

1 Richard G. Sanders, Esq. (SBN: 209617)

rick@ricksanderslaw.com

2 **RICHARD G. SANDERS, PLLC**

3 605 Berry Road, Suite A

Nashville, TN 37204-2801

4 (615) 734-1188 | Fax: (615) 250-9807

5 — and —

6 Sa'id Vakili, Esq. (SBN: 176322)

vakili@vakili.com

7 David N. Schultz, Esq. (SBN: 123094)

Schul1984@yahoo.com

8 John A. Schlaff, Esq. (SBN: 135748)

john.schlaff@gmail.com

9 Stephen P. Hoffman, Esq. (SBN: 287075)

hoffman@vakili.com

10 **VAKILI & LEUS, LLP**

11 3701 Wilshire Blvd., Suite 1135

12 Los Angeles, CA 90010-2822

13 (213) 380-6010 | Fax: (213) 380-6051

14 *Attorneys for Plaintiff Software Freedom Conservancy, Inc.*

15 **UNITED STATES DISTRICT COURT**

16 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**

17 SOFTWARE FREEDOM)
18 CONSERVANCY, INC., a New York)
19 non-profit corporation,)

20 Plaintiff,

21 v.

22 VIZIO, INC., a California corporation;)
23 and DOES 1 to 50, inclusive,)

24 Defendants.)

) Case No.: 8:21-cv-01943-JLS-KES

) **REPLY MEMORANDUM OF**
) **POINTS AND AUTHORITIES IN**
) **SUPPORT OF MOTION OF**
) **PLAINTIFF SOFTWARE FREEDOM**
) **CONSERVANCY, INC. TO**
) **REMAND ACTION TO STATE**
) **COURT**

) Date: May 13, 2022

) Time: 10:30 a.m.

) Place: Courtroom 8A, First Street
) U.S. Courthouse

) Judge: Hon. Josephine L. Staton

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I. INTRODUCTION AND SUMMARY OF ARGUMENT6

II. NONE OF VIZIO’S MISTAKEN ASSERTIONS REGARDING COPYRIGHT PREEMPTION PROVIDES ANY BASIS TO DENY SFC’S MOTION TO REMAND.....8

 A. *Vizio’s Novel Test for Copyright Preemption Is Unsupported by Legal Authority or Reasoning and Cannot Defeat SFC’s Motion*..... 9

 B. *Vizio’s Assertion that SFC’s State Law Claims Seek to Enforce Rights that the Copyright Act Protects is Simply False* 16

 C. *Vizio Fails to Successfully Distinguish the Rulings in Versata and Artifex, Which Already Have Held that Claims Based on the Obligation to Produce Source Code Under the Source Code Provision Are Not Preempted by the Copyright Act*..... 18

 D. *Jacobsen II Is Distinguishable and Does Not Support Vizio’s Assertion that SFC’s State Law Claims are Preempted by the Copyright Act* 20

III. VIZIO CANNOT USE EXTRINSIC EVIDENCE, STATEMENTS AND ARGUMENTS MADE IN UNRELATED PRIOR LITIGATION, OR PRE-LITIGATION COMMUNICATIONS TO DEFEAT THE MOTION.....22

 A. *The Extrinsic Evidence Relied Upon by Vizio is Irrelevant for Purposes of Deciding this Motion* 22

 B. *Vizio Cannot Bind SFC to Prior Statements and Arguments Made in Unrelated Litigation and Privileged Settlement Communications, Because they are Irrelevant or Inadmissible.* 23

 1. *Statements and Arguments Made in Unrelated Prior Litigation Are Not Binding on SFC in this Action*..... 24

 2. *The Pre-Lawsuit Correspondence Between SFC and Vizio Constitutes Confidential Settlement Communications and is Inadmissible Under Rule 408(A) of the Federal Rules of Evidence* 27

 C. *Vizio’s Baseless Assertions Regarding SFC’s Alleged Misrepresentations Have No Relevance Whatsoever to this Motion* 28

IV. CONCLUSION29

TABLE OF AUTHORITIES

Cases

Applied Bus. Software, Inc. v. Citadel Servicing Corp.
 2019 U.S. Dist. LEXIS 76331 (C.D. Cal. Mar. 26, 2019).....15

Artifex Software v. Hancorn, Inc.,
 2017 U.S. Dist. LEXIS 62815 (N.D. Cal. Apr. 25, 2017)..... 7, 18, 20

Baughman v. Walt Disney World Co.
 685 F.3d 1131 (9th Cir. 2012).....25

Carson v. Dynegy, Inc.
 344 F.3d 446 (5th Cir. 2003)18

CDK Global LLC v. Brnovich
 16 F.4th 1266 (9th Cir. 2021)..... 8, 16

Chesler/Perlmutter Prods., Inc. v. Fireworks Ent., Inc.
 177 F. Supp. 2d 1050 (C.D. Cal. 2001).....19

Cont'l Cas. Co. v. Chatz
 591 B.R. 396 (N.D. Cal. 2018).....25

Crispin v. Christian Audigier, Inc.
 2010 WL 11508342 (C.D. Cal. June 21, 2010).....13

Effects Assocs. v. Cohen (Effects I)
 817 F.2d 72 (9th Cir. 1987).....9

Effects Assocs. v. Cohen (Effects II)
 908 F.2d at 555 (1990)10

Flagship W., LLC v. Excel Realty Partners LP
 337 Fed. App’x 679 (9th Cir. 2009).....26

Fleet v. CBS
 50 Cal.App.4th 1911 (1996).....17

1 *Fox Broadcasting Co. v. Dish Network LLC*
 2 160 F. Supp. 3d 1139 (C.D. Cal. 2015).....13
 3
 4 *Garcia v. Lopez*
 5 2009 U.S. Dist. LEXIS 12622 (C.D. Cal. Feb. 5, 2009)22
 6
 7 *Heichman, v. Am. Tel. & Tel. Co.*
 8 943 F. Supp. 1212 (C.D. Cal. 1995).....23
 9
 10 *Hunter v. Philip Morris USA*
 11 582 F.3d 1039 (9th Cir. 2009).....14
 12
 13 *In re Gardens Reg’l Hosp. & Med. Ctr., Inc.*
 14 2017 Bankr. LEXIS 1869 (Bankr. C.D. Cal. Jul. 6, 2007).....28
 15
 16 *Jacobsen v. Katzer*
 17 535 F.3d 1373 (Fed. Cir. 2008)20
 18
 19 *Jacobsen v. Katzer (Jacobsen II)*
 20 609 F. Supp. 2d 925 (N.D. Cal. 2009).....20
 21
 22 *Leopona, Inc. v. Cruz for President*
 23 2016 U.S. Dist. LEXIS 89706 (W.D. Wash. July 11, 2016).....15
 24
 25 *Lippitt v. Raymond James Fin. Servs.*
 26 340 F.3d 1033 (9th Cir. (Cal.) 2003).....23
 27
 28 *Marshall & Swift/Boeckh, LLC v. URS Corp.*
 2009 U.S. Dist. LEXIS 139264 (C.D. Cal. Aug. 26, 2009)21

MDY Industries LLC v. Blizzard Entertainment, Inc.
 629 F.3d 928 (9th Cir. 2010)10

Microsoft Corp. v. Very Competitive Computer Prod. Corp.
 671 F. Supp. 1250 (N.D. Cal. 1987).....12

Milton H. Greene Archives, Inc. v. Marilyn Monroe LLC
 692 F.3d 983 (9th Cir. 2012)26

1 *Moses v. Fedida*
 2 2018 U.S. Dist. LEXIS 222855 (C.D. Cal. Dec. 12, 2018).....9

3 *New Hamp. v. Maine*
 4 532 U.S. 742 (2001)25

5 *Nextdoor.com v. Abhyanker*
 6 2013 U.S. Dist. LEXIS 101440 (N.D. Cal. Jul. 19, 2013).....25

7 *Oracle USA, Inc. v. Qtrax, Inc.*
 8 2011 U.S. Dist. LEXIS 118430 (N.D. Cal. Sep. 27, 2011).....13

