it to rewrite the SAA. As there was no cited prohibition against the parties amending the SAA, it was error for the district court to reject the Amendment on this basis in performing its subject matter jurisdiction analysis. Accordingly, remand back the district court with instructions to consider the Amendment in determining subject matter jurisdiction or reversal of the finding that subject matter jurisdiction is absent is warranted.

V. CONCLUSION

In sum, the district court erred in finding that Righthaven was not conferred standing to maintain this action for the accrued copyright infringement claim against the Defendant based on the Assignment, which included the transfer of ownership along with the right to seek redress for past infringement, as required by the decision in *Silvers*. The district

court's error in finding a lack of subject matter jurisdiction additionally included its failure to give effect to the express intent of the parties to the operative agreements before it.

Finally, the district court erred in its subject matter jurisdiction analysis by failing to consider the Amendment, which unquestionably established Righthaven's standing to maintain this action. Accordingly, Righthaven respectfully requests the Court reverse the district court's subject matter determination and find that Righthaven has standing to maintain its copyright infringement action against the Defendant.

Dated this 22nd day of November, 2011.

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STATEMENT OF RELATED CASES

Pursuant to Circuit Rule 28-2.6, Righthaven identifies the following related cases pending in this Court that raise the same or closely related issues or involve the same transaction or event:

1. *Righthaven LLC v. Hoehn*, Case No. 11-16751: This case involves the alleged infringement of a copyrighted work assigned by Stephens Media, LLC, which was dismissed by the district court for lack of subject matter jurisdiction. A companion appeal concerning the award of attorneys' fees and costs is also pending as Case No. 11-16995.
2. *Righthaven LLC v. Center for Intercultural Organizing*, Case No. 11-16358: This case involves the alleged infringement of a copyrighted work assigned by Stephens Media, LLC, which was dismissed by the district court on fair use grounds.
3. *Righthaven LLC v. Newman*, Case No. 11-17690: This case involves the alleged infringement of a copyrighted work assigned by Stephens Media, LLC, which was dismissed by the district court for lack of subject matter jurisdiction.
4. *Righthaven LLC v. Democratic Underground, LLC*, Case No. 11-17210: This case involves the alleged infringement of a copyrighted work assigned by Stephens Media, LLC. This appeal involves the district court's denial of leave to intervene as a matter of right following dismissal of Righthaven's complaint for lack of subject matter jurisdiction.
5. *Righthaven LLC v. Realty One Group, Inc.*, Case No. 11-15714: This case involves the alleged infringement of a copyrighted work assigned by Stephens Media, LLC in which the district court dismissed Righthaven's complaint on fair use grounds.

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DATED this 22nd day of November, 2011.

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