

Nos. 11-57168, 12-55180

IN THE

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

ROCK RIVER COMMUNICATIONS, INC.,

Plaintiff/Appellant/Cross-Appellee,

v.

UNIVERSAL MUSIC GROUP, INC., UMG RECORDINGS, INC., AND UNIVERSAL MUSIC
GROUP INTERNATIONAL, LTD.,

Defendants/Appellees/Cross-Appellants.

*On Appeal from United States District Court
For the Central District of California
Honorable Christina A. Snyder, United States District Judge
Case No. CV-08-0635 CAS (AJWx)*

**PLAINTIFF/APPELLANT/CROSS-APPELLEE'S
THIRD BRIEF ON CROSS-APPEAL**

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INTRODUCTION

UMG begins its 66-page brief by asserting that “Rock River’s failure of proof is straightforward” (UMG Second Brief “UB” 1) and that “the issues on appeal are uncomplicated and factually uncontroverted” (UB 47). While UMG picks and chooses among facts and potentially applicable legal doctrines, it has not carried its burden to show undisputed material facts that lead to only one conclusion that disposes of the case.

There is no dispute that Rock River is entitled to go to trial on any issue apart from the nature of its expectancy—the sole basis on which summary judgment was granted. There undisputedly are triable issues as to whether UMG’s resort to self-help rather than infringement litigation amounted to intentional and independently wrongful interference (both with contract and with prospective economic advantage). There is no dispute that Rock River had valid rights in the new creative content in all 12 Remixes at issue here. And there is no dispute that San Juan had valid rights in 9 of the 12 tracks it licensed to Rock River for use in the Remixes.

All that is before the Court is whether UMG has established an absolute right to interfere with Rock River’s expectancy—an expectancy founded on a series of licenses and other contracts that were already paying off—on the ground

that Rock River purportedly did not raise a triable issue as to whether its own licensor had valid rights in 3 of the 12 tracks licensed.

UMG is wrong for two reasons. *First*, neither the precedent excluding recovery for expectancies based on fraud or on contracts already declared void or unlawful, nor any other sound principle, permits an intentional-interference defendant to avoid trial by poking holes in the rights that other contractual counterparties conveyed to the plaintiff. The plaintiff's expectancy is protectable if it was reasonably probable to pay off and if its own conduct was not tainted by fraud or illegality. Here, Rock River's web of licenses and contracts confirms the probability of profit and excludes the possibility of taint.

In any event, there was ample evidence from which a jury could infer that Rock River's *written* license from San Juan—which is incontestably valid—was based on a valid oral license or license by conduct *from Perry to San Juan*.

UMG also seeks to avoid liability on a ground that the district court properly rejected: *Noerr-Pennington* immunity for its unfounded threatening letters. As the district court correctly recognized, there is a triable issue of fact as to whether UMG knew that any *exclusive* rights it claimed were *at best* shared with other licensees of Perry, *including* San Juan. Indeed, San Juan's rights were not secret to UMG, which paid royalties for one of the Three Tracks at issue even after claiming to have purchased an exclusive license from JAD. What UMG knew made its

threats objectively baseless, nullifying any possible protection for those threats, which did not contemplate infringement litigation and therefore should not be shielded by doctrines insulating First Amendment petitioning activity from civil liability.

This case involves sound recordings created 40 years ago, which have been on the market in various forms and released by various labels for decades. Witnesses compared the milieu from which these recordings emerged to the Wild West, and the rights to the now-valuable Recordings have been conveyed by means that were informal and poorly documented, yet valid and binding under the law. UMG itself has relied on at least *three* alleged and conflicting claims of rights to the same recordings—based on rights derived from three different sources: San Juan, Trojan, and JAD. This fact alone belies UMG’s assertion that UMG’s license with JAD is exclusive. UMG does not explain this contradiction. In an environment where many rightsholders had co-existed for decades, UMG thought it could exert commercial muscle to obtain as a practical matter the exclusive rights that it knew it lacked as a matter of law and fact.

I. Sufficient Evidence Supports a Triable Issue as to Rock River’s Economic Expectancy in the Three Remixes.

The district court’s judgment applies the wrong legal standard. *First*, Rock River’s economic expectancies are lawful and protectable from interference. Rock River’s business relationships and economic expectancies do not fail as a matter of

law merely because of an untested challenge to the underlying intellectual property rights of its licensor—especially under the circumstances here, where it is not clear whether any of the competing nonexclusive claimants could establish exclusive rights in the recordings sufficient to support a lawsuit. An agreement that involves intellectual property over which there may be such an untested dispute does not fall within the exception for contracts that are illegal, against public policy, or adjudicated to be void. *Second*, there is sufficient evidence to support a jury inference that Perry had validly licensed the Three Tracks to San Juan. *Third*, any issues with San Juan’s rights to Three Tracks at most raise issues as to the extent of Rock River’s recoverable damages.

A. Rock River’s Expectancy Is Not Categorically Excluded from Protection under California Intentional Interference Law.

Rock River’s evidence that it had contracts to distribute the Remixes, as well as ongoing relationships and negotiations with several additional companies, easily established “an economic relationship between the plaintiff and some third party, with the probability of future economic benefit to the plaintiff.” *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1153 (2003) (citation omitted). *See* Rock River’s Opening Brief (“RB”) 1-2, 9-10. The Court should reject UMG’s efforts to leverage a supposed flaw in the long-exercised rights of Rock River’s licensor, San Juan, in order to escape the risk that a jury would hold it liable for interfering with Rock River’s relationships.

In fact, UMG's argument actually is one step removed from *Rock River's* own contracts and expectancies (which UMG does not contest) and UMG's interference (which UMG admits) and instead looks only at *San Juan* (the underlying source of Rock River's written, warrantied, and license agreements) and forces Rock River to step into San Juan's shoes and prove conclusively the validity of the 30-year licensing history between San Juan and Lee Perry.

1. Rock River's Expectancies In Contractual and Prospective Relations Were Lawful and Well-Founded

Rock River relied on a web of licenses and copyrights: (1) Like UMG and dozens of others, Rock River had a nonexclusive license from San Juan to use all the Recordings (ER0141-ER0148)¹; (2) Rock River had a fully executed license with Marley's publishing company authorizing Rock River's use of all the musical compositions (ER0150-ER0153); (3) Rock River's license agreement with San Juan contained representations and warranties with respect to the rights for all the Recordings (ER0142 ¶ 4; ER0146 ¶ 4); and (4) Rock River owns copyrights in all of Rock River's Remixes as evidenced by certificates issued by the United States Library of Congress (ER0116-ER0139). The economic relationship at the heart of Rock River's tort claim is *not* the underlying relationship between *San Juan and Perry* with respect to Three Tracks, but the relationships between Rock River and

¹ "ER" refers to Rock River's Excerpts of Record filed May 22, 2012.

its actual and potential customers. It is undisputed that UMG interfered with Rock River's business relationships with iTunes, Quango, EMI, Relativity Media, and Fontana. UB 9-10. These are lawful and legitimate business relationships.

The representations and warranties from San Juan in written license agreements with Rock River (ER0142 ¶ 4; ER0146 ¶ 4) and with UMG (ER0510 ¶ 2; ER0511 ¶ 9) show that Rock River's expectancy was lawful and legitimate except in the face of an infringement action or adjudication. Moreover, Rock River owns the copyrights in all of its newly created Remixes, for which Rock River commissioned various remix artists and producers to produce contemporary Remixes that incorporate early Marley recordings. Federal copyright law governs Rock River's Remixes—which are distinct, newly created sound recordings featuring contemporary DJ and remix artists and which were “fixed in phonographs” in 2006.

Rock River's copyright certificates raise a statutory presumption of validity and present additional corroborating evidence supporting Rock River's expectancy. In the context of the complete evidentiary record, the presumption raises a question of fact suitable for a jury to consider and weigh.² UMG's derivative work

² *Syigma Photo News, Inc. v. High Soc'y Magazine, Inc.*, 596 F. Supp. 28, 30 (S.D.N.Y. 1984) (summary judgment denied because “burden is on defendants to overcome the presumption of validity”); *Urantia Found. v. Burton*, 210 U.S.P.Q. 217, 219 (W.D. Mich. 1980) (“The plaintiff should not ordinarily be forced in the

argument does not defeat the statutory presumption as a matter of law because Rock River is not claiming copyright *ownership* of the pre-existing material but operates under written licenses to use the musical compositions and sound recordings. UMG's efforts to rebut the presumption with "some evidence" only create a disputed fact for a jury.

UMG tries to import inapplicable legal principles to undermine Rock River's rights. Thus, UMG notes that, according to a leading treatise, "an assignee or licensee that obtains its interest *under an already registered copyright* enjoys no presumption of title since some facts relevant to its title will not appear in the certificate. An assignee or licensee in this position consequently bears the burden of proof on title." 3 Paul Goldstein, *Goldstein on Copyright* § 16.3.1.1, at 16:13 (3d ed. 2011) (emphasis added). But Rock River is not "in this position." That section addresses transfer of *title* for copyrighted material, but Rock River is not claiming "title" to the underlying Recordings—only to the new Remixes that Rock River created. No "already registered copyright" exists for the underlying Recordings because the underlying 1969-1972 Recordings are not governed by the Copyright Act. But even if this burden applied, it "is not particularly onerous," and Rock River carried it by introducing testimony "from a responsible officer of the licensee or assignee attesting that an effective transfer had been made." *Id.*

first instance to prove all of the multitude of facts that underline the validity of the copyright . . .").

