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7 UNITED STATES DISTRICT COURT
8 NORTHERN DISTRICT OF CALIFORNIA
9 SAN JOSE DIVISION

9 DONGXIAO YUE and NETBULA,
10 LLC,

11 Plaintiffs,

12 v.

13 CHORDIANT SOFTWARE, INC., *et al.*

14 Defendant
15 _____)

CASE NO. CV 08-0019-JW

**OPPOSITION TO MOTION FOR
SUMMARY JUDGMENT**

Date: April 6, 2009

Time: 9:00 am

Dept: Courtroom 8, 4th Floor

Judge: The Honorable James Ware

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| 18 | 30 Cal. Jur. 3d, <i>Estoppel and Waiver</i> , § 7 | 16 |
| 19 | 1 Fletcher Cyclopedia of Corporations, § 26. | 10 |
| 20 | 1 Fletcher Cyclopedia of Corporations, § 29. | 11 |
| 21 | ___ Words and Phrases, entries for “Office of Corporation” at 483 and | 4 |
| 22 | “Office or Place of Business” at 489-490 | |

1 Plaintiffs Netbula, LLC and Dongxiao Yue most respectfully oppose
2 Defendants' March 3, 2009 Motion for Summary Judgment as follows. Plaintiffs accept the
3 Court's direction to file this hastily-prepared opposition without better opportunity to obtain
4 and review discovery received and due from Defendants and without better opportunity to
5 research the authorities cited by Defendants and conduct research to find countervailing
6 authority, but ask the Court to consider those circumstances when assessing its content.
7

8
9 **I. INTRODUCTION.**

10 Disputed Facts. The key facts upon which Defendants base their motion are
11 disputed. One asserted fact critical to their actual license claim, that licensee Chordiant
12 Software International, Ltd. ("CSIL") is just "an office" of Defendant Chordiant Software,
13 Inc. ("CSI"), is falsely asserted. Another, that Plaintiffs, in 2007, accepted CSI's use of the
14 copyrighted software for the past several years, is false because Plaintiffs, relying on CSI's
15 conduct, were deceived into thinking they was dealing with Netbula's licensee – CSIL. As
16 soon as Plaintiffs discovered Defendants' true identity in late 2007, Plaintiffs denied
17 granting any license to Defendants
18

19 Actual License. As a matter of law, the license that Defendant CSI claims
20 was issued to it by Netbula was issued to another separate corporation, incorporated in the
21 United Kingdom – CSIL. For that reason, as a matter of law, on facts not subject to
22 legitimate dispute, Defendant CSI has no actual license.
23

24 Implied License. As a matter of law, Defendants were required to support
25 their claim of implied license with evidence of three specific facts, none of which they have
26 presented in support of their motion. As a matter of fact, they will never be able to make
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1 those required factual showings. Neither do the facts support an implied license on their
2 little-used and obscure “conduct-displaying-consent” theory.

3 License by Estoppel. Having concealed from Plaintiffs that they were
4 dealing with a “Chordiant” that had no license, and repeatedly affirmed to the contrary,
5 thereby inducing behavior in which Plaintiffs displayed conduct consistent with the
6 falsehood so communicated – that CSI had a license – CSI is estopped to assert an implied
7 license, and Plaintiffs are not estopped to deny one.

8 Denial or Deferral of Motion. Due to Plaintiffs’ difficulty in obtaining
9 certain discovery, and the Court’s ruling limiting discovery prior to the hearing of this
10 motion, they are presently unable to submit the full strength of evidence herewith on the
11 subjects of CSI’s lack of a license, CSI’s deception of Netbula into thinking CSI had one.
12 Due to those circumstances and also due to the Court’s ruling limiting discovery prior to the
13 hearing of this motion, they are presently unable to submit the full strength of evidence
14 regarding Defendants’ claim that they have not exceeded the scope of the license they ask
15 the Court to find. For those reasons, the Court may wish to consider a continuation to allow
16 Plaintiffs to complete discovery on material issues pursuant to Rule 56(f).

17 Amendment of Complaint. In the event CSI is found to have an actual or
18 implied license, Plaintiffs should be allowed to amend their complaint.

