

2008-1001

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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ROBERT JACOBSEN,

Plaintiff-Appellant,

v.

MATTHEW KATZER and  
KAMIND ASSOCIATES, INC. (doing business as KAM Industries),

Defendants-Appellees.

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Appeal from the United States District Court for the  
Northern District of California in case no. 06-CV-1905,  
Judge Jeffrey S. White.

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**REPLY BRIEF OF PLAINTIFF-APPELLANT ROBERT JACOBSEN**

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## **I. Introduction and Summary of Argument**

In his opening brief, Robert Jacobsen made a prima facie case of copyright infringement and, although not his burden, he showed in detail that Matthew Katzer and KAMIND Associates, Inc. [hereinafter KAMIND] could not successfully raise a license defense. Katzer and KAMIND's brief does not change that. The main issues are:

Can a matter sound in contract, A9, when there is no contract?

In the absence of a contract, can Katzer and KAMIND show they had a bare license when they did not act within the restrictions of the Artistic License?

The answer to both these questions is "No". Jacobsen addresses these issues and others which Katzer and KAMIND raised in their brief.

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Although they deny Jacobsen has made a prima facie case of copyright infringement, Katzer and KAMIND implicitly admit it. Katzer and KAMIND concede that Jacobsen is the owner and assignee of the JMRI Decoder Definition files. Katzer and KAMIND admit they downloaded, modified, and distributed the Decoder Definition files. These admissions make a prima facie case of copyright infringement.

Katzer and KAMIND cannot successfully raise the license defense. Jacobsen, Katzer and KAMIND agree the Artistic License as a document exists, but that is not the issue. The issue is whether Katzer and KAMIND have a license under the Artistic License. Katzer and KAMIND must show they have a license, and to do this, they must show how they obtained it. They do not address this, but skip to the next issue—whether their activities are within the scope of a license they purportedly have. Because Katzer and KAMIND are unable to show they have a license, their arguments are without merit.

Because Jacobsen has made a prima facie case—which Katzer and KAMIND implicitly admit—and because Katzer and KAMIND are unable to show they possess a license, Jacobsen is entitled to a preliminary injunction. This Court should reverse the district court’s opinion and order the injunction to issue.

## **II. Argument**

### **1. Katzer and KAMIND Admit Jacobsen Has a Prima Facie Case for Copyright Infringement**

Katzer and KAMIND have implicitly admitted Jacobsen stated a prima facie case for copyright infringement. To make a prima facie case, Jacobsen

must show he is the owner or assignee of the copyrighted work, and that Katzer and KAMIND exercised an exclusive right such as reproduction, modification, or distribution. S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1085 (9th Cir. 1989). Katzer and KAMIND explicitly deny that Jacobsen has made a prima facie case, but then admit, for the appeal, that Jacobsen is owner and assignee of the Decoder Definition files, and that Katzer and KAMIND downloaded, modified, and distributed the Decoder Definition files. Appellees' Brief at 10-11. Because they admit the elements of a prima facie case of copyright infringement, Katzer and KAMIND implicitly admit Jacobsen has made a prima facie case. The next question is whether Katzer and KAMIND can successfully raise the license defense.

## **2. Katzer and KAMIND Must Show They Have a License—and They Have Not**

Katzer and KAMIND have not shown they have a license, which they must do in order to successfully raise the defense. By stating there is a license and therefore they have one, Katzer and KAMIND conflate the existence of a license with possession of a license. Again, the issue is not whether the Artistic License exists as a document. The issue is whether Katzer and KAMIND have a license. They must show they have a license.

See Augustine Med., Inc. v. Progressive Dynamics, Inc., 194 F.3d 1367, 1370 (Fed. Cir. 1999). In order to do so, they have to identify how they obtained the license—but they never do.

Jacobsen has shown that Katzer and KAMIND do not have a license under a contract theory. There was no acceptance on their part creating a transaction that would arise to a bilateral contract. Appellant’s Brief at 28-30. There was no acceptance through performance, so there is no unilateral contract. Id. at 39-41.