9 *Pac. Stock, Inc. v. Pearson Educ., Inc.*
 10 927 F. Supp. 2d 991 (D. Haw. 2013).....13

11 *Palumbo Design, LLC v. 1169 Hillcrest, LLC*
 12 2019 U.S. Dist. LEXIS 234198 (C.D. Cal. Dec. 3, 2019).....25

13 *ProCD, Inc. v. Zeidenberg*
 14 86 F.3d 1447 (7th Cir. 1996).....16

15 *Rains v. Criterion Sys.*
 16 80 F.3d 339 (9th Cir. 1996).....22

17 *Redwood Theatres, Inc. v. Festival Enters., Inc.*
 18 908 F.2d 477 (9th Cir. 1990).....22

19 *Royal Printex, Inc. v. LA Printex Industries*
 20 2015 U.S. Dist. LEXIS 97072 (C.D. Cal. July 24, 2015).....13

21 *Rumble, Inc. v. Daily Mail*
 22 459 F. Supp. 3d 1294 (C.D. Cal. 2020).....21

23 *Software Freedom Conservancy, Inc. v. Best Buy Co.*
 24 2010 U.S. Dist. LEXIS 75208 (S.D.N.Y. Jul. 27).....24

25 *Versata Software, Inc. v. Ameriprise Fin., Inc.*
 26 2014 U.S. Dist. LEXIS 30934 (W.D. Tex. Mar. 11, 2014).....7, 18

27
 28

1 *Viasat, Inc. v. Space Sys./Loral, Inc.*
2 2014 WL 11889010 (S.D. Cal. Aug. 8, 2014).....12

3 **Statutes**

4 17 U.S.C. § 106.....16
5 17 U.S.C. § 301(a)14
6 17 U.S.C. § 501.....24

7 **Rules**

8 Fed. R. Evid. 408(a)(2).....28
9 Rule 408(a) of the Federal Rules of Evidence.....27
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I. INTRODUCTION AND SUMMARY OF ARGUMENT

Defendant Vizio, Inc.'s ("Vizio") opposition to the Motion to Remand (the "Motion") filed by Plaintiff Software Freedom Conservancy, Inc. ("SFC" or "Conservancy") relies upon a complete misstatement of the test for copyright preemption that has no support in law or logic and is contrary to controlling Ninth Circuit authority. Vizio's attempts to use extrinsic evidence, statements, and arguments from other unrelated litigation and pre-lawsuit communications by SFC to Vizio to defeat the Motion likewise lack merit and are contrary to law. Accordingly, this Court should grant SFC's Motion and remand this action to Orange County Superior Court.

Vizio asserts, without basis or support, that SFC's state law claims for breach of contract and declaratory relief are preempted by the Copyright Act because, "if a state-law claim could be asserted under the Copyright Act, it is preempted and subject to removal." (Opposition ("Opp.") at 1:18-19.) Vizio is wrong as a matter of fact and law.

First, Vizio's contention is directly contrary to the "extra element" test used by the Ninth Circuit to determine whether state law claims are preempted by the Copyright Act. As SFC established in its moving papers, SFC's claim that Vizio has breached the Source Code Provision in the GPL Agreements¹ by failing to make the source code for the operating systems of Vizio's "smart TVs" freely available is purely contractual and is not equivalent to any of the exclusive rights found in Section 106 of the Copyright Act. Therefore, SFC's state law breach of contract claims include an "extra element" that makes the rights SFC asserts qualitatively different from those protected by the Copyright Act and thus transforms the nature of this action. (*See, e.g.*, Memo at 1:20-2:25, 9:11-13:18.)

Second, contrary to Vizio's unsupported assertion, Ninth Circuit case law specifically demonstrates that copyright infringement claims and breach of contract claims can and do coexist, even where they both depend on the breach of the same term.

¹ Terms used in this reply memorandum have the same meaning as defined in SFC's Memorandum of Points and Authorities in support of its Motion (the "Memo").

1 Vizio does not controvert the case law cited by SFC which concludes that breach of
2 contract claims are almost never preempted by the Copyright Act. (*See* Memo at 11:6-
3 12:13 and cases cited therein.) Nor does Vizio successfully distinguish the two cases
4 cited by SFC—*Artifex Software v. Hancorn, Inc.*, 2017 U.S. Dist. LEXIS 62815 (N.D.
5 Cal. Apr. 25, 2017) and *Versata Software, Inc. v. Ameriprise Fin., Inc.*, 2014 U.S. Dist.
6 LEXIS 30934 (W.D. Tex. Mar. 11, 2014)—which are directly on point and already have
7 held that claims based on the obligation to produce source code under the GPL
8 Agreements are not preempted by the Copyright Act. (*See id.* at 13:19-15:19.)

9 Third, Vizio’s assertion that “SFC’s state-law claims seek to enforce rights that
10 the Copyright Act protects” (Opp. at 1:20-21) is demonstrably incorrect. SFC’s right to
11 compel Vizio to disclose its source code under the GPL Agreements does not implicate
12 any rights under the Copyright Act. Indeed, the rights granted under Section 106 of the
13 Copyright Act are rights to *exclude*, not rights to require another to take action and
14 disclose source code.

15 In short, Vizio’s mistaken assertions provide no basis for this Court to conclude
16 that SFC’s state law claims are preempted by the Copyright Act. (*See* Section II *infra*.)

17 Vizio’s remaining contentions similarly lack merit and provide no basis to deny
18 SFC’s Motion. First, Vizio improperly seeks to use extrinsic evidence to defeat the
19 Motion. As explained in Section III.A *infra*, all evidence extrinsic to the pleadings is
20 irrelevant for purposes of this Court’s ruling on the Motion. Second, as Section III.B.1
21 *infra* demonstrates, any statements or arguments made by SFC in prior unrelated
22 litigation are neither relevant nor binding on SFC in this action and provide no basis to
23 conclude that SFC’s state law claims are preempted. Third, any pre-lawsuit
24 communications by SFC to Vizio are inadmissible settlement communications.
25 Moreover, Section III.B.2 *infra* establishes that, even if these communications were
26 admissible, they are not binding on SFC, do not constitute admissions and provide no
27 grounds to deny the Motion.
28

1 Accordingly, as explained in greater detail below, this Court should reject Vizio's
2 flawed assertions, correctly apply the "extra element" test as described in SFC's Memo,
3 conclude that SFC's state law claims are not preempted by the Copyright Act, grant
4 SFC's Motion, and remand this action to Orange County Superior Court.

5 **II. NONE OF VIZIO'S MISTAKEN ASSERTIONS REGARDING**
6 **COPYRIGHT PREEMPTION PROVIDE ANY BASIS TO DENY SFC'S**
7 **MOTION TO REMAND.**

8 SFC established in its moving papers that its state law breach of contract claims,
9 based on the allegation that Vizio has breached the Source Code Provision in the GPL
10 Agreements by failing to make the source code for the operating systems of its Vizio's
11 "smart TVs" freely available, are not preempted by the Copyright Act. As SFC has
12 explained, the Source Code Provision found in the GPL Agreements obligates Vizio, as
13 the licensee of software covered by these agreements, to accompany the covered
14 software with either the source code for such software or a written offer for the source
15 code. As a purchaser of Vizio's "smart TVs," SFC is entitled to this software.

16 The right to receive source code, however, does not fit into any of the Exclusive
17 Rights set forth in Section 106 of the Copyright Act. On the contrary, as the Ninth
18 Circuit has recently explained, the right granted by a copyright, like other property
19 rights, "is the right to exclude others." *CDK Global LLC v. Brnovich*, 16 F.4th 1266,
20 1275-76 (9th Cir. 2021). Therefore, the state law claims for breach of contract and
21 declaratory relief alleged in SFC's Complaint are not preempted, because they include
22 an "extra element" that makes the rights asserted by SFC under the GPL Agreements
23 qualitatively different from those protected by the Copyright Act, and thus transforms
24 the nature of this action. (*See, e.g.*, Memo at 1:20-2:25, 9:11-13:18.)