19 Breach of Asserted License. Plaintiffs strenuously object to Defendants’
20 moving for summary judgment that they have not breached the license they assert they
21 have. Defendants asked for and partially obtained a stay of discovery on that issue, and that
22 issue is not properly raised in this motion ordered to be made on Defendants “license-based
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1 defense” as distinct from “whether Defendants exceeded the scope of any license agreement
2 that existed between the parties.” November 20, 2008 Scheduling Order, at 1-2.

3
4 **II. ARGUMENT.**

5 **A. Standards.**

6 A court should not grant summary judgment unless the pleadings and
7 supporting documents, when viewed in the light most favorable to the non-moving party,
8 "show that there is no genuine issue as to any material fact and that the moving party is
9 entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c).

10
11 **B. Defendants’ Motion is Based on Disputed Facts.**

12 Defendants’ Motion for Summary Judgment is based primarily on the
13 following disputed facts:

- 14 1. That the software upon which Defendants base their actual license claim
15 contained no click-through license agreement.¹ In actuality, that
16 software did contain a click-through license agreement (as well as other
17 procedures) that required CSIL to agree to the license terms before using
18 the software. Yue Declaration, ¶¶ 51-52, and Exhibit 11 thereto, at
19 A038.
20
21 2. That “Prior to the merger, Prime Response, Inc. had an office in the
22 United Kingdom, operating under the name Prime Response, Ltd.”² In
23 actuality, Prime Response, Ltd. was not “an office” of Prime Response,
24 Inc., but a *separate corporation* chartered in the United Kingdom under
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27 ¹ Defendants’ Motion and Memorandum of Points and Authorities in Support of Summary
Judgment or Summary Adjudication filed March 3, 2009 (“Defendants’ Motion”), at 2:14, 5:22-23, and
7:28.

28 ² Defendants’ Motion at 3:23-24.

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corporation No. 2155712, whereas Prime Response, Inc. was a Delaware corporation. Prime Response, Inc. merged with Defendant Chordiant Software, Inc. Prime Response, Ltd. did not. Yue Declaration, ¶¶ 90-94, and Exhibits 23-27 thereto.

3. “After the merger, Chordiant changed the name of the UK office to ‘Chordiant Software International, Ltd.’”³ In reality, Prime Response, Ltd., which was a UK corporation and not “an office of”⁴ Chordiant Software, Inc., a Delaware Corporation, changed its name to Chordiant Software International, Ltd., remaining a UK corporation chartered in the United Kingdom under corporation No. 2155712. Yue Declaration, ¶¶ 90-94, and Exhibits 23-27 thereto.

4. “Plaintiffs started threatening [Chordiant].”⁵ That never happened. Yue Declaration, ¶ 82.

5. “Prime Response paid Netbula \$895 for the development license plus \$5995 for the first 1000 runtime copies for distribution, for a total of \$6890.”⁶ In actuality, Prime Response, Ltd., a UK corporation different from the Delaware Corporation merged with Defendant CSI, paid for that license, whereas a different entity, Prime Response, Inc., the Delaware Corporation that did merge with Chordiant Software, Inc., did

³ Defendants’ Motion at 3:25- 4:1.

⁴ Defendants’ use of the words “an office of” deserves careful and critical examination. An office of a corporation is the place where *that corporation* conducts its business, not the place where a separate but related or subsidiary corporation conducts *its* business. See ___ Words and Phrases, entries “Office of Corporation” at 483 and “Office or Place of Business” at 489-490, and cases there cited.

⁵ Defendants’ Motion at 4:23.

⁶ Defendants’ Motion at 5:15-16.

1 not acquire or attempt to acquire any license whatsoever at any time.