Jacobsen has shown that Katzer and KAMIND do not have a bare license. Again, the burden of showing they have a license is on Katzer and KAMIND. They provide nothing to show they have a bare license. Katzer and KAMIND merely skip over to the scope of the license, and cite to cases involving contracts to argue that their infringement is a breach of contract. These cases are inapplicable because if there is no contract, there can be no breach of a covenant to a contract, as discussed next.

### **3. Condition/Covenant Distinction Arguments Do Not Apply Because Katzer and KAMIND Do Not Have a Contract**

Katzer and KAMIND state that any terms they violated are covenants to a contract and not conditions and thus, any cause of action lies in contract.

But Katzer and KAMIND do not have a contract. There can be no breach of a covenant to a contract if the contract does not exist. Thus the primary cases which Katzer and KAMIND rely upon, Considine v. Penguin, U.S.A., No. 91 CV 4405, 1992 WL 183762, at \*1 (S.D.N.Y. July 20, 1992), U.S. Naval Inst. v. Charter Communications, 936 F.2d 692, 693 (2d Cir. 1992), and Graham v. James, 144 F.3d 229, 233 (2d Cir. 1998), are not applicable because these cases involve contracts. If the terms are not covenants, they must be conditions, which Katzer and KAMIND must abide by when exercising an exclusive right, or else infringe. But Katzer and KAMIND did not. Their acts of copying, modifying, and distributing Jacobsen's files constitute copyright infringement.

#### **4. Katzer and KAMIND's Arguments that the Artistic License Does Not Narrow the Scope Fail**

Contrary to the district court's interpretation, and Katzer and KAMIND's arguments, the Artistic License does not permit all forms of reproduction, modification, and distribution—only specific exercises of these exclusive rights. When a contract grants license rights, a condition narrows the scope of a license of an exclusive right, whereas a covenant is independent of the exclusive right. See Sun Microsystems, Inc. v Microsoft



Corp., 81 F. Supp. 2d 1026, 1031 (N.D. Cal. 2000). Although this Sun Microsystems precedent relates to a contract, the decision offers guidance for interpreting bare licenses.<sup>1</sup> Here, the Artistic License, provided with the Decoder Definition files,<sup>2</sup> permits verbatim reproduction if done in a specified manner, and it defines verbatim reproduction. A370. It also permits modification if the user puts a prominent notice regarding changes, and takes one of four steps related to modification or distribution. Id. The Artistic License also permits distribution, if the user distributes the code in a certain manner. Id. All these restrictions relate to how the user may exercise an exclusive right. Thus, these restrictions narrow the scope of the license, such that any conduct outside the permitted use, as Katzer and KAMIND's was, constitutes copyright infringement. Katzer and KAMIND argue to the

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<sup>1</sup> As noted earlier and in Jacobsen's earlier brief, because there are no covenants to a contract when there is no contract, any restriction becomes a condition such that, if a user does not perform the condition, the user infringes the copyright.

<sup>2</sup> Katzer and KAMIND's arguments that "[s]ubsequent to the receipt of these files, the Artistic License attempts to impose restrictions on the distribution and modification of the files", Appellees' Brief at 21, are without merit because the license is included with the files and the files refer to the license. See A188 (line 4); A370 (bottom of page). Furthermore, Katzer knew about the Artistic License and its restrictions on copying, modifying, and distributing JMRI software, A121 (¶ 35), A292-A293, so he cannot say he did not know.

contrary but even cases which Katzer and KAMIND use to argue that narrowed scope relates only to a “specific purpose” support this interpretation. Gilliam v. Am. Broadcasting Cos., 538 F.2d 14, 21 (2d Cir. 1976) (license restricted unauthorized modification); Jarvis v. K2, Inc., 486 F.3d 526, 528-29 (9th Cir. 2007) (license restricted time period that licensee could copy and display photographs); Greenfield v. Twin Vision Graphics, Inc., 268 F. Supp. 2d 358, 365 (D.N.J. 2003) (license restricted time period that licensee could display photographs). Thus, these restrictions narrow the scope of the license grant. Katzer and KAMIND’s actions outside the scope of the Artistic License are copyright infringement.