2. **Rock River's Expectancies Do Not Fall Within Any Exception To Protection Against Intentional Interference.**

UMG tries to insert limits on the tort of intentional interference with contract and prospective economic advantage that just aren't there. The interference-with-contract tort protects an expectancy in the performance of a "valid contract." *Pac. Gas & Elec. Co. v. Bear Stearns & Co.*, 50 Cal. 3d 1118, 1126 (1990). The prospective advantage tort "protects the same interest in stable economic relationships" as the interference with contract tort but "does not require proof of a legally binding contract." *Id.* "The chief practical distinction" between the two torts "is that a broader range of privilege to interfere is recognized when the relationship or economic advantage interfered with is only prospective." *Id.*

As the California Supreme Court has explained: "The actionable wrong lies in the inducement to break the contract or to sever the relationship, *not* in the kind of contract or relationship so disrupted, whether it is written or oral, enforceable or not enforceable." *Id.* at 1127 (emphasis added) (citation omitted). The touchstone is whether the plaintiff can prove that it was "reasonably probable that the prospective economic advantage would have been realized but for defendant's interference." *Westside Center Assocs. v. Safeway Stores*, 42 Cal. App. 4th 507, 522 (1996) (quoting *Youst v. Longo*, 43 Cal. 3d 64, 71 (1987)).

Rock River submitted ample evidence that it was reasonably probable that its expectancy would have been realized notwithstanding any uncertainty over the

nature of *San Juan*'s rights to the Three Tracks. And Rock River's expectancy was reasonably probable to bear fruit regardless of the informality of the original license to San Juan. Other putative rightsholders claimed rights similar to San Juan's (e.g., SER0182-SER0183),³ but there were no lawsuits and the various claimants licensed the same tracks without incident or interference for many years. In the San Juan/Rock River license agreements, San Juan expressly warranted that San Juan had the right to license *all 12* Recordings and in fact indemnified Rock River. ER0142 ¶ 4; ER0146 ¶ 4. When Rock River obtained written licenses from San Juan to use *all 12* Recordings for its Remixes, there was no distinction between the 12 Recordings (no Nine versus Three Tracks). The titles of 48 Marley Recordings were then—and are still—listed publicly on San Juan's website (www.sanjuanmusic.com/bob-marley.html). San Juan's website states: "San Juan Music has been representing the Lee Perry-produced Bob Marley recordings since 1981 and these recordings are available for worldwide licensing." ER0590-ER0591.

As San Juan had been openly and nonexclusively licensing all the Recordings since 1981 to various record companies, to Rock River, and *even to UMG*, Rock River (and the entire market) had no reason to question any one, two, or three songs as being any different from any others on this list. ER0176-ER0180

³ "SER" refers to UMG's Supplemental Excerpts of Record filed July 23, 2012.

¶¶ 9-25. Rock River had in the past licensed many of these same songs for use on Rock River CDs in partnership with labels like BMG and Sony, and had no problems nor any inquiries or objections from UMG or anyone else. ER0179-ER0180 ¶¶ 24-27. When Rock River licensed the Recordings, Rock River followed standard music licensing protocol, custom, and practice in the industry, which does not include asking a well-known, long-standing licensor to show the entire chain of title. *See, e.g.*, ER0177-ER0180 ¶¶ 14-16, 22-27.

UMG cites *no* precedent that precludes tort recovery for interference with an expectancy when the tortfeasor simply attacks a third party's underlying rights conveyed to the plaintiff when those rights have not been adjudicated to be invalid. UMG's attack on the underlying license from Perry to San Juan—a license under which San Juan has been openly performing for years to Perry's benefit—resembles the type of statute of frauds issue that does not bar an intentional interference claim.

UMG cobbles together cases denying tort recoveries for interference with contracts that are unlawful, fraudulent, or against public policy into a general rule that would exclude recovery whenever there is some dispute in the chain of title underlying the subject matter of facially lawful and nonfraudulent contracts and business expectancies. The cases do not go so far, and California policy weighs in

the opposite direction. Rock River's expectancy is protectable because its own conduct is not tainted by fraud or illegality.

UMG can draw no support from authorities that deny protection from interference with an interest that *already had been declared invalid* in court. UMG studiously avoided testing its infringement claim in court, and no one (let alone the licensor, Perry) has challenged San Juan's licenses in its 30 years of sublicensing Marley Recordings. Thus, UMG's position is no stronger in light of the dictum in *A-Mark Coin Co. v. General Mills, Inc.*, 148 Cal. App. 3d 312 (1983), noting that it was "unlikely that ... a protectable expectancy of future economic benefit" could rest on a "relationship that was dependent for its existence upon an *order that was declared void ab initio* by the Nevada probate court." *Id.* at 323 (emphasis added).⁴

UMG's principal non-California authorities (UB 21-22) miss the mark for similar reasons, as they also turn on prior adjudications that the interfered-with rights were invalid. Thus, in denying an injunction against "[i]nterference with relations under an invalid contract provision," *Societe Comptoir de L'Industrie Cotonniere v. Alexander's Department Stores, Inc.*, 190 F. Supp. 594, 602

⁴ Still further afield are the cited trial court decisions addressing a plaintiff's unclean hands based on misrepresentation and omissions (*Cisterra Partners, LLC v. Irvine Co.*, GIC783959, 2003 WL 25545539 (Cal. Super. Ct. Mar. 28, 2003)), or failure to prove that the defendant know that he was interfering with the plaintiff's client relationships, *Steinberg Moorad & Dunn, Inc. v. Dunn*, No. 01-07009, 2002 WL 31968234, at *24 (C.D. Cal. Dec. 26, 2002).

(S.D.N.Y. 1961), the Southern District of New York relied on an adjudication that the expectancy was judicially declared *void as illegal* under the Sherman Act and *Fashion Originators' Guild of America v. Federal Trade Commission*, 312 U.S. 457 (1941). As a result, the “defendant had an indubitable right to copy plaintiff’s models and sell the copies.” *Societe*, 190 F. Supp. at 602. No contract provision could bestow “an exclusive right” that the plaintiff did not have and could not confer on another as a matter of law. *Id.* at 603. But no court has held that San Juan lacks the right to license the Three Tracks as it has been doing for decades.

Likewise, the plaintiff in *LBI Investments, Inc. v. Lexington Int'l*, No. 05-74387, 2007 WL 1013011 (E.D. Mich. Mar. 30, 2007), had been enjoined from infringing a patent covering the product at issue. In light of that adjudication, the plaintiff could not “have a ‘valid business expectancy’ in the illegal sale of products that *have been held* to infringe Defendants’ patent.” *Id.* at *5 (emphasis added).⁵ Yet neither Rock River nor its licensor San Juan has been adjudicated to lack rights in the Three Tracks, much less before UMG interfered with Rock River’s expectancy.

⁵ UMG’s other out-of-state authorities are similarly inapt. See *Hess v. Kanoski & Assocs.*, No. 09-3334, 2011 WL 924843, at *9 (C.D. Ill. Mar. 11, 2011) (“the liens were all adjudicated and found to be invalid”); *Higgins v. Med. Coll. of Hampton Roads*, 849 F. Supp. 1113, 1119 (E.D. Va. 1994) (plaintiffs’ breach of their duty of loyalty precluded a showing of *injury* to satisfy test for *standing*).

Indeed, UMG’s lead California authority on intentional interference—from the superior court appellate division rather than an appellate court—itsself reaffirms California’s established policy affording “broad protection against such interference,” and draws

a distinction between those contractual or business relationships unenforceable because of the *statute of frauds*, *formal defects*, *lack of consideration or uncertainty*, and those which are invalid because they are *illegal or against public policy*.

Renaissance Realty, Inc. v. Soriano, 120 Cal. App. 3d Supp. 13, 17-18 (1981)

(emphasis added). Reflecting that distinction, the *Renaissance* court held only that “a *fraudulently* procured contract cannot be the subject of the tort of interference with a business or contractual relationship.” *Id.* at 18 (emphasis added). But there is nothing resembling evidence of fraudulent procurement here, only an evidentiary challenge to the rights of Rock River’s licensor for 3 of the 12 tracks.

In the district court, UMG succeeded in avoiding its affirmative burden to prove an infringement claim and in shifting what is properly UMG’s affirmative defense into an element of Rock River’s burden: that Rock River’s expectancy rested on contracts (*i.e.*, the licenses from San Juan) that were fraudulent or against public policy. UMG’s effort to erode some aspect of the written Rock River/San Juan license at most is relevant to the extent of damages, not the existence of liability.

UMG's attack on San Juan's oral or implied-from-conduct license establishing San Juan's grant of rights from Perry is more closely aligned with and analogous to a *statute of frauds* issue addressing the formal sufficiency of a contract that the parties have recognized and performed. Although a writing is not required for a nonexclusive license like the one from Perry to San Juan, when a writing *is* required under copyright law, the leading treatise recognizes that the issues "resembles [a] state statute of frauds." 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 10.03[A][2], at 10-42 (2005); *see also Pamfiloff v. Giant Records, Inc.*, 794 F. Supp. 933, 936, 938-39 (N.D. Cal. 1992); *Friedman v. Stacey Data Processing Servs., Inc.*, 17 U.S.P.Q.2d 1858 (N.D. Ill. 1990).