2 Yue Declaration, ¶¶ 23-27 and 90-94, and Exhibits 3, and 23-26 thereto.

3 6. Mr. Akande identified himself three separate times as a Software
 4 Engineer at Chordiant Software, Inc.⁷ In fact, from his first words, Mr.
 5 Akande affirmatively identified himself as a representative CSIL and did
 6 *not* identify himself as an engineer for CSI. His first words were clearly
 7 calculated to lead Netbula to believe he represented a company that was
 8 Prime Response, Ltd, but had changed its name to “Chordiant.” His
 9 exact first words to Netbula were “We licensed your product to use in
 10 2000.” Hence, Mr. Akande identified himself as the representative of
 11 some entity *other than* CSI, which was not a licensee. When Netbula
 12 could not find any license to any entity named “Chordiant,” Mr. Akande
 13 clarified with the words “I might have mentioned that the invoice would
 14 have been raised under the previous company name of Prime Response,
 15 Ltd. We are based in 2 Goat Wharf, Brentford, Middlesex, UK,
 16 TW80BA” Hence, he specifically identified himself as the
 17 representative of *that licensee*, based at *that address* the name of which
 18 was changed to CSIL, also based at that address, and which never
 19 merged with Defendant CSI, which is based in Cupertino, California. *If*,
 20 as Defendants now contend, he was really representing CSI, then these
 21 statement made with the obvious specific intent to inform Netbula it was
 22 dealing with CSI, then his statements were lies intentionally calculated to
 23 mislead Netbula from suspecting that anyone other than Prime Response,
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⁷ Defendants’ Motion at 6:9.

1 Ltd., the UK corporation, was using that software, to wit, that CSI was
 2 the same company that “licensed your product to use in 2000.” Yue
 3 Declaration, ¶¶ 39, 41-45, and Exhibits 9, 10, and 11 thereto. But
 4 Plaintiffs submit that Mr. Akande did *not* lie, and that the upgrade to the
 5 Prime Response, Ltd license went to CSIL, and not to Defendant CSI, as
 6 evidenced not only by these written communications, but also by the
 7 *purchase order, issued by CSIL, not CSI*, that followed them, and
 8 Netbula’s resulting invoice to CSIL, not CSI. Exhibit 10 to Yue
 9 Declaration.
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11 7. “Chordiant communicated openly about this work, and Netbula
 12 supported it. For Example, in 2002, Chordiant’s software engineer, Toyé
 13 Akande, approached Netbula for support . . . [etc].”⁸ This “open
 14 communication” assertion is clearly not true. None of Defendants’
 15 communications with Plaintiffs are “examples” of “open
 16 communication” by Chordiant informing Netbula that it was developing
 17 Chordiant Marketing Director using Netbula’s copyrighted software.
 18 Mr. Akande clearly identifies himself as representing licensee Prime
 19 Response, Ltd., the UK corporation that changed its name to CSIL, not
 20 CSI. Having explicitly done that, his inclusion in the emails under his
 21 signature of the words, “Chordiant Software International Inc.” in 2002
 22 and “Chordiant Software, Inc.” in 2004 does not make his
 23 communications an “open communication” that he is really intending to
 24 procure a license for the footnoted entity – since he explicitly stated to
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⁸ Defendants’ Motion at 6:2-4.

1 the contrary. His footer is not rationally characterized as an “open
 2 communication” that he was really procuring rights for CSI pursuant to
 3 which it intended to distribute millions of copies of Netbula’s software.
 4 Yue Declaration, ¶¶ 39 and 99, and Exhibit 9 and 29 thereto. Later,
 5 when Oliver Wilson began to contact Netbula to obtain technical
 6 assistance and Derek Witte contacted Netbula regarding the requested
 7 usage report, they both had asserted that “Chordiant” had a 1000 runtime
 8 license, they consistently and repeatedly asserted that they represented
 9 the entity to which the license had issued while both failing to disclose
 10 that they were not employees of a licensee at all, but agents of non-
 11 licensee CSI. Their efforts to prevent Plaintiffs from discovering this, or
 12 that CSI was selling millions of copies of Plaintiffs’ software rather than
 13 the 70 used by CSIL prior to the 2004 upgrade, cannot be fairly
 14 characterized as “communicating openly” about CSI’s work. Yue
 15 Declaration, ¶¶ 59-71 and Exhibits 16 and 17 thereto.