25 In its Opposition, Vizio raises various assertions in a failed attempt to show that
26 the Copyright Act completely preempts SFC's state law claims. As explained *infra*,
27 these assertions are all fatally flawed and provide no grounds to deny SFC's Motion.
28

1 **A. Vizio’s Novel Test for Copyright Preemption is Unsupported by Legal**
2 **Authority or Reasoning and Cannot Defeat SFC’s Motion**

3 Vizio agrees that the Copyright Act completely preempts only those “state-law
4 claims that seek to enforce rights equivalent to the exclusive rights the Copyright Act
5 protects.” (Opp. at 1:16-18.) In the very next sentence of its Opposition, however,
6 Vizio completely misconstrues this language to invent a new rule for copyright
7 preemption—wholly incongruous with Ninth Circuit precedent—stating that, “[p]ut
8 differently, if a state-law claim could be asserted under the Copyright Act, it is
9 preempted and subject to removal.” (Opp. at 1:18-19.) Thus, according to Vizio, if SFC
10 or a hypothetical copyright holder could bring a claim for copyright infringement, any
11 state law claim based on the same facts is automatically preempted.

12 Vizio cites to no legal authority for its unfounded proposition that claims for
13 breach of contract are preempted whenever the breach also constitutes copyright
14 infringement. Contrary to Vizio’s unsupported assertion, Ninth Circuit case law
15 specifically demonstrates that copyright infringement claims and breach of contract
16 claims can and do coexist, even where they both depend on the breach of the same term.
17 As one court has observed, while the “requirements for proving liability are different, ...
18 there is no per se bar to advancing both the contract and copyright claims
19 simultaneously.” *Moses v. Fedida*, 2018 U.S. Dist. LEXIS 222855, at *16 n.4 (C.D.
20 Cal. Dec. 12).

21 As a general principle, nothing prevents claims for copyright infringement and
22 breach of contract from coexisting. See *Effects Assocs. v. Cohen*, 817 F.2d 72, 73 (9th
23 Cir. 1987) (“*Effects I*”). As master of the complaint, a plaintiff may choose not to bring
24 one potential claim or the other. See *id.* Moreover, if one claim fails, the plaintiff may
25 even be able to try again with the other claim. See *Effects Assocs. v. Cohen*, 908 F.2d
26 555, 559 (9th Cir. 1990) (“*Effects II*”). In *Effects I*, plaintiff alleged that defendant hadn’t
27 paid what he promised for plaintiff’s content. See *Effects I*. Plaintiff avoided bringing a
28 claim for breach of that promise, however, and instead sued for copyright infringement.

1 *See id.* When the court found that the plaintiff had granted defendant an implied license,
2 which resulted in dismissal of the copyright claim, the Ninth Circuit had this advice:

3 We note, however, that plaintiff doesn't leave this court empty-handed.
4 Copyright ownership is comprised of a bundle of rights; in granting a
5 nonexclusive license to Cohen, Effects has given up only one stick from that
6 bundle -- the right to sue Cohen for copyright infringement. It retains the
7 right to sue him in state court on a variety of other grounds, including breach
8 of contract.

9 *Effects II*, 908 F.2d at 559. The only difference between *Effects I* and this case is that
10 SFC voluntarily chose not to bring a copyright claim, whereas plaintiff in *Effects I* had
11 that decision made for him. In either circumstance, a plaintiff such as SFC may bring a
12 claim for breach of contract if it so chooses.

13 Vizio nevertheless asserts that its alleged breach of the GPL Agreements is
14 different because it involves the breach of a *condition* to the copyright license, and that
15 makes Vizio a copyright infringer. According to Vizio, “the violation of a condition of
16 [a] license is only actionable under copyright law, not as a breach of contract.” (Opp.
17 18:27-19:1; *see also* Opp. at 21:24-22:5.)

18 Vizio is incorrect. It manufactures the rule quoted above by selectively and
19 improperly quoting from the Ninth Circuit’s opinion in *MDY Industries LLC v. Blizzard*
20 *Entertainment, Inc.*, 629 F.3d 928 (9th Cir. 2010). The issue in *MDY Industries* was
21 whether copyright holder Blizzard could maintain a claim for copyright infringement
22 based on a violation of a purported condition to the license. *Id.* at 937. The Ninth Circuit
23 held that it could not because the purported condition lacked a nexus to any Exclusive
24 Right. *See id.* at 941. In doing so, however, the court recognized the general proposition
25 that a violation of a condition to a license may give rise to a claim for copyright
26 infringement because, in violating the condition, the licensee has stepped outside of the
27 scope of the license that shields the licensee from infringement actions. *See id.* at 939.

1 In support of its manufactured rule, Vizio asserts that *MDY Industries* specifically
2 states “[w]e refer to contractual terms that limit a license’s scope as ‘conditions,’ the
3 breach of which constitute copyright infringement. We refer to all other license terms as
4 ‘covenants,’ the breach of which is actionable only under contract law.” (Opp. at 22:1-5,
5 quoting *MDY Industries*, 629 F.3d at 939.) In relying on this language, however, Vizio
6 ignores the language from the Ninth Circuit immediately preceding this selective
7 quotation, which states as follows:

8 A copyright owner who grants a nonexclusive, limited license ordinarily
9 waives the right to sue licensees for copyright infringement, and it *may sue*
10 *only for breach of contract*. However, if the licensee acts outside the scope
11 of the license, the licensor *may sue for copyright infringement*. Enforcing a
12 copyright license raises issues that lie at the intersection of copyright and
13 contract law.

14 *MDY Industries*, 629 F.3d at 939 (citations omitted) (emphasis added).

15 As the above language—conveniently ignored by Vizio—makes clear, if Vizio
16 acted outside the scope of the license granted by the GPL Agreements, it is potentially
17 liable for copyright infringement. This does not mean, however, that Vizio somehow is
18 immune from claims for breach of contract. Indeed, the Ninth Circuit is very careful with
19 its language here, explaining that, if the scope of the granted copyright license has not
20 been exceeded, and a condition thus has not been violated, the copyright owner “may sue
21 *only for breach of contract*.” *MDY Industries*, 629 F.3d at 939 (emphasis added). If the
22 scope of the license *has* been exceeded, however, and a condition has thus been violated,
23 the copyright holder then “*may sue for copyright infringement*.” *Id.* (emphasis added).
24 At no point, however, does the *MDY Industries* court even imply that the ability to bring
25 a claim for copyright infringement preempts or otherwise forestalls a claim for breach of
26 contract. Put another way, there is no blanket rule against maintaining claims for both
27 copyright infringement and breach of contract where the breach of a license agreement
28 also violates a condition to the copyright license. Vizio’s disingenuous reliance on the

1 misleading language it chooses to quote from *MDY Industries* thus fails to support its
2 assertion that the **only** remedy for violating a condition of a license is a claim for
3 copyright infringement. Accordingly, *MDY Industries* provides no basis for this Court to
4 conclude that SFC's state law claims are preempted. Moreover, as SFC demonstrated in
5 its moving papers, the distinction between conditions and covenants advanced by Vizio
6 is simply a red herring. (*See* Memo at 19:14-21:9.)