Rock River's business and contractual relationships easily fall with the broad scope of a protectable expectancy under California law. Nothing about the interfered-with relationships (with Apple, Relativity, Quango, Fontana, EMI) was illegal, fraudulent, or against public policy. And regardless of any possible flaw in the licenses for 3 tracks that San Juan had exploited for decades, UMG has made no showing that such a flaw would have impeded Rock River's ability to realize its economic expectancy had UMG not interfered. And the triable question whether UMG even had any objective basis to assert exclusive rights over the tracks at issue (*see pp. 37-46, infra*) underscores the uncertainty surrounding rights over these early Jamaican recordings generally, where licensing was often informal and

business relations often fluid. Because for so many years others had used the Three Tracks under licenses from San Juan, without legal challenge from other claimants to rights in the tracks, Rock River established a triable issue as to whether it was “reasonably probable that the prospective economic advantage would have been realized but for [UMG’s] interference.” *Westside*, 42 Cal. App. 4th at 522 (quoting *Youst*, 43 Cal. 3d at 71). That was all Rock River had to do. The legal underpinnings of the district court’s contrary ruling were therefore invalid.

B. As to the Three Tracks, Rock River Raised a Triable Issue as to Whether Its Indisputably Valid License from San Juan Traced Back to a Valid Oral License from Perry or a License Implied from Conduct.

Even if Rock River did have to prove *San Juan*’s rights as an element of its claim—rather than merely defend against arguments that infringement issues would have limited its profits or forced it to share income with another rightsholder—Rock River established a triable issue of fact as to those rights. UMG claims that Rock River had “no evidence—none—that it had the lawful right to release an album that included the Three Tracks.” UB 2. That is not so.

UMG assumes that no evidence counts other than direct testimony as to the conversation effecting an oral grant of a copyright license. That contention disregards settled Circuit authority that “a nonexclusive license may be granted orally or by implication.” *Foad Consulting Group, Inc. v. Musil Govan Azzalino*,

270 F.3d 821, 826 (9th Cir. 2001); *see also Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 558 (9th Cir. 1990); *PMC, Inc. v. Saban Entm't, Inc.*, 45 Cal. App. 4th 579, 593 (1996). Moreover, an oral nonexclusive license may be proved by evidence “such as testimony, course of conduct, and custom and practice.” *Foad*, 270 F.3d at 826. Thus, if evidence of an oral license “is lacking to prove the contract’s existence, it may be inferred from the conduct of the parties.” *Michaels v. Internet Entm’t Group, Inc.*, 5 F. Supp. 2d 823, 831 (C.D. Cal. 1998). Delivery is “one factor that may be relied upon in determining that an implied license has been granted.” *Effects*, 908 F.2d at 559. In such circumstances, “[w]hen the totality of the parties’ conduct indicates an intent to grant such permission, the result is a nonexclusive license.” 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 10.03[A][7], at 10-50 (2005), *quoted in Foad*, 270 F.3d at 826 n.9; *id.* at 837 (Kozinski, J., concurring).

The district court essentially agreed with UMG that an oral license could not be proved in the absence of admissible testimony as to what was said when the license was granted. Yet UMG’s position—and the legal rule necessary to support affirmance—would preclude proof of any oral contract by circumstantial evidence. UMG essentially contends that each piece of evidence, viewed in isolation, is not independently sufficient to support a finding that *San Juan* had a license in the Three Tracks, and therefore Rock River lacks a lawful expectation in the

performance of its contracts. But an oral license, like any other oral contract, may be proved by circumstantial evidence even when the persons who entered into the agreement are deceased or otherwise unavailable. And Rock River presented ample evidence from which a jury reasonably could conclude that San Juan had a nonexclusive license to use the Three Tracks, whether orally or implied from conduct.

1. Chernow’s Testimony Confirms San Juan’s Right to License the Three Tracks to Rock River.

The non-excluded portions of Chernow’s testimony support Rock River’s expectancy and confirm San Juan’s nonexclusive right to license the Three Tracks, and a jury should be allowed to consider and weigh this corroborating evidence with the complete factual record. Chernow testified about San Juan’s 30-year course of conduct licensing these Recordings. He explained how San Juan came to license the Recordings at issue: Perry “mailed us or sent us tracks and told us to go license them, that he owned them and said license them.” ER0374:5-11. Chernow also testified that, as a result, San Juan has “licensed these recordings for approximately 30 years.” ER0380:9-10. Referring to a list of tracks (including the Three Tracks) posted on San Juan’s website, Chernow also testified that “we have the right to license all of the tracks on the list from Mr. Perry.” ER0376:5-18; *see also* ER0373:3-9; ER0388.

While UMG seeks to impugn Chernow's credibility, credibility is a factual consideration for the jury, not the court on summary judgment. If a jury *could* believe Chernow's testimony about San Juan's business practices—and it could—a court at the summary judgment stage must assume that the jury *would* believe that testimony.

UMG raises a red herring when it seeks to undercut Chernow's testimony by noting that he also testified that Perry's *written* agreements gave San Juan *exclusive* rights.

First, the written Perry/San Juan license agreements that cover the other Nine Recordings are not at issue on appeal. UMG has challenged San Juan's rights only to the Three Recordings for which no written Perry/San Juan agreements are in the record. San Juan did not assert a right to exclude, and Chernow's testimony about its written agreements for *other Marley Recordings* does not affect the sufficiency of the evidence to support a conclusion that San Juan has a *nonexclusive* right to the Three Recordings as the result of an oral license or a license implied from conduct. Neither logic nor any cited authority suggests that San Juan's nonexclusive right to the Three Tracks would be defeated as a matter of law if San Juan's written *exclusive* agreements covering *other* Marley Recordings actually conferred only *nonexclusive* rights to those *other* Recordings. Under established law, where an attempted transfer of copyright fails, a nonexclusive

license nevertheless may be implied from the parties' conduct. *See, e.g., Effects*, 908 F.2d at 558-59; *Pamfiloff*, 794 F. Supp. at 939.

Second, UMG misleadingly cites Chernow's testimony about whether he "believed" that Trojan had competing rights. SER00182 at 125:5-9. Chernow answered: "Neither party could have exclusive rights to it if they were using them, but whether I believed it or not was another question." SER00182 at 125:19-21. Chernow added that he was aware that Trojan claimed competing rights, that Trojan and San Juan had "several meetings about the Marley recordings and their dealings with Lee Perry with respect to the Marley recordings" and agreed to a "peaceful coexistence with respect to the masters." SER00183 at 126:5-15; 127:20-23. Chernow's actual testimony acknowledging a "peaceful coexistence" with Trojan is inconsistent with UMG's argument that San Juan claimed exclusivity over the Three Tracks.

2. Perry's Affidavits and Conduct Provide Evidence of San Juan's Right to License the Three Tracks to Rock River.

UMG claims that "Rock River fails to identify any conduct *by Perry* that would suggest he intended to grants any rights in the Three Tracks to San Juan, if he even had such rights." UB 38. Yet Chernow testified that Perry delivered the recordings for San Juan to license: "He mailed us or sent us tracks and told us to go license them, that he owned them and said license them." ER0374:5-11.

In addition to Perry's cited testimony (RB 30-31; ER0411 ¶ 13; ER0414 ¶¶ 20-24), Perry also testified that Trojan's rights, which UMG occasionally relies on as an "alternate" source of non-exclusive rights, terminated for failure to pay. ER0747-ER0748 ¶¶ 5, 7, 10. The purported 1999 Perry/Trojan "agreement" produced by UMG in this case, and on which UMG relies (UB 7), was never authenticated by any witness, is not fully executed, and is not signed by Trojan (ER0501 ¶ 22; SER00492). Moreover, Chernow testified that he never received the attached letter that was to be sent to him. ER0385:10-25; SER00486.⁶

In trying to overcome the evidence that San Juan licensed the Three Tracks without protest and that Perry impliedly accepted, UMG effectively admits that this case should go to trial. UMG claims that "a different *inference* is *far more plausible* from the evidence, namely, that Perry did not sue San Juan for distributing the Three Tracks because Perry never thought he had had any rights in the Three Tracks." UB 39 (emphasis added). In saying that, however, UMG admits that question is one for a jury, which alone can draw "inference[s]" from evidence and alone can determine which of two competing set of inferences is "more plausible."

Similarly, UMG suggests that the existence of written license agreements with San Juan for other Marley Recordings supports an inference that the Three

⁶ This same evidence also undermines UMG's claim of exclusivity from JAD and shows UMG's knowledge of competing rights. *See infra* at 38-43.

Tracks should also be covered by written licenses rather than oral or implied ones. Again, Perry's failure to protest San Juan's licensing of those Three Tracks also supports a different inference supporting a nonexclusive license implied from conduct: delivery of the tracks plus acquiescence in San Juan's open relicensing of them.⁷

3. San Juan's 30-Year Continuing Course of Conduct Supports an Inference of a License Implied from Conduct.

UMG mischaracterizes the evidence of the course of performance by Perry and San Juan as a theory of adverse possession of copyright. This is not what Rock River contends. Neither Rock River nor San Juan claims *ownership* of the Recordings; they claim only a *nonexclusive license* to use those Recordings. An oral or implied license proved by circumstantial evidence is not license by adverse possession, and the evidence supports a conclusion that San Juan operated under an oral or implied license for decades.⁸ That Perry never objected provides evidence of that understanding.

⁷ See, e.g., *Foad*, 270 F.3d at 821; *Effects*, 908 F.2d at 559.