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 18 8. Netbula granted an actual license to “at least some Chordiant entity.”⁹ In
 19 fact, all Netbula did was allow itself to be persuaded to provide an
 20 upgrade for the Prime Response, Ltd. license to Chordiant Software
 21 International, Ltd., based on Mr. Akande’s representation that the second
 22 of those was the same as the first, but had just changed its name, and also
 23 based on Mr. Akande’s representation that only 70 of the 1000 runtime
 24 licenses had been used, when in fact, millions of copies of CMD
 25 containing Netbula’s software had been sold or were about to be sold.
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⁹ Defendants’ Motion at 11:11-12.

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Yue Declaration, ¶¶ 44-50, 76-77, and 81, and Exhibits 9-11, 18 and 19 thereto.

9. “[T]he existence of a license is undisputed”¹⁰ CSI had and has no license. A license in CSIL does not, as a matter of law, give CSI a license,¹¹ so that “fact” is disputed.

10. “The e-mail exchange offering the 2004 Upgrade occurred at a time Netbula had *never heard of Chordiant International.*”¹² Netbula heard of Chordiant International, Ltd. no later than when it received its purchase order, during that email exchange.¹³

Many other facts are also disputed, too many to fully discuss in this brief, as can be readily seen by comparing the Declarations of Dr. Yue and Mr. Wilson.

In addition, where the parties are in agreement on facts, Defendants misinterpret them for purposes of this motion. For example, Defendants urge that “Dr. Yue admits that ‘my understanding was that [Oliver Wilson] was from – whoever purchase the license in 2004’ to persuade the Court that Dr. Yue, in dealing with Mr. Wilson, dealt with CSI knowing that it was not the corporation that had purchased the license in 2004. That is not a correct presentation of the facts to the Court. In fact, until October 2007, Plaintiffs did not know that Mr. Wilson worked for a corporation other than the one that purchased the license, or upgrade, in 2004.¹⁴ Plaintiffs did not know that because they believed Mr. Wilson when he told them he represented their licensee.¹⁵ Hence, Plaintiffs did not know

¹⁰ Defendants’ Motion at 11:14-15.

¹¹ See the immediately following Section “C” of this brief.

¹² Defendants’ Motion at 12:2-3.

¹³ See Exhibit 10 to Yue Declaration.

¹⁴ Yue Declaration at ¶¶ 73 and 101.

¹⁵ Exhibit 16 at A058: Mr. Wilson’s very first statement when he contacted Netbula was “Chordiant software purchased 1 developer license, 1000 runtime licenses (s10303) from you several years ago.” Yue Declaration ¶ 61.

1 they were communicating with an unlicensed corporation. Hence, they were not ratifying
 2 an unlicensed use – they did not know unlicensed use was occurring, as Dr. Yue’s behavior
 3 in seeking a license usage report amply demonstrates. It was not until October 2007, when
 4 CSI, through Mr. Witte, disavowed being restricted by the terms of CSIL’s license, and
 5 Plaintiffs sought information necessary to communicate with his superior, that Netbula
 6 became aware that it was not the same “Chordiant” that had purchased the 2004 upgrade.¹⁶

8 **C. CSI Has No Rights under a License Acquired by Its Separate**
 9 **Subsidiary.**

10 Defendants seek to establish a novel rule of law – that when a separate but
 11 related corporation acquires a copyright license, all other corporations related to the
 12 licensee are protected from infringement claims to the same extent as if they were
 13 themselves licensees.

14 Specifically, CSI bases its claim to have a license solely on one, perhaps
 15 two, licenses. The first is the 2000 Netbula license to Prime Response, Ltd., a UK
 16 Corporation existing under the UK Corporation No. 2155712.¹⁷ The second is the 2004
 17 upgrade to that license issued by Netbula to non-party CSIL based on Toye Akande’s
 18 representation that the CSIL is the identical company as Prime Response, Ltd., based on
 19 Toye Akande’s representation that only 70 of the 1000-unit license had been used prior to
 20 2004, and based on Netbula’s verification of that identity by comparing the two entities’
 21 UK Corporation Numbers, which are the same.¹⁸

22 Chordiant does not supply any authority to support its claim that because a
 23 separate subsidiary corporation¹⁹ acquires a copyright license, the parent corporation
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27 ¹⁶ Yue Declaration ¶ 73.