##### **5. Jacobsen Did Not Transfer Ownership to an Exclusive Licensee or to the Public Domain**

Katzer and KAMIND argue, at different points in their brief, that Jacobsen granted a non-exclusive license or that Jacobsen dedicated JMRI software to the public. Appellees’ Brief at 17, 23. By citing case law involving exclusive licensees, they also imply that Jacobsen granted an exclusive license, apparently to the public. See id. at 22-23.

First, Katzer and KAMIND did not raise in the district court arguments relating to an exclusive license or dedication to the public. Second,

ownership transfer requires Jacobsen's signature. See 17 U.S.C. § 204(a). But Katzer and KAMIND put forward no signed document that shows Jacobsen transferred ownership to any exclusive licensee, or to the public domain. For these reasons, Katzer and KAMIND fail to show that Jacobsen has transferred his rights to some exclusive licensee or to the public domain.

## **6. Katzer and KAMIND's Arguments are Without Merit**

### **a. Katzer and KAMIND's Cites an Incorrect Standard of Review**

Katzer and KAMIND Associates erroneously state, as facts, various conclusions of law of the District Court after it applied the law to the facts. Katzer and KAMIND state the following as "relevant findings of facts" in their brief.

(4) the JMRI project license provides that a user may copy the files verbatim or may otherwise modify the material in any way, including as part of a larger, possibly commercial software distribution (A10-A11); (5) the scope of the license is intentionally broad (A11); and (6) the condition that the user insert a prominent notice of attribution does not limit the scope of the license (A11).

Appellees' Brief at 3.

All these "findings of facts" are actually conclusions of law the District Court came to after applying the law to the facts. In order to apply the law, the

District Court had to interpret the license. License interpretation is not a finding of fact, but a question of law which is generally subject to de novo review unless the district court uses extrinsic evidence for interpretation.

United States v. 1,377 Acres of Land, 352 F.3d 1259, 1264 (9th Cir. 2003).

Here, the district court did not rely on any extrinsic evidence, but only the terms of the Artistic License. Thus, the de novo review is the correct standard to use when reviewing key portions of the District Court's opinion.

**b. Other Katzer and KAMIND's Arguments are Without Merit**

Katzer and KAMIND make a number of irrelevant arguments, or purportedly relevant factual statements. Jacobsen addresses them here briefly.

Katzer and KAMIND state Bouwens created the files used with Decoder Commander, and used only manufacturer data and NMRA information. Appellees' Brief at 4. This statement is only relevant if Bouwens independently created the files with Decoder Commander. See Three Boys Music Corp. v. Bolton, 212 F.3d 477, 486 (9th Cir. 2000).

Katzer and KAMIND admit that Bouwens didn't—Bouwens used JMRI's Decoder Definition files.

Katzer and KAMIND state Decoder Commander now looks to a new database and no longer uses the Decoder Definition files. Appellees' Brief at

6. Katzer and KAMIND never provided the database or the spreadsheet to Jacobsen or the district court. They never showed the district court they developed the database or spreadsheet independently. They never showed how they could re-create nearly overnight the work that took a dozen programmers 5 years to create. Furthermore, it does not matter what holds the copyrighted material, whether it is XML files, databases, or anything else. What matters is the variable names, organization, data, and the like. That's what Katzer and KAMIND took. That's why Jacobsen seeks this injunction.

Katzer and KAMIND state Jacobsen refers to “extra-record” information when Jacobsen states Katzer and KAMIND continue to infringe. Appellees' Brief at 6. Jacobsen's statement is a part of the record. In his filings before the preliminary injunction hearing, Jacobsen provided declarations that Katzer and KAMIND had not removed the copyrighted information—they just got better at concealing it. Compare A116-A120 (all Decoder Definition files used in KAMIND products) with A126 (some Decoder Definition files used in KAMIND products) with A359-A362 (newest KAMIND product CD does not work, but older versions do not stop working as Katzer stated in his declaration; Decoder Definition information still available on KAMIND's website). After Jacobsen has shown copyright

infringement, Katzer and KAMIND have to show that not only have they stopped the infringement, but they cannot start it again, in order to defeat an injunction. LGS Architects, Inc. v. Concordia Homes of Nev., 434 F.3d 1150, 1153-54 (9th Cir. 2006). Jacobsen is entitled to a presumption that Katzer and KAMIND continue to infringe, until Katzer and KAMIND provide proof they have stopped and will not start again.