7 Courts in the Ninth Circuit have explicitly rejected Vizio's assertion that the
8 exclusive remedy for exceeding the scope of a software license is a copyright
9 infringement claim. For example, in *Viasat, Inc. v. Space Sys./Loral, Inc.*, 2014 WL
10 11889010, at *11 (S.D. Cal. Aug. 8, 2014). plaintiff granted defendant a nonexclusive
11 license to plaintiff's "Intellectual Property" (defined to include copyright), "only to the
12 extent necessary to provide the Work under this Contract." *Id.* A jury found that
13 defendant's use of the intellectual property went too far and breached the contract. *See*
14 *id.* On a motion for a new trial, defendant argued that plaintiff's "remedy for use in
15 excess of the license is typically not breach of contract, but enforcement of the
16 preexisting right," which is almost exactly what Vizio asserts here. *Id.* Noting that
17 "[m]any courts have held that a licensing clause can be the basis for a breach of contract
18 claim," the court rejected the defendant's argument. *Id.*

19 Moreover, another court has stated that "[a] copyright owner's remedies against
20 copiers who possess a valid []license but have failed to satisfy a condition upon which
21 the rights of the license depend are not limited to breach of contract. Such use is without
22 the authority of the licensor and **may** constitute infringement of the copyright." *Microsoft*
23 *Corp. v. Very Competitive Comp. Prod. Corp.*, 671 F. Supp. 1250, 1257, n.4 (N.D. Cal.
24 1987) (emphasis added). Courts have never even suggested that breach of contract
25 claims are thereby somehow displaced or waived under these circumstances. Where a
26 license applies, the parties have agreed to waive copyright infringement claims. *See*
27 *MDY Indus.*, 629 F.3d at 939. It simply does not follow, however, that where the license
28 has been exceeded, the parties have agreed to waive their claims for breach of contract.

1 Yet that is exactly what Vizio contends should be read into every license agreement,
2 including the GPL Agreements.

3 Normally, where a defendant has breached a license agreement, the plaintiff will
4 choose to sue the defendant for copyright infringement. As one court has observed, this
5 is because a breach of contract claim “usually provides a lesser remedy than a copyright
6 infringement action.” *Pac. Stock, Inc. v. Pearson Educ., Inc.*, 927 F. Supp. 2d 991, 998
7 (D. Haw. 2013). Notwithstanding the fact that a plaintiff may prefer to sue for copyright
8 infringement rather than breach of contract, however, it is fairly common for courts to
9 consider copyright infringement claims and breach of contract claims together, even
10 when both claims arise from the same act. For example, in *Crispin v. Christian Audigier,*
11 *Inc.*, 2010 WL 11508342, at *4–5 (C.D. Cal. June 21, 2010), the court held that
12 defendant could be liable under both copyright law **and** contract law for breaching its
13 obligation to provide attribution to the plaintiff. *Id.* The court noted that, while there was
14 no exclusive right to attribution under copyright law, the obligation to provide attribution
15 was a condition to the copyright license. *See id.* By failing to provide attribution, the
16 defendant had both breached the license agreement and infringed a copyright. *See id.*

17 Similarly, in *Fox Broadcasting Co. v. Dish Network LLC*, 160 F. Supp. 3d 1139,
18 1174-77 (C.D. Cal. 2015). a dispute between two sophisticated parties, the court found
19 that the defendant’s “QA copies” violated the parties’ “No-Copying Provision” **and**
20 plaintiff’s copyrights. The court also noted that contract and copyright claims allow
21 different remedies, both of which plaintiff was entitled to pursue. *See id.* at 1179-80; *see*
22 *also Oracle USA, Inc. v. Qtrax, Inc.*, 2011 U.S. Dist. LEXIS 118430, at *7-8 (N.D. Cal.
23 Sep. 27, 2011) (awarding damages for breach of the parties’ license agreement and an
24 injunction against infringement of plaintiff’s copyright). Finally, in *Royal Printex, Inc. v.*
25 *LA Printex Industries*, 2015 U.S. Dist. LEXIS 97072, at *9 (C.D. Cal. July 24, 2015),
26 the court remanded to state court a claim for a declaration that plaintiff had not breached
27 its license agreement with the defendant, even though it already had a claim for
28 noninfringement of defendant’s copyrights pending in federal court. *Id.*

1 Vizio’s contention that state law claims that could be asserted under the Copyright
2 Act are preempted and subject to removal is fatally flawed for the additional reason that
3 it misstates the language of the Copyright Act. Section 301(a) states that “all legal or
4 equitable *rights* that are equivalent to any of the exclusive rights within the general
5 scope of copyright as specified by section 106 ... and come within the subject matter of
6 copyright ... are governed exclusively by this title.” 17 U.S.C. § 301(a) (emphasis
7 added). The Copyright Act thus preempts equivalent *rights*, not equivalent *claims*.
8 Here, there are two separate and distinct rights at issue. First, purchasers of Vizio’s
9 “smart TVs” have a right to receive the source code for software covered by the GPL
10 Agreements. Violation of that right gives rise to a claim for breach of contract. Second,
11 holders of copyright in the software have a right to exclude Vizio from reproducing or
12 distributing the software without permission. Violation of these Exclusive Rights of
13 reproduction and distribution gives rise to a copyright infringement claim.

14 Vizio’s contention is also fatally flawed because it turns the general principle that
15 “a plaintiff is the master of his Complaint” on its head. Ordinarily, plaintiffs “may avoid
16 federal jurisdiction by relying exclusively on state law.” *Hunter v. Philip Morris USA*,
17 582 F.3d 1039, 1042 (9th Cir. 2009) (quotation omitted). Under Vizio’s contention,
18 however, the mere fact that a plaintiff *could* have brought a copyright infringement
19 claim prevents that plaintiff from relying on state law claims, regardless of whether the
20 copyright infringement claim and the state law claims involve equivalent rights.

21 Finally, adopting Vizio’s unsupported contention that state law claims that could
22 be asserted under the Copyright Act are preempted and subject to removal would
23 undermine the freedom to contract and lead to absurd results. As SFC explained in its
24 moving papers, Congress was careful to craft the scope of copyright preemption to
25 respect the freedom of contract and not allow copyright law to intrude into contract law:
26 “Nothing in the bill derogates from the rights of parties to contract with each other and
27 to sue for breaches of contract.” (Memo at 15:20-16:5, *quoting* H. Rep. No. 94-1476, at
28 132 (1976).)

1 If parties such as Vizio who breach copyright license agreements can avoid breach
2 of contract claims by seeking to interpose copyright law to avoid the contractual
3 consequences of their breach, however, parties to such agreements who lack standing to
4 bring a copyright infringement claim will be unable to enforce the bargains they believed
5 they had struck and thus will have no remedy. Some of these situations will be quite
6 common, as these hypotheticals indicate:

- 7 • In some copyright license agreements, the party granting the license, such as a
8 reseller, lacks standing to enforce the copyright. Under Vizio's theory, a
9 reseller would be unable either to enforce terms that are conditions to the
10 license or to impose conditions on the license at all. For example, if a reseller
11 conditioned getting access to copies of the software on the timely payment of
12 fees in order to encourage prompt payment, and a customer refused to pay but
13 continued to use the software, the reseller would find itself unable to collect
14 those fees under Vizio's theory. *Cf. Leoona, Inc. v. Cruz for President*, at *9
15 (W.D. Wash. July 11, 2016) (holding that a licensing agent's claim for breach
16 of contract was not preempted where the licensee violated express conditions
17 on the use of copyrighted works).
- 18 • In other copyright license agreements, the remedies under copyright law would
19 not make the copyright holder whole. A developer of enterprise software might
20 license its software for a lump sum, but then require its customer, as a
21 condition of the license, to make certain annual maintenance payments. If the
22 customer failed to make the payments, the actual damages for copyright
23 infringement might be almost nothing because the customer had already fully
24 paid for the license. Unless the developer could sue for breach of contract, it
25 might not be able to collect on the unpaid maintenance fees. *Cf. Applied Bus.*
26 *Software, Inc. v. Citadel Servicing Corp.*, 2019 U.S. Dist. LEXIS 76331, at *3
27 (C.D. Cal. Mar. 26, 2019).

- If a wholesaler, with the author's permission, gave copies of the author's work to a retailer on consignment, on condition that any remaining copies be returned to the wholesaler after 90 days, the retailer could keep and continue to distribute the copies on grounds that, in violating the condition to the right to distribute, it is immune to the wholesaler's claims for breach of the promise to return the copies. *Cf. ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1454 (7th Cir. 1996). The wholesaler could not even utilize the right of replevin, a state-law remedy, to recover what is, in effect, its own property.