28 ¹⁷ Yue Declaration, ¶ 25, and Exhibit 3 thereto.

¹⁸ Yue Declaration, ¶¶ 44-46, and Exhibit 10 thereto.

¹⁹ Defendants’ Motion at 2:4; Declaration of Oliver Wilson at ¶ 5.

1 acquires it as well. Netbula cannot find any such precedent, and believes that no case so
2 holds, for two reasons.

3 First, this Court has previously held that a corporation's license cannot be
4 transferred by merger, implying that license rights reside only in a licensee corporation, and
5 not in other corporations, related or not. SQL Solutions, Inc. v. Oracle Corporation, 1991
6 U.S. Dist. LEXIS 21097, at *12. (A transfer of assets via merger is still a transfer of assets,
7 and "Federal copyright law provides a bright line prohibition against transfer of copyright
8 license rights."), *following* Harris v. Emus Records, 734 F.2d 1329, 1333 (9th Cir. 1984) (A
9 copyright license, like a patent license, is "a naked license to make and sell the [licensed
10 thing] as a part of its business, which right, if it existed, was a mere personal one, and not
11 transferable . . ."); *accord* Gardner v. Nike, Inc., 279 F.3d 774, 777-778 (9th Cir. 2002).

12 Second, "A subsidiary corporation is presumed to be a separate and distinct
13 entity from its parent corporation. This rule applies even where one corporation wholly
14 owns another."²⁰ By definition, a parent corporation controls its subsidiary corporation
15 only by stock ownership.²¹ The fact that a corporation acquires a copyright license does
16 not mean that its shareholders acquire it too. Shareholders do not own corporate property –
17 the corporation does.²² Accordingly, a parent corporation does not own the licenses of a
18 subsidiary, only its stock.

19 Accordingly, if CSIL is the subsidiary of CSI, as Netbula believes it is, CSI
20 does not own any license Netbula may have granted to CSIL. Unfortunately, CSI has
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26 ²⁰ 1 Fletcher Cyclopedia of Corporations, § 26.

27 ²¹ *Id.*, ("A 'subsidiary corporation' is one that is controlled by another corporation by reason of the
latter's ownership of at least a majority of the shares of the capital stock.")

28 ²² *Id.*, at § 29, entitled "Distinctness of corporate entity – Contracts and Obligations" ("The
contract of a corporation is the contract of the legal entity and not of the shareholders individually," and
. . . "a corporation enters into contracts in a capacity separate from its shareholders . . .").

1 withheld from its document production the exhibits to the 8K filings of CSI and Prime
 2 Response, Inc. that list their subsidiary corporations, and refused to produce any documents
 3 until February 24, 2009, depriving Netbula of a realistic opportunity to discover the facts
 4 concerning the relationship, if any, between CSI and CSIL.²³ Accordingly, if the Court is
 5 persuaded that CSIL is the subsidiary of CSI, as Defendants state in their own papers,²⁴
 6 summary judgment that CSI has an actual license should be denied, but if the Court is not
 7 satisfied that CSIL is the subsidiary of CSI, summary judgment that CSI has an actual
 8 license from Netbula should be denied pursuant to F. R. Civ. Proc. Rule 56(f)(1) so that
 9 Plaintiffs can conduct discovery to determine that critical issue with more finality.
 10

11 **D. One Cannot Acquire an Implied License by Acquiescence in the Use of**
 12 **an email Footer and/or the Conduct of Negotiations with a Non-Licensee**
 13 **Holding Itself Out as a Licensee.**

14 CSI argues that, if it did not acquire a license directly from Netbula, it still
 15 possesses an implied license because Netbula engaged in conduct from which CSI could
 16 properly have inferred that Netbula consented to its use of Netbula's copyrighted
 17 software.²⁵

18 First, CSI argues that, because Mr. Akande's emails contained an email
 19 footer indicating that he was an employee of CSI, the upgrade Netbula sent to CSIL in
 20 reliance on Mr. Akande's representation he desired an update of *Prime Response Ltd.*'s
 21 license, and in reliance upon Netbula's providing that upgrade upon receipt of a purchase
 22 order from *CSIL*, and in reliance upon receipt or payment for that upgrade from *CSIL*, that
 23 CSI "could properly have inferred" that Netbula consented to *CSI's* use.
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23 Cortés Declaration, ¶ 4 and second ¶ 3.