⁸ In trying to submerge the evidence supporting an inference of an oral license, a license implied from conduct, or both, UMG invokes inapplicable legal doctrine. The unpublished decision on patent law (UB 28-29) is particularly unconvincing since patent title must be transferred in writing. *Pictures Patents, LLC v. Terra Holdings LLC*, 07-5465, 07-5567, 2008 WL 5099947, at *3 & n.1 (S.D.N.Y. Dec. 3, 2008) (“unless and until adverse possession of a patent is found sufficient to confer *title*, any defects that may confront a claim of *ownership* . . .”) (emphasis added); see 35 U.S.C. § 261.

San Juan's conduct provides further evidence corroborating the existence of a license from Perry. The titles of 48 Marley Recordings are listed publicly on San Juan's website (www.sanjuanmusic.com/bob-marley.html). San Juan's website states: "San Juan Music has been representing the Lee Perry-produced Bob Marley recordings since 1981 and these recordings are available for worldwide licensing." ER0590-ER0591. San Juan not only licenses the Recordings but in its agreements provides representations and warranties that its rights are valid—risking contractual liability to its licensees if its rights in the Marley recordings prove inadequate or non-existent. But San Juan's confidence is well-founded. Over the span of San Juan's 30-year history of licensing the Recordings, neither UMG nor anyone else has ever sued San Juan or obtained an injunction or declaratory judgment preventing San Juan from licensing any of those 48 separate Recordings, including the Three Tracks. UMG dismisses this evidence with the baseless and gratuitous statement that "San Juan has a long history of licensing music for which it has no valid rights, including Marley" (UB 9). But UMG offers no record support for that assertion, and it is contradicted by San Juan's 30-year income-producing performance, which included licensing to and collecting royalties from UMG.

4. UMG's Own Conduct Supports an Inference that San Juan Has a License Implied from Conduct.

UMG's own inaction in the face of knowledge of San Juan's "competing" interest is compounded by the undisputed fact that UMG acted on its understanding that San Juan had the right to grant a nonexclusive license to UMG itself. UMG licensed Marley Recordings (including one of the Three Tracks, *Trenchtown Rock*) from San Juan, released albums identifying San Juan as the licensor of those Recordings, and continued to account to San Juan after UMG executed the JAD license and after UMG acquired Sanctuary (another "competing" interest).⁹ UMG's own conduct—licensing from and accounting to San Juan for *Trenchtown Rock*—is inconsistent with its legal arguments and provides corroborating evidence of San Juan's right to license.¹⁰

⁹ Cf. *Keane Dealer Servs., Inc. v. Harts*, 968 F. Supp. 944, 947 (S.D.N.Y. 1997); *Viacom Int'l Inc. v. Fanzine Int'l Inc.*, No. 98-7448, 2000 WL 1854903, at *5 (S.D.N.Y. July 12, 2000) (failure to object to reproduction of copyrighted works coupled with knowledge of copying may provide basis for implying a nonexclusive license).

¹⁰ When UMG and Rock River attempted to amicably resolve this dispute, UMG did not agree to the same material terms as Rock River's license with San Juan; rather UMG unilaterally demanded ownership of Rock River's Remixes—a different, significantly worse deal for Rock River and a one-sided arrangement beneficial only to UMG. RSER093 at 174:9-14; RSER091 at 166:14-20. And it was only in the final days before trial that UMG belatedly framed this factual dispute regarding San Juan's underlying right to license *three* Recordings to Rock River as a case-dispositive issue.

5. Chernow’s Testimony about the Source of San Juan’s Nonexclusive Right to License the Three Tracks Was Erroneously Excluded Because It Is Admissible as a Legal Act and Because It Bolsters the Course of Performance by Showing the State of Mind of the Contracting Party, San Juan.

The evidence outlined above is sufficient to support a jury finding that San Juan had a *nonexclusive right* to license the Three Recordings to Rock River. But Chernow’s testimony about the agreement should have been admitted as well because it provides evidence of San Juan’s basis for acting as it did.

Chernow testified that his father (then San Juan’s president) told Chernow that Perry had granted rights to San Juan through an oral license agreement. The district court excluded this account on the grounds that the evidence was “irrelevant to the extent plaintiffs would offer it to show Michael Chernow’s state of mind.” ER0005:22-23; *see also* ER0028.

This was error. Chernow’s account was admissible to buttress the evidence of a license implied from conduct as well as to corroborate the existence and scope of the oral license and to show the state of mind of San Juan (through its president) in continuing to license the Three Tracks openly and without incident. The oral agreement does not lose its validity after the death of the contracting individual because that individual (San Juan’s former president) passed on information about the agreement directly to his successor as San Juan’s president, Chernow.

“Because the implied license is derived from the relationship of the parties—which may well extend beyond the contract—it is entirely appropriate to look at any words or conduct that bear on whether a copyright license should be implied.” *Foad*, 270 F.3d at 834 (Kozinski, J., concurring). Chernow’s testimony is admissible to show the basis for San Juan’s continuing conduct in openly and publicly licensing the Three Tracks. On the basis of this agreement, San Juan conducted its business by actually licensing the Three Tracks to many parties (including UMG and Polygram, now owned by UMG)—parties which fully performed the agreements and released albums in accordance with the terms of those licenses, exchanging money and accounting to San Juan—over a 30-year span.

Chernow’s testimony regarding the oral agreement between his father and Perry is also admissible as a legal act (Fed. R. Evid. 801(a)); under the unavailability exception (Fed. R. Evid. 804); or under the residual hearsay exception (Fed. R. Evid. 807). The “circumstantial guarantees of trustworthiness” are the sustained practice of San Juan, its competitors, and others who licensed the Three Tracks from San Juan, including UMG and Polygram (now owned by

UMG), all of which point to those parties' recognition of the valid license whose genesis was explained in the improperly excluded testimony.¹¹

Accordingly, the district court abused its discretion in excluding Chernow's testimony as evidence supporting San Juan's nonexclusive right to license the Three Tracks. The exclusion was obviously prejudicial: had that single statement remained in the case, the district court had already concluded that triable issues would preclude a grant of summary judgment.

C. The Effect of Any Failure to Prove San Juan's Rights Should Be Limited to a Reduction in Recoverable Damages.

Even if the Court (or a jury) were to conclude that Rock River needed to, but did not, prove its chain of title to the Three Tracks through San Juan, in the circumstances of this case the effects of any such failure should be limited to a reduction in recoverable damages. Even in infringement actions brought against the creator of a derivative work by the holder of the rights to the underlying work, a court in some circumstances should decline an injunction and instead "apportion profits" from the derivative work between the two rightsholders according to their relative contributions to the commercial success of the derivative work. *See Abend v. MCA Inc.*, 863 F.2d 1465, 1480 (2d Cir. 1988). In such circumstances, the

¹¹ *See Escriba v. Foster Poultry Farms*, 793 F. Supp. 2d 1147, 1157 (E.D. Cal. 2011); *Lisker v. City of Los Angeles*, 09-09374, 2012 WL 3588560, at *3 (C.D. Cal. Aug. 20, 2012) (testimony regarding what was read in records admissible because reliability may be called into question by cross-examination).

owner of the underlying work receives “only the profits attributable to the infringement.” *Id.*; see also *Frank Music Corp. v. Metro Goldwyn Mayer, Inc.*, 886 F.2d 1545 (9th Cir. 1989).

If the Court (or a jury) finds that Rock River’s expectancy is diminished because of the uncertain rights in the Three Tracks, this case is appropriate for similar treatment. UMG’s theory is that Rock River has no legitimate expectancy because a holder of exclusive rights might sue to enjoin the Roots, Rock, Remixed album as a whole, or any use of the Three Tracks. But *UMG* certainly won’t sue; it prefers to use self-help remedies rather than test its rights, which likely are insufficient to maintain an infringement action because they are not exclusive. Only the copyright owner or the assignee or transferee of exclusive rights can enforce a common-law copyright. See *Urantia Found. v. Maahera*, 114 F.3d 955, 959-60 (9th Cir. 1997); *cf.* 17 U.S.C. § 501(b) (only the “owner of an exclusive right” may sue for copyright infringement).¹²

Even assuming that such a person exists and (contrary to 30 years’ experience) would have stepped in to seek a share of Rock River’s profits, a conclusion that Rock River could not prove the chain of title for its nonexclusive license of the Three Tracks at most should lead to a proportionate reduction in

¹² Earlier standing requirements were even more onerous. See *Nafali v. Carter*, 540 F. Supp. 2d 1128, 1135-37 (C.D. Cal. 2007), *aff’d*, 388 Fed. App’x 721 (9th Cir. 2010).

damages payable by UMG for its interference. Because UMG would not and cannot profit directly from any such hypothetical (and highly speculative) infringement action, the remote possibility that any question as to Rock River's rights would have limited its profits should not preclude liability for UMG's interference.

Not only is any income from the nine unchallenged remixes unaffected by San Juan's title to the three tracks, but damages based on full-album sales also could be recovered; the infringing portion of the three Remixes at issue is a very small percentage of the album as a whole. Even as to those three Remixes, Rock River's registered copyrights in its original contributions are at least as solid and secure as any exclusive rights in the underlying tracks.

In an effort to forestall this possibility, UMG points to Rock River President Jeff Daniel's testimony as evidence of a *legal conclusion* that Rock River could not market any of the 12 Remixes if it had secured rights in only 9 tracks. First, UMG mischaracterized Mr. Daniel's deposition testimony. Mr. Daniel's complete response to Mr. Pomerantz's loaded question of whether Mr. Daniel "understand[s] that *if* you put out an album with 12 tracks where you only have rights to nine of those tracks, that you can't put out that album" was: "*In your hypothetical scenario, that's correct.*" SER00055; SER00081 (emphasis added). Mr. Daniel's response reinforces Rock River's position that Rock River did not and would not

release Remixes that incorporated infringing material. In any event, Mr. Daniel's testimony is irrelevant on this issue as the improper inquiry seeks a legal conclusion. Under the law as it does apply, the appropriate response to any failure in title to the three tracks is to limit the damages recoverable for the three Remixes and the album containing them—*not* to allow UMG to escape scot-free.