In sum, Vizio's novel theories that a state law claim is preempted and subject to removal if it could be asserted under the Copyright Act and that breaches of contract that also violate conditions to copyright licenses may only be enforced through copyright are unsupported by legal authority or common sense. There simply is no legal proposition or rule that a defendant such as Vizio cannot be liable for both copyright infringement and breach of contract where the defendant's breach caused it to exceed the scope of a copyright license. Accordingly, Vizio's mistaken assertions provide no basis for this Court to conclude that SFC's state law claims are preempted by the Copyright Act.

B. Vizio's Assertion that SFC's State Law Claims Seek to Enforce Rights that the Copyright Act Protects is Simply False.

Vizio also asserts that this Court should deny the Motion because SFC's state law claims clearly seek to enforce rights that the Copyright Act protects. (Opp. at 1:19-21.) This assertion is demonstrably false. The Copyright Act is very precise about the scope of the exclusive rights it protects. Section 106 of the Copyright Act enumerates only five such rights for this type of work: the right to reproduce a work, to make derivative works based on the work, to distribute copies (i.e., physical embodiments) of the work, to publicly perform the work, and to publicly display the work. *See* 17 U.S.C. § 106. These rights are "exclusive" because they give the holder the power to exclude others from carrying out any of these activities without permission. *See CDK Global LLC v. Brnovich*, 16 F.4th 1266, 1275-76 (9th Cir. 2021).

1 By contrast, the right to receive source code under the Source Code Provision of
2 the GPL Agreements—the provision that forms the basis of SFC’s breach of contract
3 claim—is not an enumerated Exclusive Right and is not protected under Section 106 of
4 the Copyright Act. The Source Code Provision does not give SFC or other purchasers of
5 Vizio’s “smart TVs” the right to stop Vizio from reproducing, making derivative works
6 of, or distributing copies of the covered software. Rather, it gives them the right to
7 receive source code, a human-readable version of the covered software. This right is *the*
8 *very opposite* of an Exclusive Right. SFC wishes to compel Vizio to take action and
9 disclose the source code of the covered software; it does not seek to exclude Vizio or
10 prevent it from taking action. Vizio violates the Source Code Provision by *failing* to
11 make a copy of the source code available to purchasers of its “smart TVs.” This failure
12 implicates no Exclusive Rights. *See Fleet v. CBS*, 50 Cal.App.4th 1911, 1924 (1996).
13 For this reason, Vizio’s assertion that SFC’s state law claims seek to enforce rights that
14 the Copyright Act protects is simply wrong and provides no ground to deny the Motion.

15 Vizio’s misleading discussion of certain language from the GPL Agreements does
16 not change the above conclusion. First, Vizio attempts to make much of the fact that the
17 GPL Agreements state that “[a]ctivities other than copying, distribution and
18 modification are not covered by this License; they are outside its scope.” (Opp. at 1:25-
19 27, *quoting* GPL Agreements, pp. 2, 3.) Contrary to Vizio’s assertion, such language
20 does not mean that the GPL Agreements “cover only exclusive rights protected by the
21 Copyright Act.” (Opp. at 1:22-23; *see also id* at 4:17-19; 13:23-28.) Such language is
22 nothing more than a limitation on the scope of activities governed by the GPL
23 Agreements, as opposed to such activities as running covered computer programs and
24 obtaining output from covered computer programs. (*See* GPL Agreements, pp. 2, 3.)
25 Moreover, this language does not change the nature of the Source Code Provision or
26 somehow convert the right created by the Source Code Provision to one that is
27 equivalent to an Exclusive Right protected by the Copyright Act. For these reasons,
28

1 Vizio’s reliance on the language of the GPL Agreements lacks merit and does not
2 support its contention that SFC’s state law claims are preempted by the Copyright Act.²

3 **C. *Vizio Fails to Successfully Distinguish the Rulings in *Versata* and *Artifex*,
4 Which Have Already Held That Claims Based on the Obligation to
5 Produce Source Code Under the GPL Agreements Are Not Preempted by
6 the Copyright Act.***

7 SFC demonstrated in its moving papers that this Court should grant the Motion for
8 the additional reason that two courts, including one in the Ninth Circuit, have already
9 held that the obligation to provide source code found in Source Code Provision of the
10 GPL Agreements is not subject to copyright preemption. (See Memo at 13:19-15:19,
11 discussing *Versata Software, Inc. v. Ameriprise Fin., Inc.*, 2014 U.S. Dist. LEXIS 30934
12 (W.D. Tex. Mar. 11, 2014) and *Artifex Software v. Hancorn, Inc.*, 2017 U.S. Dist. LEXIS
13 62815 (N.D. Cal. Apr. 25, 2017). Vizio’s attempt to distinguish *Versata* and *Artifex* fails.

14 Vizio first contends that *Versata* is distinguishable, and should be ignored by this
15 Court, because the *Versata* court “failed to address ... how the Source Code Provision
16 allegedly transformed the nature of the action from a copyright claim.” (Opp. at 19:6-8.)
17 Vizio is incorrect—*Versata* specifically applied the “extra element” for copyright
18 preemption in a manner that asked whether the extra element transformed the nature of
19 the action, noting that the “extra element” test “asks whether the asserted cause of action
20 requires proof of ‘one or more qualitatively different elements’ than a copyright
21 infringement claim.” *Versata*, 2014 U.S. Dist. LEXIS 30934, at *8, quoting *Carson v.*
22 *Dynegy, Inc.*, 344 F.3d 446, 456 (5th Cir. 2003). *Versata* then went on to describe the

23
24 ² For these same reasons, the fact that the Source Code Provision may be
25 contained within a section of the GPL Agreements that discusses the conditions under
26 which a licensee may copy and distribute the copyrighted work (*see* Opp. at 1:28-2:2,
27 4:20-22) does not magically convert the Source Code Provision to one that is equivalent
28 to an Exclusive Right and thus subject to copyright preemption. The mere fact that the
Source Code Provision may “relate[] to the exclusive rights of the copyright holder to
control the copying and distribution under the Copyright Act” (Opp. at 4:23-24) does not
somehow convert that provision into an Exclusive Right.

1 Source Code Provision at issue in the case as “separate and distinct from any copyright
2 obligation” because “[c]opyright law imposes no open source obligations ...” *Id.* at *14.
3 Finally, *Versata* held that Ameriprise’s claim for breach of the Source Code Provision
4 “requires an ‘extra element’ in addition to reproduction or distribution: a failure to
5 disclose the source code of the derivative software.” *Id.* at *14-*15.

6 Vizio also asserts that *Versata* is distinguishable because the *Versata* court did not
7 decide “whether the Source Code Provision was a condition or covenant of the license
8 under California law.” (Opp. 19:8-9.) Once again, Vizio is mistaken. The *Versata* court
9 **explicitly found** that the Source Code Provision was a condition of the copyright license,
10 stating that “the GPL allows for free use and redistribution of [the software] ... on the
11 condition the original licensor continues the open source trend and makes the source
12 code freely available.” *Versata*, 2014 U.S. Dist. LEXIS 30934, at *4.³ Accordingly,
13 *Versata* is directly on point, despite Vizio’s flawed attempts to distinguish it, and
14 supports this Court’s granting of SFC’s Motion.

15 Vizio’s attempts to distinguish *Artifex* similarly lack merit. Vizio first asserts that
16 *Artifex* is distinguishable because the *Artifex* court “did not make an affirmative finding
17 that the Source Code Provision is the ‘extra element,’ but rather held the defendant did
18 not meet its burden because it failed to explain why the Source Code Provision is not the
19 ‘extra element.’” (Opp. at 18:4-7.) Vizio has to meet this same burden here, however,
20 because copyright preemption is an affirmative defense. *Chesler/Perlmutter Prods., Inc.*
21 *v. Fireworks Ent., Inc.*, 177 F. Supp. 2d 1050, 1056 (C.D. Cal. 2001). Vizio has failed to
22 meet its burden, for all the reasons discussed herein and in SFC’s moving papers, just as
23 defendant Hancom failed to meet its burden in *Artifex*.