24 24 Defendants' Motion at 2:4; Declaration of Oliver Wilson at ¶ 5.

25 25 Defendants' Motion at 12-14.

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Second, CSI argues that Netbula’s attempts to obtain a license usage report from CSI and otherwise assert duties under the license issued to CSIL constitute conduct from which an implied license may be inferred.

CSI neglects in that first argument to discuss Mr. Akande’s utter failure, except by footer, to tell Netbula that CSI even existed as a separate entity, much less that it was a parent corporation intending to distribute millions of copies of Netbula’s software under authority of an upgrade procured as a result of his representation that only 70 copies had thus far been used by Prime Response, Ltd./CSIL.²⁶ Mr. Akande just told Netbula that “Chordiant” was the same company as Prime Response, Ltd.

CSI’s second argument neglects to mention that Netbula did not discover that CSI was a separate entity from CSIL until October 2007, a short time before this action was commenced, after Netbula’s mistaken attempts to enforce its license rights against CSI that Defendants urge entitle them to an implied license.²⁷ All communications from CSI’s Mr. Wilson and Mr. Witte led Netbula to believe CSI was the same entity that possessed the Prime Response Ltd. license by taking the position that their “Chordiant” had the actual license. Netbula only acted like it was negotiating with a non-licensed entity because it had been deceived in that manner. Accordingly, its conduct in trying to obtain CSI’s compliance with its license terms was not conduct from which it can be properly inferred that Netbula consented to CSI’s unlicensed use of its software.

Under these circumstances, even assuming that the law only requires CSI to prove, in order to have an implied license, that it “could properly have inferred” that Netbula consented to its use of Netbula’s copyrighted software, the facts do not warrant

²⁶ Yue Declaration, ¶ 44 and Exhibit 9 thereto at A029 (“We licensed your product to use in 2000.”).

²⁷ Yue Declaration ¶ 73.

1 such a license. Defendants' authority does not support a rule under which a person can say,
 2 "Hey, I represent your licensee, Company A," in an email containing a footer containing the
 3 similar name of Company B, get a 1000-unit upgrade to Company A's license by that
 4 means and by causing Company A to purchase that upgrade, then go to Court and say
 5 "Company B has an implied license because it properly inferred from that transaction that it
 6 could sell millions of copies because its name was in the email footer." Nor is there
 7 authority that representatives of Company B can lead a copyright holder to think they are
 8 Company A, engage in rather heavy-handed negotiations regarding license rights in which
 9 they assert they are the license holder, then say "Ha Ha, you acted like we had a license so
 10 we have one." There is no authority for the acquisition of an implied license by either of
 11 these sorts of chicanery, or by any other "gotcha" circumstance. Had CSI not wrongly
 12 concealed that it had no license, its current basis for claiming one would not exist.

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 15 But there is still more. The finding of an implied license requires quite a bit
 16 more than accepting a correspondent's specific representations over the un-mentioned
 17 implications of his email footers followed by deceit-induced²⁸ discussions of license rights.

18
 19 Under this Court's precedent, an implied license may only be recognized
 20 when three specific factual predicates are present, none of which are not present here. As
 21 set forth in Defendants' own authority (right after the passage they chose to quote), an

22 implied license is granted when "(1) a person (the licensee) requests the
 23 creation of a work, (2) the creator (the licensor) makes that particular

24 ²⁸ Cal. Civ. Code § 1710(3) (Deceit includes "The suppression of a fact, by one . . . who gives
 25 information of other facts which are likely to mislead for want of communication of that fact").
 26 Defendants failed to disclose that they did not have CSIL's license after giving Plaintiffs information
 27 leading them to believe CSI did have that license, such as Mr. Akande's statement that CSI (believing
 28 Defendants present assertion that he held himself out as representing CSI) that "We licensed your
 product to use in 2000," Mr. Wilson's statement that "Chordiant software purchased 1 developer
 license, 1000 runtime licenses (s10303) from you several years ago," and Mr. Witte's statement that "I
 also . . . surprised by your statement . . . that *our run time license* does not cover Windows Vista.
 [emphasis added]" Yue Declaration Exhibit 9 at A029, Exhibit 16 at A058, and Exhibit 17 at A067,
 respectively.