D. At a Minimum, Rock River Should Be Permitted to Press Its Claims as to the Nine Remixes as to Which Its Lawful Expectancy Is Undisputed.

UMG does not dispute that Rock River had a lawful expectancy in the Nine Remixes. Yet UMG's cease-and-desist letters did not simply assert that *three* of Rock River's Remixes infringed UMG's exclusive rights to the Recordings; UMG claimed it held exclusive rights to *all 12* of the underlying Recordings incorporated in Rock River's Remixes. *See, e.g.*, ER621.

The scope of summary judgment should not exceed the scope of the undisputed facts. UMG advances no sound reason why Rock River is not entitled to try its case as to UMG's interference with those Nine Remixes. Ample record evidence pertains directly to Rock River's expected revenue streams for individual Remixes (for example, through individual downloads and licensing opportunities

in television, film, and advertising), and to the commercial realities that make these revenue streams viable and lucrative.¹³

1. This Court May Address Whether Rock River May Press Its Claim as Limited to the Nine Tracks Because the District Court Addressed and Resolved the Argument on the Merits.

UMG claims that Rock River waived arguments raised for the first time in its motion for reconsideration, and waived the issues again by not appealing the district court’s dismissal of the motion on procedural grounds as well as on the substantive grounds revisited here. This Court has held, to the contrary, that a “workable standard” for assessing preservation “is that the argument must be raised sufficiently for the trial court to rule on it.” *Whittaker Corp. v. Execuair Corp.*, 953 F.2d 510, 515 (9th Cir. 1992) (citation omitted). Like the appellant in *Whittaker*, “[b]y filing a motion for reconsideration, [Rock River] gave the district court a ‘clear opportunity to review the validity of its order.’” *Id.* As a result, “these issues are not raised here for the first time,” and this Court can and should “proceed to consider the merits.” *Id.*

¹³ UMG argues that Rock River should be precluded from bringing its claim because Rock River attempted to mitigate its damages after UMG’s interference. *See* UB 10, 47. The district court rejected that contention, denying summary judgment on this ground, and concluding that a reasonable jury could find damages. *See* ER0111:5-7. Rock River’s subsequent re-release (after significant delay) through Koch, a small independent label without major label distribution, undermines UMG’s claim to a right to exclude.

In addition, Rock River timely raised every argument when it became relevant.¹⁴ UMG's December 21, 2010 motion for summary judgment did not assert that Rock River failed as a matter of law to prove its expectancy, even though the same evidence was available. The eleventh-hour pre-trial setting and compressed schedule that resulted in dismissal of the entire case is extraordinary, and Rock River was justified in moving for reconsideration in order to raise these issues.

Most important, the district court *did* address Rock River's substantive arguments in deciding the motion for reconsideration. That itself is sufficient to preserve the issue for review: "There is no waiver if the issue was raised, the party took a position, and the district court ruled on it." *Western Watersheds Project v. U.S. Dep't of the Interior*, 677 F.3d 922, 925 (9th Cir. 2012).¹⁵

¹⁴ Rock River did not seek to extend the pre-trial summary judgment briefing schedule (UMG filed June 15, Rock River opposed June 20, and UMG replied June 23) or request additional pages for two reasons. First, the parties had already filed comprehensive summary judgment motions in which the district court had reviewed the disputed facts. Second, Rock River did not want to jeopardize its June 21, 2011 trial that had already been continued numerous times because its counsel, witnesses, and experts were prepared to finally try the case after 3½ years of litigation.

¹⁵ Moreover, this Court has discretion to consider arguments that were not even presented to the district court. Courts exercise discretion to reach waived issues "when the issue presented is purely one of law and either does not depend on the factual record developed below, or the pertinent record has been fully developed." *In re Mercury Interactive Corp. Sec. Litig.*, 618 F.3d 988, 992 (9th Cir. 2010) (citation omitted). Here, the issue is purely one of law and the record was fully developed because trial was imminent.

2. Rock River Presented Evidence that It Could Exploit Its Expectancy in the Nine Remixes.

UMG's cease-and-desist letters did not simply assert that *three* of Rock River's Remixes infringed UMG's exclusive rights to the Recordings; UMG claimed it held exclusive rights to *all 12* of the underlying Recordings incorporated in Rock River's Remixes.

The scope of summary judgment should not exceed the scope of the undisputed facts. Rock River's individual Remixes had individual value and UMG's conduct indisputably precluded sales and licensing opportunities of the clearly lawful Remixes. Individual digital downloads and individual licensing for film, television, and advertising were always part of Rock River's damages. As Season Kent of Relativity Media, Barry Cole of Blue Mountain Publishing, and Chandani Patel of Apple made clear, UMG's unfounded threats and assertions of infringement destroyed the commercial viability of *all* of Rock River's Remixes (separately or together), depriving the individual Remixes of their individual value.¹⁶

¹⁶ After Relativity removed Rock River's Remix from the "Dear John" film and soundtrack, Season Kent wrote: "I'm just very sad that we are letting the big bad wolves at Universal win on this one :(" (ER0661). *See, e.g.*, RSER031 at 67:25-68:3 (Cole) ("[A]s a publisher, I understand that there are various revenue streams, whether they come from direct sales, downloads, licensing, so everything is taken into account."). *See also, e.g.*, ER0629, ER0633, ER0639 (Patel).

Apple received a “formal cease and desist letter from Universal” (ER0629) in which UMG claimed that all of the tracks were within the “UMG Repertoire” (ER0622) and demanded a “takedown” (ER0622) of all of Rock River’s Remixes due to an “infringement problem” (ER0624). Apple wrote that it understood that UMG “will be serving similar notices to other digital service providers.” ER0629. Apple asked UMG to “confirm for us that Universal has exclusive rights in sound recordings included *on each track*.” ER0639 (emphasis added). UMG replied: “That is correct we do have the exclusive rights.” *Id.* Apple notified Rock River that all of its Remixes were made “unavailable for download in order to avoid litigation.” ER0633.

Barry Cole testified that Rock River’s Remixes presented an “extraordinary” case for licensing opportunities and he was “excited” to work with Rock River to license the Remixes. RSER021 at 27:20-28:7.¹⁷ Blue Mountain receives requests “fairly often” for “updated versions or remixes” for film and television projects. RSER027 at 52:4-7; *see also* RSER038 at 94:22-96:16 (requests for “newly updated Marley recordings” are “common”). The “quality” of Rock River’s Remixes was such that Cole “felt comfortable” pitching Rock River’s Remixes for any of his applications, which extends to “film, television, advertising, video games, Internet use, these compilations.” RSER041 at 106:5-9. However, as Cole

¹⁷ “RSER” refers to Rock River’s Reply Excerpts of Record.

testified unequivocally: “We no longer pitch” any of the Rock River Remixes.

RSER038 at 96:6-8; *see also* RSER038 at 94:22-96:16.

Having never surfaced the Three Tracks argument until after expert discovery was completed, UMG now takes Rock River to task for not calculating its damages on an individual-track basis. The fact that Rock River’s damage study and the method of calculating damages may need to be updated does not preclude Rock River’s entitlement to recover its damages caused by UMG’s interference. To the extent the calculation of damages needs to be updated, the parties could apply for additional disclosures if any were needed to fairly try the case on that basis.

II. UMG Is Not Entitled to Summary Judgment on Its *Noerr-Pennington* Defense.

As a supposed alternate ground of affirmance, UMG revives the *Noerr-Pennington* argument that the district court repeatedly rejected. On this issue, the district court correctly recognized that triable issues of fact preclude resolution of UMG’s defense by anyone but a jury.

A. The District Court Correctly Held That Material Disputes of Fact Preclude Summary Judgment as to UMG’s Objective Reasonableness under *Noerr-Pennington*.

The *Noerr-Pennington* doctrine cannot insulate UMG unless no reasonable jury could find that UMG, in light of its own knowledge, lacked an objective basis to claim that UMG had a valid right to exclude Rock River from the use of the

tracks at issue. *Cf., e.g., Wyatt v. Cole*, 504 U.S. 158, 173-74 (1992) (Kennedy, J., concurring) (“It seems problematic to say that a defendant should be relieved of liability under some automatic rule of immunity if objective reliance upon a statute is reasonable but the defendant in fact had knowledge of its invalidity.”); *Kearney v. Foley & Lardner, LLP*, 590 F.3d 638, 646-48 (9th Cir. 2009) (sham exception applies where misrepresentations or fraud deprive litigation of legitimacy). UMG treats its own knowledge undermining its claim of exclusivity as irrelevant to the *Noerr-Pennington* analysis so long as a party *without* that knowledge might have brought a similar lawsuit. That is a plain distortion of the law. On UMG’s theory, a litigant in possession of information that indisputably rendered the lawsuit frivolous would be protected by *Noerr-Pennington* so long as a litigant *without* the same information would be protected by its ignorance of the same facts. But that principle would flatly contradict settled precedent refusing immunity to the assertion of patent rights that were fraudulently obtained. *See, e.g., Walker Process Equip., Inc. v. Food Mach. and Chem. Corp.*, 382 U.S. 172, 177 (1965) (knowingly and willfully misrepresenting facts to Patent Office sufficient to strip owner of exemption); *Handgards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1292 (9th Cir. 1984) (jury question whether defendant initiated or pursued infringement suit knowing patent was invalid).