24 Second, Vizio mistakenly asserts that the *Artifex* court “did not address or explain
25 how the GPLs’ open source requirement would ‘transform the nature of the action’ into
26 a qualitatively different claim ...” (Opp. at 18:19-20.) In fact, the *Aritfex* court

27
28 ³ Although the *Versata* court may have applied Texas law rather than California
law, Vizio does not explain, and cannot explain, how this is a significant difference.

1 specifically stated that “[t]o avoid preemption under the second prong, the state law
2 claim must protect rights which are qualitatively different from the copyright rights” and
3 then held that Hancom “does not explain why the GNU GPL’s open source requirement
4 is not the required extra element ...” *Artifex*, 2017 U.S. Dist. LEXIS 62815, at *8-*9,
5 *10 (quotation and citation omitted). Vizio simply is unhappy with the fulsomeness of
6 the *Artifex* court’s analysis.

7 Third, Vizio complains that the *Artifex* court did not address Ninth Circuit
8 authority holding that “the violation of a condition of the license is only actionable under
9 copyright law, not as a breach of contract.” (Opp. at 18:26-19:1.) As explained in
10 Section II.A *supra*, Vizio disingenuously relies on a selective quotation from *MDY*
11 *Industries* for this proposition, and *MDY Industries* simply does not so hold.

12 Finally, Vizio ignores the fact that the *Artifex* court specifically rejected Hancom’s
13 attempt to rely upon *Jacobsen II* (discussed in Section II.D *infra*), choosing instead to
14 follow *Versata* for the proposition that “a failure to disclose the source code of the
15 derivative software” constitutes the required “‘extra element’ in addition to reproduction
16 or distribution.” *Id.* at *9, quoting *Versata*, 2014 U.S. Dist. LEXIS 30934, at *5. This
17 Court likewise should apply the holdings of *Versata* and *Artifex*, reject Vizio’s flawed
18 attempts to distinguish these cases, and grant the Motion.

19 ***D. Jacobsen II is Distinguishable and Does Not Support Vizio’s Assertion***
20 ***that SFC’s State Law Claims Are Preempted By The Copyright Act***

21 Vizio’s Opposition relies primarily on *Jacobsen v. Katzer*, 609 F. Supp. 2d 925,
22 933 (N.D. Cal. 2009) (“*Jacobsen II*”), asserting that it “addressed a similar situation” as
23 that here. (Opp. at 16:8-9; *see also id.* at 16:9-25.) *Jacobsen II* is distinguishable and
24 provides no reason for this Court to deny SFC’s Motion, for several separate reasons.

25 First, *Jacobsen II* was about an entirely different FOSS agreement called the
26 “Artistic License” and did not involve any Source Code Provision. *Id.* at 932. The
27 Artistic License did not include a mandatory obligation to provide source code to
28 recipients of the executable code and the breach of license claim in *Jacobsen* did not

1 include an allegation that source code had not been provided. *See Jacobsen v. Katzer*,
 2 535 F.3d 1373, 1376-77 (Fed. Cir. 2008) (“*Jacobsen I*”). Contrary to Vizio’s mistaken
 3 representation (Opp. at 17:17-20), the Artistic License at issue in *Jacobsen II* did not
 4 include a provision analogous to the Source Code Provision in the GPL Agreements and
 5 did not include an obligation “to make any modifications available to the public.” (Opp.
 6 17:19.) Rather, the Artistic License only required “a description of how the files or
 7 computer code had been changed from the original source code.” *Jacobsen I*, 535 F.3d at
 8 1376. For this reason alone, the situation in *Jacobsen II* is not similar to that here.

9 Second, the contractual provision alleged to have been breached in *Jacobsen II*
 10 was nothing more than a promise not to infringe copyright. It thus falls into a narrow
 11 exception to the general rule that claims for breach of contract are not preempted. *See*,
 12 e.g., Memo at 13:1-11, citing *Rumble, Inc. v. Daily Mail*, 459 F. Supp. 3d 1294, 1299
 13 (C.D. Cal. 2020); see also *Marshall & Swift/Boeckh, LLC v. URS Corp.*, 2009 U.S. Dist.
 14 LEXIS 139264, at *61 (C.D. Cal. Aug. 26, 2009) (finding preemption of a contract
 15 claim where the contractual term at issue was a prohibition against a “unauthorized
 16 copying of any portion” of the copyrighted work, i.e., a promise not to infringe).

17 Third, Vizio ignores the fact that the *Jacobsen II* court invited plaintiff to amend
 18 the complaint in a way that “demonstrat[ed] that there are rights or remedies available
 19 under the contract claims that are not otherwise available under the copyright claim.”
 20 *Jacobsen II*, 609 F. Supp. 2d at 934. Here, as explained both here and in its moving
 21 papers, SFC has demonstrated that its right to obtain copies of the source code under the
 22 Source Code Provision of the GPL Agreements is not available under the Copyright Act.

23 In sum, Vizio’s reliance on *Jacobsen II* is unavailing and provides no basis for
 24 this Court to deny the Motion.

25 **III. VIZIO CANNOT USE EXTRINSIC EVIDENCE, STATEMENTS AND**
 26 **ARGUMENTS MADE IN UNRELATED PRIOR LITIGATION, OR PRE-**
 27 **LITIGATION COMMUNICATIONS TO DEFEAT THE MOTION**

28 **A. *The Extrinsic Evidence Relied Upon by Vizio is Irrelevant For Purposes***
of Deciding this Motion

1 Throughout its Opposition, Vizio seeks to rely upon extrinsic evidence to defeat
2 the Motion. Moreover, Vizio asserts that SFC’s Complaint is worded to avoid federal
3 subject matter jurisdiction over its claims (i.e., so-called “artful pleading”). (Opp. at 9:8-
4 16.) However, Vizio wholly misapplies the “artful pleading” doctrine.

5 “Under the ‘artful pleading’ doctrine, a court may recharacterize a plaintiff’s state
6 law causes of action as federal if the particular conduct complained of is governed
7 exclusively by federal law. ... This exception to the rules of removal is narrow and is
8 only to be applied in exceptional circumstances.” (*Garcia v. Lopez*, 2009 U.S. Dist.
9 LEXIS 12622, at *2-*3 (C.D. Cal. Feb. 5).) Although it invokes the “artful pleading”
10 doctrine, Vizio selectively omits that, as the party invoking it, it bears a “heavy burden”
11 to show that SFC’s claims are governed *exclusively* by federal law. (*See id.* at *4;
12 *Redwood Theatres, Inc. v. Festival Enters., Inc.*, 908 F.2d 477, 479 (9th Cir. 1990)
13 (recognizing “the strong bias against permitting removal where a plaintiff has chosen to
14 proceed solely on state-law grounds”.) As the *Garcia* court noted, in addressing the
15 removal of a California state court action alleging a state law breach of contract claim:
16 “It is well established that the party who brings a suit is master to decide what law he
17 will rely upon, and if he can maintain his claim on both state and federal grounds, he
18 may ignore the federal question and assert only a state law claim and defeat removal.
19 ***That Plaintiffs could potentially state a Copyright Act claim based on the facts alleged***
20 ***does not mean that they must. Plaintiffs are free to limit their causes of action as they***
21 ***wish.***” *Garcia*, 2009 U.S. Dist. LEXIS 12622, at *3-*4 (emphasis added; citations
22 omitted); *accord Rains v. Criterion Sys.*, 80 F.3d 339, 344 (9th Cir. 1996).

23 “While perhaps theoretically distinct, the artful pleading doctrine in practice
24 collapses into the complete preemption doctrine, because it can only be said that a claim
25 alleged under state law necessarily arises under federal law where ‘the particular conduct
26 complained of [is] governed exclusively by federal law.’” (*Garcia*, 2009 U.S. Dist.
27 LEXIS 12622, at *3, *quoting Heichman, v. Am. Tel. & Tel. Co.*, 943 F. Supp. 1212, 1219
28 (C.D. Cal. 1995). “The artful pleading doctrine allows courts to ‘delve beyond the face

1 of the state court complaint and find federal question jurisdiction’ by ‘recharacterizing a
 2 plaintiff’s state-law claim as a federal claim.’” (*Lippitt v. Raymond James Fin. Servs.*,
 3 340 F.3d 1033, 1041 (9th Cir. (Cal.) 2003) (citations omitted).)