1 work and delivers it to the licensee who requested it, and (3) the licensor
 2 intends that the licensee-requestor copy and distribute his work." *Id.*
 3 (quoting *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 776 (7th Cir. 1996) (citing
Effects, 908 F.2d at 558-59)).

4 *Intelligraphics, Inc. v. Marvell Semiconductor, Inc.*, 2009 U.S. Dist. LEXIS 9875, at *31,
 5 *accord*, *Effects Associates v. Cohen*, 908 F.2d 555 (9th Cir. 1990). Further, "The existence
 6 of an implied license is an affirmative defense to a claim of copyright infringement [and the
 7 defendant] bears the burden of proving the existence of an implied license." *Do It Best,*
 8 *Corp. v. Passport Software*, 2005 U.S. Dist. LEXIS 7213 (N.D. Ill. 2005) at *11, citing *John*
 9 *G. Dunielson, Inc. v. Winchester-Conant Properties, Inc.*, 322 F.3d 26, 40 (1st Cir. 2003).
 10 Accordingly, CSI's burden here was to prove all three *Intelligraphics* elements. There is no
 11 evidence in Defendants' declarations to support any of them.
 12

13 Plaintiffs did not create the ONC RPC software at Chordiant's request, and
 14 created them prior to any communication with Chordiant or any of the entities through
 15 which it claims.²⁹ Neither did Netbula create ONC RPC with the expectation that
 16 Chordiant would copy it and distribute it, as is obvious for the same reason. To the extent
 17 CSI argues that Netbula delivered updates to it with the expectation and intent that CSI
 18 would copy and distribute them, any such intent of Plaintiffs would have been premised on
 19 the mistaken belief that CSI had a license, created by Mr. Akande's representation that the
 20 "Chordiant" purchasing the update was the same company as license-holder Prime
 21 Response, Ltd. Accordingly, under the standards set forth in their own authority,
 22 Defendants cannot meet their burden of proving an implied license.
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28 ²⁹ Yue Declaration, at ¶¶ 5-8 and 23.

1 In two cases cited by Defendants, however, implied licenses have been found
 2 in other Districts under standards more relaxed than those in this one. Neither of those
 3 cases, however, provides a precedent for what Defendants ask the Court to do here.

4 In the Google case,³⁰ an attorney intentionally posted copyrighted materials
 5 on an internet site knowing that Google's search engine would automatically create a copy
 6 of the postings, and knowingly declining to check an opt-out box provided by Google that
 7 would keep its search engine from making such copies. The Court found that such behavior
 8 created an implied license to Google sufficient to protect it from a copyright infringement
 9 claim for the single automated-search-engine-created copy the plaintiff knew it would make
 10 if he didn't check that box. Applying the same standard to this case, Defendants would
 11 have to prove that Netbula knew that by providing the update of the Prime Response, Ltd.
 12 license to CSIL, CSIL's parent company, CSI, and hence all its subsidiaries worldwide,
 13 would claim authority to distribute millions of copies of Netbula's copyrighted software,
 14 and issued the CSIL update with that knowledge. To the extent, if any, CSI has submitted
 15 any evidence to support such an informed issuance of the CSIL update, that evidence is
 16 controverted by the evidence submitted herewith.

17 In the Keane decision,³¹ the factual basis for finding an implied license bears
 18 no resemblance whatever to this case. Of specific note, however, were: (1) the existence of
 19 a "tacit or explicit quid pro quo that [Plaintiffs] not objecting to the use of the SLBX system
 20 would be helpful in other aspects of the relationship between the two firms," showing that
 21 the Plaintiff had *knowingly* allowed the use because he thought he would benefit from it;
 22 and (2) "there [was] undisputed evidence that Lehman (in whose shoes plaintiffs stand)
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30 Field v. Google, 412 F. Supp. 2d 1106 (D. Nev. 1990)

31 Keane Dealer Services, Inc. v. Harts, 968 F. Supp. 944 (S.D.N.Y. 1997)

1 *knew of defendant's use of the software.*" 968 F. Supp., at 947. Here, due to Defendants'
 2 representations, Plaintiffs had *no knowledge* that CSI, as opposed to its licensee (Prime
 3 Response, Ltd./CSIL), was using the software. In addition, the facts in Keane appear to
 4 also meet the requirements of this Court as set forth in the Intelligraphics rule.