The objective baselessness of UMG's cease and desist letters has to be judged on the underlying facts known to UMG, the party seeking *Noerr-Pennington* protection. The whole concept of objective baselessness makes no sense without reference to the universe of facts within the defendant's knowledge. This element is not subjective *motivation* (i.e., bad faith), as UMG would have it, but actual knowledge. As the district court correctly observed, "if defendant knew that the supposedly objective facts supporting his claim were fabricated or otherwise false, it would undermine the defendant's objective basis for bringing the challenged lawsuit." ER0324 n.3.

The district court rejected UMG's motions to dismiss and for summary judgment on *Noerr-Pennington*. *E.g.*, ER0304; ER0109:11-17. In denying a motion to dismiss after limited discovery, the court concluded that Rock River's heightened pleading of the following facts (based on evidence now in the record) was "sufficient to satisfy the heightened pleadings standard that applies to 'sham' cases under the *Noerr-Pennington* doctrine." ER0298. Rock River

alleged that (1) defendant continued to pay royalties to San Juan for the Recordings after acquiring an allegedly exclusive license; (2) defendant knew that Sony and UMG paid royalties to San Juan for the Recordings; (3) defendant demanded and never received evidence of a chain of title from JAD; and (4) defendant's internal documents reflect its knowledge that 'competing interests and claims that would have to be resolved before any deal for the [JAD] catalogue could be viable.'

ER0297-ER0298 (footnotes omitted).¹⁸

And in denying the last summary judgment motion that raised *Noerr-Pennington*, the district court held “that a reasonable jury might find that there was no objective basis for Universal’s claims of exclusive rights.” ER0111:4-5. The district court explained:

Perry’s conflicting statements and other significant discrepancies in the chain of title preclude the Court from finding as a matter of law that UMG’s conduct was objectively reasonable. Also, ***the fact that UMG claims an exclusive license, a non-exclusive license and knows that others claim a non-exclusive license is sufficiently in conflict to create a dispute for a jury.***

ER0109:11-17 (footnote omitted) (emphasis added). Even in the order under review, the district court observed in passing that the evidence of San Juan’s previous licensing of tracks from San Juan “raises a question of fact with respect to the objective reasonableness of defendants’ position,” but held that “defendants’ objective reasonableness is relevant only to defendant’s *Noerr-Pennington* defense.” See ER0010:14-16; see also ER0028 n.4.

On this issue, the district court properly concluded that a jury should resolve the triable issues of fact related to UMG’s defense.

¹⁸ This Court since has held that it is error to apply a heightened pleading standard over claims involving the *Noerr-Pennington* doctrine. *Empress LLC v. Patel*, 419 F.3d 1052, 1055-56 (9th Cir. 2005) (“heightened pleading standards should only be applied when required by the Federal Rules”).

1. Facts Known to UMG Support a Finding That UMG’s Threats Were Sham Because UMG Knew It Had No Right to Exclude Rock River’s Remixes from the Market.

Rock River presented substantial evidence to demonstrate that UMG’s alleged petitioning activity—which consists solely of cease and desist letters claiming exclusive rights to all the underlying Recordings that Rock River remixed—is a “mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor.” *E. R.R. Presidents Conference. v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 144 (1961). The totality of the evidence raises triable issues as to whether UMG’s claim of exclusivity to the 12 Recordings was objectively reasonable. Significantly, UMG was advised by Mr. Shukat, counsel for the Marley estate, in June 2007: “You know that you have no legal right to stop [Rock River’s] release.” ER0540. Indeed, the evidence is sufficient to show exactly that.

a. UMG’s Continued Licensing from and Accounting to San Juan After the JAD License Raises a Triable Issue as to UMG’s Objective Reasonableness in Asserting Rights to All 12 Tracks.

UMG’s own conduct provides the best evidence that UMG knew full well that it lacked exclusive rights in the tracks at issue. To begin with, UMG itself licensed some of these same Recordings (*Small Axe*, *Trenchtown Rock*) from San Juan, which UMG then included on its *20th Century Masters - The Millennium Collection* “The Best of Reggae” and “The Best of Ska” compilation releases.

ER0510-ER0518; ER0163-ER0167. This did not take place in the early, Wild West days of the Jamaican music scene. On the contrary, UMG executed licenses with San Juan as recently as 2003—during the same time period of UMG’s due diligence and negotiations with JAD for “exclusive” rights to the same Recordings. ER0510-ER0518.

UMG continued to account to San Juan until as recently as late 2008 (well after UMG purportedly obtained “exclusive” rights from JAD, after UMG sent the cease and desist letters in this case, and even after this litigation commenced). ER0520; ER0522. Indeed, UMG probably paid San Juan the most in royalties for these Recordings. *See, e.g.*, ER0381:22-ER0382:4.

Polygram (now owned by UMG) licensed from San Juan for many years (ER0597-ER0609). Island, a UMG label, initiated negotiations to license some of these same Recordings from San Juan (ER0593-ER0595). That UMG (and Polygram) entered into nonexclusive licenses with San Juan is sufficient to raise a triable issue of fact as to UMG’s knowledge of competing rights and UMG’s admission of San Juan as a valid licensor of the Recordings.

b. UMG’s Internal Documents Show that UMG Knew that UMG Did Not Have Exclusive Rights.

In 2002, UMG itself admitted that the numerous “complications” associated with obtaining rights from JAD included “competing interests and claims and that would have to be resolved before any deal for this catalogue could be viable.”

ER0524. UMG’s knowledge of competing interests—and UMG’s silence and inaction in the face of that knowledge—undermines any claim of objective reasonableness. UMG further acknowledged that the “recordings have been made widely available in various packages and repackages”; one UMG official noted that he “d[id]n’t think there is anything in there that has not been released and re-released over the years.” *Id.*; *see also* RSER114; RSER118 (“Yes, these songs have appeared on many CD comps over the years” and notifying Phil Cox of various Trojan/Sanctuary and San Juan releases).

c. JAD Did Not—Because It Could Not—Produce Evidence of Its Title Despite UMG’s Repeated Demands.

Nothing in the record shows JAD’s chain of title to exclusive rights to the Recordings produced by Perry. ER0499 ¶ 11; ER0526-ER0538. UMG knows that Perry has stated under oath that JAD has no rights to these Recordings. ER0501 ¶¶ 23-24; ER0734 ¶¶ 6-7; ER0618 ¶ 28. Yet although UMG made repeated demands for chain of title from JAD during UMG’s due diligence (ER0499 ¶ 11; ER0526-ER0538), UMG failed to produce any documents demonstrating JAD’s entitlement to ownership of these Recordings. JAD’s purported 1968 agreement with Marley does not grant ownership of the sound recordings to JAD, nor does it give JAD ownership of sound recordings JAD did not produce or pay for, and it is undisputed that JAD had no agreement with Bunny Wailer. *See, e.g.*, 17 U.S.C. §

204(a); *Pamfiloff*, 794 F. Supp. at 936 (recording agreement must explicitly state essential terms pertaining to transfer of rights to protect authors and creators against “fraudulent claims of transfer”). JAD did not possess and has never possessed exclusive rights to the Recordings at issue, and therefore, JAD did not grant exclusive rights to UMG.

Unlike Rock River, who obtained deposition testimony from the President of San Juan (the source of Rock River’s licenses), UMG offered no testimony to authenticate these agreements or to support its claim of exclusivity. Danny Sims (on behalf of JAD) did not testify to confirm his alleged 1968 agreement with Marley or his exclusive license with UMG, nor was he subject to cross-examination about JAD’s inaction in the face of competing interests and entities disputing JAD’s claim of rights.

JAD simply lacked any exclusive rights to convey to UMG. In 1992, JAD executed a license which granted to Bob Marley Foundation exclusively through 2002 “and non-exclusive thereafter” the “worldwide perpetual right” to 20½ sound recordings, including *Trenchtown Rock*, *Soul Shakedown Party*, and several other Recordings incorporated in Rock River’s Remixes. ER0499-ER0500 ¶ 16; RSER141. In 2003, when UMG obtained its license, JAD did not have exclusivity to those Recordings.

d. UMG's Acquisition of Sanctuary/Trojan *After* the JAD License Shows that UMG Knew It Had Not Acquired Exclusive Rights from JAD.

At the time that UMG began interfering with Rock River's expectancies, UMG had not yet acquired Sanctuary, so that UMG's only claimed right derived from JAD. But UMG knew that it had not acquired exclusive rights from JAD because Perry and his licensees also had rights to the relevant tracks. Indeed, even in this Court, UMG validates Perry's conflicting rights and admits that UMG's claimed exclusivity from JAD is contradicted by UMG's "alternate" claim of rights from Perry/Trojan. UB 7 ("UMG has an alternate path to valid rights through Lee Perry").