Katzer and KAMIND state, without citation to the record, that they have sold only 65 Decoder Commander CDs. Appellees' Brief at 4 n.1. This statement is incomplete and misleading because it does not include any demo versions, other free versions that Katzer and KAMIND have given away, or other KAMIND product CDs that had the infringing content. See A123. It also does not include their customers' use of the infringing software tool to make infringing copies and modifications.

Katzer and KAMIND argue there is no rescission. Appellees' Brief at 25. There was rescission and revocation in September 2006 when Jacobsen sent a cease and desist letter to Katzer and KAMIND. See Appellant's Brief at 4, 35, 39. A license unsupported by consideration can be revoked at any time. Nimmer on Copyright § 10.02[B][5]; Avtec Sys., Inc. v. Peiffer, 21 F.3d 568, 574 n.12 (4th Cir. 1994). A material and substantial breach gives

rise to a right to rescind a contract. See Rano v. Sipo Press, Inc., 987 F.2d 580, 586 (9th Cir. 1993). If there is any mistake, Katzer and KAMIND’s counsel received in November 2007 another cease and desist letter, rescinding and revoking any permissions that Katzer and KAMIND purportedly had. Jacobsen does not understand why Katzer and KAMIND’s counsel states otherwise.

Katzer and KAMIND state they are not continuing to infringe, and that they have “in an abundance of caution” stopped using Jacobsen’s files. Appellees’ Brief at 5. They also stated that after May 2006, the infringing software tool was no longer available on KAMIND’s website. Appellees’ Brief at 5-6. Jacobsen found that versions which Katzer stated would no longer work after March 2007, in fact would work. A359-A361. Jacobsen also found materials based on JMRI software on KAMIND’s website. A361-A362. Both Jacobsen and Alex Shepherd stated in their declarations that they found the infringing software tool available for download through August 2006, three months after Katzer said he removed it from the website. A117-A118 (“Template\_verifier.exe” available for use in June 2006 with “third party templates”—that is, JMRI Decoder Definition files); A123 (“Smart decoder Editor” could be downloaded from KAMIND website in late August

2006); A242 (screenshot of KAMIND infringing software tool); A447-A448 (A. Shepherd email dated June 2006 describing how he found the infringing software tool). At the time the appeal was taken, Katzer and KAMIND had not supplied a working copy of their latest product CD.<sup>3</sup> See A483 (transcript at lines 17-18 in which Katzer and KAMIND refer to Version 308 and offer it to Jacobsen). Katzer and KAMIND have provided no evidence that they independently created their new decoder database, and thus would never return to using Jacobsen's copyrighted materials. They have also never stated that their new versions are comparable to JMRI in terms of the number of decoders offered in the new product. This is relevant because if JMRI has significantly more decoders than KAMIND products, KAMIND users would be more likely to continue using the infringing KAMIND products and the infringing software tool. Thus, Katzer and KAMIND have not shown they have stopped infringing and would not return.

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<sup>3</sup> Jacobsen received a working copy after sending two demand letters to Katzer and KAMIND in November 2007. He tested it. Although Jacobsen's findings are not in the record, and not considered by the district court, Jacobsen is willing to share those findings with this Court, if it so chooses. The findings show that the appeal is not moot. Jacobsen again notes that Katzer and KAMIND bear the burden to show they have stopped infringement. Jacobsen does not need to show they are continuing to infringe.



**III. Conclusion**

As noted in his opening brief, Jacobsen has shown he is likely to succeed on the merits. He has made a prima facie case of copyright infringement, and Katzer and KAMIND implicitly admit it. Katzer and KAMIND have been unable to show they have a license. For the foregoing reasons, Jacobsen respectfully requests this Court to reverse the judgment of the district court and grant the preliminary injunction.

Respectfully submitted,

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PROOF OF SERVICE

I hereby certify that on February 15, 2008, I sent two (2) copies of the Reply Brief of Robert Jacobsen, Plaintiff-Appellant, by first class mail postage prepaid, to:

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