4 Because SFC has established that its state law claims are not governed exclusively
 5 by federal law, the “artful pleading” doctrine does not apply. (*See, e.g., Rains*, 80 F.3d
 6 at 344 (“The artful pleading doctrine does not permit defendants to achieve what they
 7 are trying to accomplish here: to rewrite a plaintiff’s properly pleaded claim in order to
 8 remove it to federal court.”).) The “well-pleaded complaint” doctrine prohibits this
 9 Court from considering extrinsic evidence from outside of the four corners of SFC’s
 10 Complaint in ruling on jurisdictional issues. (*See Lippitt*, 340 F.3d at 1040.) This Court
 11 thus must disregard all such extrinsic evidence, including the extrinsic evidence
 12 submitted with Vizio’s Opposition, as irrelevant for purposes of deciding this Motion.

13 ***B. Vizio Cannot Bind SFC To Prior Statements And Arguments Made in***
 14 ***Unrelated Litigation and Confidential Settlement Communications,***
 15 ***Because They Are Irrelevant or Inadmissible.***

16 To support its claims of preemption, Vizio asserts that SFC is bound by various
 17 statements it made before this litigation commenced, suggesting that a failure to comply
 18 with the GPL Agreements, including the Source Code Provision, may constitute
 19 copyright infringement. (*See Opp.* at 11:26-13:13.) However, those statements were all
 20 made either: (1) in the course of unrelated litigation that involved different issues,
 21 parties, and software, which are not binding on SFC, or (2) in pre-lawsuit settlement
 22 communications with Vizio which are inadmissible. Thus, even if the “artful pleading”
 23 doctrine were to apply, SFC is still not bound by these irrelevant or inadmissible
 24 statements and arguments, and they cannot defeat the Motion.

25 **1. Statements and Arguments Made in Unrelated Prior Litigation**
 26 **Are Not Binding on SFC In This Action**

27 Vizio suggests that legal arguments made by SFC in the so-called “*BusyBox*
 28 litigation” should be binding on, or at least be persuasive against, SFC in the present
 action. (*See Opp.* at 12:14-13:13; *see also* Declaration of Michael E. Williams in support

1 of Opp. (“Williams Decl.”), ¶ 10 & Exh. “9” (complaint in *BusyBox* litigation) (the
2 “BusyBox Complaint”).) Specifically, Vizio asserts that SFC’s arguments in the
3 *BusyBox* litigation—namely, that violations of the Source Code Provision may constitute
4 copyright infringement—contradict its position in this action and qualify as admissions.
5 (*See, e.g.*, Opp. at 12:14-16, 13:3-7.) This assertion fundamentally misunderstands the
6 nature of the *BusyBox* litigation and SFC’s claims and completely misapplies relevant
7 law, which clearly holds that such arguments are *not* binding on SFC.

8 The *BusyBox* litigation referenced by Vizio was a lawsuit brought in 2009 by
9 copyright holder Erik Andersen (“Andersen”) and SFC (as copyright enforcement agent)
10 against Best Buy Co., Samsung, and twelve other commercial electronics distributors
11 alleging copyright infringement of software created by Andersen titled “BusyBox.” (*See*
12 *Software Freedom Conservancy, Inc. v. Best Buy Co.*, 2010 U.S. Dist. LEXIS 75208, at
13 *1 (S.D.N.Y. Jul. 27) (hereafter, “*BusyBox*”).) The copyright infringement claim brought
14 in *BusyBox* sought to enforce rights completely separate and distinguishable from those
15 asserted here. SFC and Andersen were not seeking to enforce the Source Code Provision
16 against the defendants. Instead, they were only using defendants’ failure to comply with
17 that provision as evidence of a violation of the license, where such violation rendered
18 any distribution of the software unauthorized and, thus, infringing. ((*See BusyBox*
19 *Complaint*, ¶¶ 24-28; *id.*, ¶ 32 (“Each Defendant’s *distribution of products or firmware*
20 *that contain BusyBox without approval or authorization by Plaintiffs infringes Plaintiffs’*
21 *exclusive copyrights in BusyBox pursuant to 17 U.S.C. § 501.*”) (emphasis added).)

22 In this action, by contrast, SFC solely seeks to enforce the Source Code Provision,
23 as the allegations of the Complaint make clear. (*See, e.g.*, Cmpl., ¶ 115 (SFC “has a
24 right” to the Source Code under the GPL Agreements); ¶ 120 (SFC “may seek to enforce
25 the Source Code Provision against Vizio”); ¶ 121 (SFC “has a right to the Source Code
26 ...”).) Vizio fails to explain, and indeed *cannot* explain, how SFC’s right as a third party
27 beneficiary to compel Vizio to disclose its source code constitutes an exclusive right
28 under the Copyright Act.

1 Furthermore, SFC is not estopped from asserting positions that may differ with its
2 arguments in prior litigation. Vizio’s contrary assertions appear to conflate judicial
3 **admissions** with judicial **estoppel**; the former is recognized as exclusively applicable to
4 contrary statements made in the same litigation, while the latter may apply to statements
5 made by a party in the same or prior litigation. *See Nextdoor.com v. Abhyanker*, 2013
6 U.S. Dist. LEXIS 101440, at *28-*30 (N.D. Cal. Jul. 19, 2013 and cases cited therein);
7 *accord Palumbo Design, LLC v. 1169 Hillcrest, LLC*, 2019 U.S. Dist. LEXIS 234198, at
8 *19-*20 (C.D. Cal. Dec. 3, 2019).

9 Specifically, the doctrine of judicial estoppel is an equitable rule created “to
10 protect the integrity of the judicial process, by prohibiting parties from deliberately
11 changing positions according to the exigencies of the moment.” *New Hamp. v. Maine*,
12 532 U.S. 742, 749-50 (2001) (quotations and citations omitted.) As an equitable
13 doctrine, courts have discretion whether to invoke judicial estoppel. *Id.* at 750. There
14 are three factors courts should consider in determining whether judicial estoppel applies
15 to particular statements by a party: (1) “whether the party’s later position is clearly
16 inconsistent with its earlier position”; (2) “whether the party succeeded in persuading a
17 court to accept its earlier position, creating a perception that the first or second court was
18 misled”; and (iii) “whether the party seeking to assert an inconsistent position derives an
19 unfair advantage or imposes an unfair detriment on the opposing party.” *See, e.g., Cont’l*
20 *Cas. Co. v. Chatz*, 591 B.R. 396, 411-12 (N.D. Cal. 2018), *citing Baughman v. Walt*
21 *Disney World Co.*, 685 F.3d 1131, 1134 (9th Cir. 2012). Here, each of these factors
22 weigh *heavily* against estoppel.

23 First, as explained above, SFC’s arguments in *BusyBox* and in this action are
24 easily distinguishable: in *BusyBox*, unauthorized distribution of software was the central
25 claim; this action instead focuses solely on Vizio’s failure to produce its source code, in
26 violation of the GPL Agreements. As a result, SFC’s position in this action is not
27 “clearly inconsistent” with its position in *BusyBox*, and the first factor fails. *See, e.g.,*
28 *Flagship W., LLC v. Excel Realty Partners LP*, 337 Fed. App’x 679, 680 (9th Cir. 2009)

1 (positions not inconsistent where party did not affirmatively concede a contrary position
2 that it later adopted).

3 Second, Vizio has provided no facts or evidence that would even imply that SFC's
4 arguments in *BusyBox* "succeeded in persuading a court to accept its earlier position."
5 (*Chatz*, 591 B.R. at 411-12.) Indeed, as Vizio's own exhibits establish, SFC settled its
6 claims against Samsung in that litigation. (*See Williams Decl.*, Exh. "7", at 1.) "Absent
7 success in a prior proceeding, a party's later inconsistent position introduces no risk of
8 inconsistent court determinations, and thus poses little threat to judicial integrity." *New*
9 *Hamp.*, 532 U.S. at 750-51 (quotation omitted). Vizio thus has not, and cannot, establish
10 the second factor.