UMG's purported exclusivity from JAD is contradicted by the fact that, in late 2007 (after UMG's interference with Rock River's Remixes), UMG subsequently acquired the label Sanctuary (which owns Trojan). ER0499; RSER136. Trojan (like San Juan) has been releasing and sublicensing these same Recordings for many years based on its claim of nonexclusive rights from Perry. ER0499 ¶ 13; RSER141. In interfering with the placement of Rock River's Remix in Relativity's "Dear John" film and soundtrack, UMG relied on this "alternate" claim of competing rights from its Trojan/Sanctuary acquisition (derived from Perry, whom UMG claimed had no right to license to San Juan). It is unclear that Trojan has any relevant rights, however: in his 1994 affidavit, Perry testified that

Trojan's rights terminated due to Trojan's failure to pay. ER0747-ER0748 ¶¶ 5, 7, 10.

e. UMG Has Refused to Test Its Claim of Exclusivity in an Infringement Action, Instead Seeking the Practical Equivalent of an Injunction by Exerting Commercial Muscle Through Self-Help.

There is no evidence that JAD or UMG has ever pursued legal action to assert exclusivity. UMG's failure to present evidence that it had filed a single lawsuit asserting its supposed right to exclude against others in the industry reinforces the potential conclusion of a jury that UMG knew that its supposed rights would never survive judicial scrutiny.

On this disputed factual record, UMG is not entitled to summary judgment based on *Noerr*.

2. UMG's "Paper Trail" Is No More Conclusive than Rock River's Evidence of a Nonexclusive Right to License.

UMG contends that it "acquired rights to the underlying master recordings through a series of agreements and corporate acquisitions and had the paper trail to prove it." UB 1. UMG would have this court conclude that language in UMG's privately negotiated contracts, which UMG itself admits is facially contradicted by evidence in the record, give it the exclusive rights to the Recordings at issue. The district court was not persuaded by UMG's alleged "paper trail." The facial

exclusivity of the JAD license is insufficient if UMG knew that competing claims (including San Juan's) conflicted with JAD's purported chain of title.

UMG knew that it did not have exclusivity. UMG itself has had at least three alleged and conflicting claims of rights to the same Recordings—from three different sources: San Juan, Trojan, and JAD. UMG has offered no facts or evidence to corroborate its claim of “exclusivity” derived solely from the insertion of that term into UMG's purported license with JAD. UMG's claim boils down to knowingly inserting a phony “exclusivity” provision in a private contract and then relying on that agreed term to claim *Noerr* immunity without otherwise engaging in petitioning activity.

3. UMG's Inaction in the Face of Known Competing Interests Precluded Summary Judgment.

Laches bars a claim where two elements are met: (1) unreasonable delay and (2) prejudice to allegedly infringing party.¹⁹ Similarly, estoppel may be accomplished with “silence and inaction.”²⁰ Waiver and equitable estoppel

¹⁹ *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829 (9th Cir. 2002); *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 951 (9th Cir. 2001); *Am. Int'l Group, Inc. v. Am. Int'l Bank*, 926 F.2d 829, 835 (9th Cir. 1991).

²⁰ *Carson v. Dynegy, Inc.*, 344 F.3d 446, 453 (5th Cir. 2003); *see also Milne v. Anderson*, 576 P.2d 109, 112-13 (Alaska 1978) (implied waiver where neglect to insist upon right results in prejudice to another).

preclude UMG from now claiming its conduct was objectively reasonable when any affirmative claim by UMG would not survive judicial scrutiny.²¹

Between 2003 and 2007, 45 different labels—including Sony, BMG, and Madacy—produced at least 73 different albums featuring pre-1972 Marley Recordings, and at least 14 of the 73 albums were licensed from San Juan. Moreover, *Trenchtown Rock*, *Lively Up Yourself*, or *Soul Shakedown Party* appeared on 56 of the 73 albums, and all Three Tracks appeared on 21 of the 73 albums. Neither JAD nor UMG sued or obtained an injunction to stop any of these releases; therefore, neither Rock River nor San Juan had any basis to believe that JAD or UMG claimed exclusive rights in the pre-1972 Marley Recordings. ER0176-ER0178 ¶¶ 9-16. Rock River was lulled into a sense of false security, investing substantial time and resources into creating and commercially exploiting its Remixes. Nor did UMG ever seek to prevent Trojan/Sanctuary releases, which (like San Juan) relied on rights from Perry. ER0176-ER0177 ¶¶ 9-13; ER0169-ER0172.

After the JAD license, UMG had at least four disputes over the 1969-72 Marley Recordings, including with Rolled Gold (a San Juan licensee) and with

²¹ UMG’s right to claim exclusivity and assert *Noerr* immunity should be barred “to prevent injustice where one party has, through action or inaction, caused another to act to his detriment.” See *In re Gebhart*, 621 F.3d 1206, 1212 (9th Cir. 2010); *Am. Cas. Co. v. Baker*, 22 F.3d 880, 891 (9th Cir. 1994); *Adams v. Johns-Manville Corp.*, 876 F.2d 702, 706-07 (9th Cir. 1989).

Trojan/Sanctuary. At least four entities were distributing Marley albums and vigorously contesting UMG's right to stop them. Yet UMG never sued. ER0503 ¶ 32; ER0542-ER0574; RSER079 at 118:10-14; RSER082 at 130:10-15. JAD engaged in the same pattern of inaction by JAD, and UMG is "affected by any laches of prior owners."²² Over a span of nearly 40 years, JAD took no legal action to enforce its alleged exclusivity, or even responded to its own licensee's demands that it address San Juan. ER0503 ¶ 33; ER0542-ER0574; RSER177-RSER183.

Based on UMG's admission of San Juan's right to license and the inaction of UMG and its predecessor JAD to resolve competing rights, a jury could easily find both that (1) Rock River's expectancy is valid and (2) UMG's claim of exclusivity is without merit. These facts strongly weigh against any reasonable litigant's belief in UMG's right to exclude. Accordingly, UMG's claim of "exclusive" rights to the Recordings is objectively unreasonable, inconsistent with facts known to UMG and commonly known throughout the industry, and was made baselessly and in bad faith. What is in fact at play here is UMG's attempt to use its economic

²² *Gillons v. Shell Oil of Cal.*, 86 F.2d 600, 610 (9th Cir. 1936); *Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362 (6th Cir. 1985); *Cont'l Coatings Corp. v. Metco, Inc.*, 464 F.2d 1375 (7th Cir. 1972); *Baker-Cammack Hosiery Mills v. Davis Co.*, 181 F.2d 550 (4th Cir. 1950); *A. R. Mosler & Co. v. Lurie*, 209 F. 364, 369 (2d Cir. 1913).

muscle to exert pressure on Rock River, to squash Rock River's Remixes, and to eliminate competition from the market.

4. UMG's Arguments about the Disputed Factual Record Confirm that This Issue Presents a Question of Fact for a Jury to Resolve.

As the district court concluded, the evidentiary record is replete with facts that preclude any reasonable litigant from representing that it has "exclusive" rights. Whether a purported assertion of rights is a sham is a disputed question of fact suitable for determination by the jury.²³ The evidence here supports a finding that UMG's letters were objectively baseless because UMG had no reasonable basis to believe it could lawfully exclude Rock River's Remixes from the market.

B. *Noerr-Pennington* Does Not Immunize UMG's Wrongful Interfering Conduct Because That Conduct Was Not Related To Protected Petitioning.

Noerr-Pennington is inapplicable here because UMG never engaged in petitioning activity and Rock River's injury resulted from anticompetitive conduct that the doctrine does not protect. The Supreme Court has held that "it has never been deemed an abridgement of freedom of speech or press to make a course of

²³ See ER0297; ER0109:11-17; ER0010:13-17; ER0029; *Catch Curve, Inc. v. Venali, Inc.*, 519 F. Supp. 2d 1028, 1036-38 (C.D. Cal. 2007) ("The Ninth Circuit has stated that '[w]hether something is a genuine effort to influence governmental action, or a mere sham, is a question of fact.'"); see also *In re Relafen Antitrust Litig.*, 346 F. Supp. 2d 349, 361-62 (D. Mass. 2004) (denying summary judgment because claim of objective baselessness presented fact issues); *Hoffman-La Roche Inc. v. Genpharm Inc.*, 50 F. Supp. 2d 367, 380 (D.N.J. 1999) (declining to find *Noerr* immunity because "[r]easonableness is a question of fact").

conduct illegal merely because the conduct was in part initiated, evidenced, or carried out by means of language, either spoken, written, or printed.” *Cal. Motor Transp. Co. v. Trucking Unlimited*, 404 U.S. 508, 514 (1972) (citation omitted). Rock River’s case does not arise from petitioning activity but from UMG’s preference to use self-help rather than petition the legal system.

Although some prelitigation correspondence has been afforded *Noerr-Pennington* immunity (see *Sosa v. DIRECTV, Inc.*, 437 F.3d 923 (9th Cir 2006); *Theme Promotions, Inc. v. News America Marketing FSI*, 546 F.3d 991 (9th Cir. 1998)), the conduct at issue here is far different. The defendants in both *Sosa* and *Theme* made direct threats of litigation—followed in *Sosa* by actual litigation brought by the *recipients* of the threats, while in *Theme* the threat was to involve third parties in “ongoing litigation” between the plaintiff and defendant (546 F.3d at 1008). Here, UMG knew it had no basis to litigate, UMG never initiated litigation (or even filed a counterclaim in this suit), and no evidence exists that UMG even genuinely considered litigation. In *Sosa*, the letter was sent in good faith to the wrongdoer based on apparent criminal conduct. UMG’s conduct here is not properly “[c]onduct incidental to a lawsuit” (*Theme*, 546 F.3d at 1007), nor

could that “conduct ... fairly fall within the scope of the Petition Clause.” *Sosa*, 437 F.3d at 932. This conduct does not fall with in the scope of *Sosa* and *Theme*.²⁴

III. Rock River Has Been Unduly Prejudiced by the District Court’s Denial of *In Camera* Review.

Privileges are to be *strictly construed*.²⁵ The designation of approximately **210 emails over a four-month period**—virtually all of UMG’s internal communications relating to Rock River’s Remixes and this dispute—reflects a grossly and facially overbroad assertion of the attorney-client privilege. The district court should have subjected at least a sampling of the documents to *in camera* review, particularly when all relevant communications by business executives and officers have been designated privileged.²⁶

An implied waiver of the privilege occurs when the party asserting the privilege affirmatively places into issue a matter implicating the privileged communications and when denying access to the communications would be

²⁴ To the extent that it might, we preserve for further review the argument that those decisions erroneously overextend *Noerr-Pennington*.

²⁵ *Jaffee v. Redmond*, 518 U.S. 1, 9 (1996); *United States v. Bryan*, 339 U.S. 323, 331 (1950); see also *United States v. Ruehle*, 583 F.3d 600 (9th Cir. 2009).

²⁶ See, e.g., *Chi. Title Ins. Co. v. Superior Court*, 174 Cal. App. 3d 1142, 1154 (1985) (“merging of business and legal activities jeopardizes the assertion of the attorney-client privilege, since the attorney and the client in effect have become indistinguishable”); *In re Grand Jury Subpoena*, 599 F.2d 504, 510 (2d Cir. 1979) (advice must be given in a legal capacity and be primarily of legal character).

manifestly unfair to the party seeking to defend against that issue.²⁷ The withheld communications are highly relevant to disprove UMG's *Noerr-Pennington* defense. If Rock River prevails on the expectancy issue here and this case is remanded to the district court to proceed to trial, the Court should order *in camera* review of UMG's overbroad designation of privileged communications.²⁸

IV. The District Court Acted Well Within Its Discretion in Ordering Each Side to Bear Its Own Costs.

Finally, UMG erroneously claims on cross-appeal that the district court abused its discretion by ordering each side to bear its own costs. That is not so. The district court properly specified its reasons, and those reasons were sound. ER0014.

Federal Rule of Civil Procedure 54(d)(1) provides: "Unless . . . a court order provides otherwise, costs—other than attorneys' fees—should be allowed to the prevailing party." The "broad wording of the rule" provides the court discretion to deny an award of costs, so long as the court "specif[ies] reasons" for doing so. *See Assoc. of Mexican-American Educators v. California*, 231 F.3d 572, 591-92 (9th Cir. 2000) (en banc); *Save Our Valley v. Sound Transit*, 335 F.3d 932, 945 (9th Cir.

²⁷ *Genentech, Inc. v. Insmid Inc.*, 234 F.R.D. 667, 669-70 (N.D. Cal. 2006); *Laser Indus., Ltd. v. Reliant Techs., Inc.*, 167 F.R.D. 417, 446 (N.D. Cal. 1996).

²⁸ *See Stephan v. Unum Life Ins. Co.*, No. 10-16840, ___ F.3d ___, slip op. at 11082, 11102 (9th Cir. Sept. 12, 2012) (district court abused discretion in denying motion to compel discovery; *in camera* review led to reversal of summary judgment and remand where "district court failed to apply the traditional rules of summary judgment").

2003). District courts may consider non-punitive reasons for denying costs to a prevailing party. *AMAE*, 231 F.3d at 592-93 (noting that the en banc Court was “not attempting to create an exhaustive list of ‘good reasons’ for declining costs”). In particular, a district court may refuse to award costs when “it would be inequitable under all the circumstances” *Andretti v. Borla Performance Indus., Inc.*, 426 F.3d 824, 836 (6th Cir. 2005) (internal citation omitted). Rule 54(d)(1) is not an attempt to penalize unsuccessful litigants, but rather is “founded on the egalitarian concept of providing relatively easy access to the courts to all citizens and reducing the threat of liability for litigation expenses as an obstacle to the commencement of a lawsuit or the assertion of a defense that might have some merit.” *In re Paoli R.R. Yard PCB Litig.*, 221 F.3d 449, 463 & n.4 (3d Cir. 2000) (quoting 10 Charles Alan Wright et al., *Federal Practice and Procedure* § 2665, at 202 (3d ed. 1998)).

The denial of costs is within the full and sound discretion of the district court, and refusal to award costs can only be overturned upon a finding that the district court abused its discretion. *K-S-H Plastics, Inc. v. Carolite, Inc.*, 408 F.2d 54, 60 (9th Cir. 1969). And that “wide” discretion to deny costs will not be “lightly overturned.” *Id.*; see also *A.T. Smith & Sons v. N.P. Van Valkenburgh Co.*, 337 F.2d 702, 705 (9th Cir. 1964) (reviewing court “always hesitates to intrude on such large discretion”); *United Cal. Bank v. THC Fin. Corp.*, 557 F.2d 1351, 1361 (9th Cir. 1977).

The district court twice considered this issue and twice ordered “each side to bear its own costs.” ER0020; *see also* ER0014. The district court properly specified its reasons: “Each party shall bear their own costs because: (1) the parties are of vastly divergent economic power; (2) this case raised numerous important legal issues; (3) plaintiff prevailed on several motions brought by defendants; and (4) plaintiff at all times litigated the case in good faith.” ER0014.

In reaching this conclusion, the Court finds four factors significant. First, the disparity between plaintiff’s and defendants’ relative economic circumstances is great. Despite its for-profit status, plaintiff is a small business. In contrast, defendants operate one of the world’s largest record companies.³ Next, this case raised numerous important legal issues. In particular, this case addressed what requirements a defendant must satisfy in order to avail itself of the *Noerr-Pennington* doctrine. Third, while ultimately unsuccessful, plaintiff prevailed on several motions brought by defendants. Specifically, plaintiff successfully argued that defendant Universal Music Group, Inc. was a proper defendant, that this Court had personal jurisdiction over Universal Music Group International, Inc., and that *Noerr-Pennington* did not immunize defendants’ conduct as a matter of law. Finally, plaintiff at all times litigated this case in good faith.

³ In this regard, defendants’ argument that plaintiff has ‘plenty of economic wherewithal to prosecute this case’ misses the mark. This is so because plaintiff’s counsel represents plaintiff on a contingency basis.

Id.

Appropriate reasons for denying costs include: (1) a losing party’s limited financial resources; (2) close and difficult issues in the case; (3) a nominal or partial recovery by the prevailing party; (4) litigation in good faith by the losing party; and

(5) a landmark issue of national importance. *Champion Produce, Inc. v. Ruby Robinson Co.*, 342 F.3d 1016, 1022-24 (9th Cir. 2003).

Rock River's case, although ultimately dismissed on the eve of trial, had merit, as evidenced by the fact that the case was vigorously litigated by both sides for nearly four years, and Rock River's tort claim had survived summary judgment. Payment of costs would present financial hardship to Rock River, and courts are properly mindful of the chilling effect of imposing high costs on future litigants, especially small businesses fighting deep-pocketed global companies. *See* RSER002-RSER004 ¶¶ 5-14; *AMAE*, 231 F.3d at 591-92 (affirming denial of costs); *Champion*, 342 F.3d at 1022-24 (same); *Stanley v. Univ. of S. Cal.*, 178 F.3d 1069, 1079-80 (9th Cir.), *cert. denied*, 528 U.S. 1022 (1999) (holding that district court abused its discretion in rejecting a losing civil rights plaintiff's motion to deny costs to the defendant without considering: (1) the plaintiff's limited financial resources, and (2) the chilling effect on future civil rights litigants of imposing high costs).²⁹

Because the district court was well within its sound discretion to deny costs in

²⁹ UMG's litigation tactics appeared to be designed to win a war of attrition. UMG filed four motions to dismiss, three motions for summary judgment, opposed depositions of their corporate officers, sought numerous briefing and trial extensions, and caused significant delay in the resolution of this matter. On the eve of the June 21, 2011 trial date (continued from April 12, 2011), UMG raised the expectancy issue for the first time, when those same arguments could have been raised in UMG's prior comprehensive motion for summary judgment. RSER003 ¶ 8; *see, e.g., Andretti*, 426 F.3d at 836; *In re Paoli*, 221 F.3d at 463 n.4; *Smith v. Southeastern Pa. Transp. Auth.*, 47 F.3d 97, 99 (3d Cir. 1995); *Chi. Sugar Co. v. Am. Sugar Ref. Co.*, 176 F.2d 1, 11 (7th Cir. 1949).

this case, this Court should now affirm that ruling for the reasons specified in the district court's order.

CONCLUSION

The judgment should be reversed and remanded for trial. If the judgment is affirmed, the district court's order directing each side to bear its own costs should be affirmed.

DATE: September 19, 2012 Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

Pursuant to Rule 32(a)(7)(C) of the Federal Rules of Appellate Procedure, and Ninth Circuit Rule 32-1, Plaintiff/Appellant/Cross-Appellee hereby certifies that this Combined Reply and Answering Brief is proportionately spaced, has a typeface of 14-point, and contains 13,038 words.

DATE: September 19, 2012

Respectfully submitted,

BLECHER & COLLINS, P.C.

/s/ Maxwell M. Blecher

Maxwell M. Blecher

Attorneys for Plaintiff/Appellant/Cross-Appellee

CERTIFICATE OF SERVICE

9th Circuit Case Numbers 11-57168 and 12-55180

I hereby certify that I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system on September 19, 2012.

I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system.

/s/ Maxwell M. Blecher