11 Third, Vizio has similarly provided no facts or evidence that SFC "derives an
12 unfair advantage or imposes an unfair detriment on the opposing party." *Chatz*, 591
13 B.R. at 411-12. As a general matter, this factor requires that the parties in the present
14 litigation be the same or in privity to the parties from the prior litigation. *See Milton H.*
15 *Greene Archives, Inc. v. Marilyn Monroe LLC*, 692 F.3d 983, 996 (9th Cir. 2012). Vizio
16 was not a named party in *BusyBox*, and no evidence has been submitted that Vizio is in
17 privity with any of the named defendants there. Moreover, a party does not derive an
18 unfair advantage or impose an unfair detriment if the two positions are based on the
19 same factual issues. *See, e.g., Flagship W.*, 337 Fed. App'x at 681.

20 Furthermore, courts are only to apply the judicial estoppel doctrine in the most
21 egregious of cases, i.e., "when a party's position is tantamount to a **knowing**
22 **misrepresentation to or even fraud on the court.**" *Milton H. Greene*, 692 F.3d at 994
23 (emphasis added). Neither Vizio nor the underlying facts themselves provides any basis
24 for this Court to reach such a conclusion.

25 Accordingly, for all the above reasons, SFC's statements and arguments in
26 unrelated litigation are not binding in this action and cannot be used by Vizio to establish
27 that SFC's state law claims are preempted by the Copyright Act.

1 **2. The Pre-Lawsuit Correspondence Between SFC and Vizio**
2 **Constitutes Confidential Settlement Communications and Is**
3 **Inadmissible Under Rule 408(a) of the Federal Rules of Evidence**

4 Vizio also asserts that statements made by SFC to Vizio in pre-suit
5 communications support its preemption claim, because SFC allegedly characterized its
6 claims as “copyright infringement.” (Opp. at 5:11-6:3.) Nowhere in its Opposition,
7 however, does Vizio come forward with any legal authority demonstrating that these
8 statements are admissible. In fact, these statements provide no basis to deny the Motion,
9 for two separate reasons.

10 First, as explained in Section II.A *supra*, the fact that SFC may have characterized
11 its claims as “copyright infringement” is of no import. Vizio’s conduct may constitute
12 both copyright infringement *and* a breach of the GPL Agreements, and SFC, as the
13 master of its complaint, may choose whether to allege a claim for copyright infringement
14 or rely solely on state law breach of contract claims.

15 Second, the exhibits submitted by Vizio containing such statements constitute
16 confidential settlement communications, which are being offered to disprove the validity
17 of, or to impeach or contradict, SFC’s claims in this action. Therefore, Rule 408(a) of
18 the Federal *Rules of Evidence* requires that such communications be excluded and
19 disregarded by this Court as inadmissible.⁴ Rule 408(a) specifically provides that
20 “conduct or a statement made during compromise negotiations about the claim” is not
21 admissible “to impeach by a prior inconsistent statement or a contradiction.” *See Fed. R.*
22 *Evid.* 408(a)(2). Courts interpret these provisions broadly in support of its purpose:
23 facilitating settlement negotiations. This purpose, and the underlying policies it
24 promotes, are so important that Rule 408(a) is interpreted to include not only explicit
25 settlement offers but also any conduct or statements which relate to or facilitate efforts to
26 compromise. *See In re Gardens Reg’l Hosp. & Med. Ctr., Inc.*, 2017 Bankr. LEXIS

27 ⁴ To respect the confidentiality of these communications and avoid any further
28 unauthorized disclosures of the same, SFC does not reproduce or recite the contents of
 these communications in this section.

1 1869, at *14-*18 (Bankr. C.D. Cal. Jul. 6, 2007) (“Exploratory compromise negotiations
2 that have not yet progressed to the point at which the parties are willing to exchange
3 formal compromise offers still fall within the purview of FRE 408.”) Accordingly, the
4 mere fact that a statement does not include an explicit settlement offer does not exclude
5 it from Rule 408(a)’s ambit if the statement is intended to facilitate negotiations. *See,*
6 *e.g., id.*

7 Additionally, SFC has separately submitted Evidentiary Objections to exclude
8 these exhibits and references thereto, as they demonstrate that the pre-litigation
9 correspondence between SFC and Vizio constitutes confidential settlement
10 communications that are inadmissible under Rule 408(a). This Court should grant SFC’s
11 Evidentiary Objections, rule that the pre-litigation correspondence submitted by Vizio is
12 inadmissible, and ignore such communications when ruling on the Motion.

13 ***C. Vizio’s Baseless Assertions Regarding SFC’s Alleged Misrepresentations***
14 ***Have No Relevance Whatsoever To This Motion***

15 Finally, Vizio asserts that SFC’s Complaint and its Motion “contain numerous
16 misrepresentations” regarding Vizio’s purported compliance with the GPL Agreements.
17 (Opp. at 6:4-6:7; *see also id.* at 6:8-8:3.) SFC disputes that it made any such
18 misrepresentations and will address Vizio’s baseless assertions at the appropriate time.
19 Vizio fails to explain, however, and indeed cannot explain, how any of SFC’s alleged
20 misrepresentations have any bearing on whether SFC’s state law breach of contract
21 claims are preempted by the Copyright Act or whether this Court shall grant SFC’s
22 Motion and remand this action to state court. If Vizio believes that SFC’s Complaint
23 contains purported misrepresentations, it may attempt to challenge those purported
24 misrepresentations during trial or by motion for summary judgment. For purposes of this
25 Motion, however, Vizio’s assertions regarding such purported misrepresentations have
26 no bearing on the issues before this Court and thus have no relevance whatsoever.
27 Accordingly, this Court should ignore Vizio’s baseless assertions when ruling on the
28 Motion.

1 **IV. CONCLUSION**

2 For all the foregoing reasons, and for all the reasons set forth in its moving papers
3 and accompanying Evidentiary Objections, SFC respectfully requests that this Court
4 grant this Motion and remand this action to the Orange County Superior Court.

5 DATED: April 29, 2022

**RICHARD G. SANDERS, PLLC
VAKILI & LEUS, LLP**

6
7
8 By: /s/ Sa'id Vakili
9 Sa'id Vakili, Esq.
10 David N. Schultz, Esq.
11 Richard Sanders, Esq.
12 Stephen P. Hoffman, Esq.
13 *Attorneys for Plaintiff Software Freedom*
14 *Conservancy, Inc.*
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CERTIFICATE OF SERVICE

Software Freedom Conservancy, Inc. v. Vizio, Inc.
U.S.D.C. C.D. Cal. Case No.: 8:21-cv-01943-JLS-KES

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is Vakili & Leus, LLP, 3701 Wilshire Boulevard, Los Angeles, Suite 1135, Los Angeles, California 90010.

On April 29, 2022, I served the foregoing document described as **REPLY MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION OF PLAINTIFF SOFTWARE FREEDOM CONSERVANCY, INC. TO REMAND ACTION TO STATE COURT** on all interested parties in this action at the addresses listed below, as follows:

QUINN EMANUEL URQUHART & SULLIVAN, LLP

Michael E. Williams, Esq.

michaelwilliams@quinnemanuel.com

Daniel C. Posner, Esq.

danposner@quinnemanuel.com

John Z. Ying

johnyin@quinnemanuel.com

865 South Figueroa Street, 10th Floor
Los Angeles, California 90017

213/443-3000 | Fax: 213/443-3100

Counsel for Defendant Vizio, Inc.

I hereby certify that on the 29th day of April 2022, I will cause to be served the above-referenced document via the United States District Court’s Electronic Filing Program on the designated recipient via electronic transmission through the CM/ECF system on the Court’s website. The Court’s CM/ECF system will generate a Notice of Electronic Filing (“NEF”) to the filing party, the assigned judge, and any registered users in this action. The NEF will constitute service of the document. Registration as a CM/ECF user constitutes consent to electronic service through the Court’s transmission facilities.

/s/ Jason C. Ming

Jason C. Ming