5
 6 Because CSI has not, and cannot, prove that Netbula created ONC RPC at its
 7 request, because CSI has not and cannot prove that Netbula sold it an update *at all*, much
 8 less an update created at its request, and because CSI's representatives repeatedly made
 9 statements intended to lead Plaintiff's to believe CSI had an actual license, when it did not,
 10 it cannot, as a matter of law, be found to have an implied license.

11 **E. Netbula Should Not Be Estopped to Deny that CSI Has a License --- CSI**
 12 **Should Be Estopped to Assert that it Has One.**

13 Defendants led Plaintiffs to believe that CSI had an actual license, when in
 14 fact it did not.³² In the resulting ignorance of the fact that the "Chordiant" it was
 15 communicating with through Oliver Wilson was a different "Chordiant" from the one that
 16 purchased the 2000 license under the name Prime Response, Ltd. and the 2004 upgrade
 17 under the name "Chordiant Software International, Ltd.," Netbula attempted to assert its
 18 erroneously-presumed license rights through Mr. Wilson, then Mr. Witte. Having
 19 deceitfully led Plaintiffs to erroneously believe that CSI had an actual license, Defendants
 20 should be estopped to assert an implied license from Plaintiff's conduct while so misled.
 21 See, e.g., 30 Cal. Jur. 3d, *Estoppel and Waiver*, § 7. (Estoppel arises when there has been a
 22 "concealment of material facts of the matter as to which estoppel is claimed" and other
 23 applicable rules.)
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28 ³² See footnote 28, *supra*.

1 On the other hand, Netbula is not estopped to deny that CSI has an implied
 2 license by the explicit terms of Defendants' own authority. See Keane Dealer Services,
 3 Inc. v. Harts, 968 F. Supp. 944, 947 (S.D.N.Y. 1997) (an estoppel exists when party "acted
 4 so that the party asserting the estoppel has a right to believe" estopped party's assertions
 5 regarding the existence of a license.). Mr. Akande, Mr. Wilson, and Mr. Witte all began
 6 their communications with Netbula by asserting that then had an actual license. Netbula
 7 simply took them at their word. It is simply not true that Netbula acted in a manner
 8 inducing them to believe they had a right to use the software – they initiated contact with
 9 Plaintiffs by asserting they already had one. Per Mr. Akande: "We licensed your product
 10 to use in 2000."³³ Per Mr. Wilson "Chordiant software purchased 1 developer license,
 11 1000 runtime licenses (s10303) from you several years ago."³⁴ Per Mr. Witte: "I am also . .
 12 . surprised by your statement . . . that *our run time license* does not cover Windows Vista."
 13 [emphasis added].³⁵ They acted so that Plaintiffs had a right to believe CSI had a license.
 14 Plaintiffs did not act so that Mr. Akande, Mr. Wilson, and Mr. Witte had a right to believe
 15 CSI had a license – Plaintiffs simply took those representatives of CSI at their word.
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 17

18 **F. If This Motion Is Granted, Plaintiffs Should Have Leave to Amend their**
 19 **Complaint.**

20 As set forth above, Plaintiffs would have violated Rule 11 by bringing a
 21 cause of action for breach of license because, by the time the Complaint was filed, Plaintiffs
 22 had discovered that the "Chordiant" to whom it had given the 2000 license and the 2004
 23 upgrade was not defendant CSI, and that CSI had no license. If, however, the Court
 24 somehow finds that CSI has or should be deemed to have a license (which the Court should
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33 Yue Declaration Exhibit 9 at A029.

34 Yue Declaration Exhibit 16 at A058.

35 Yue Declaration Exhibit 17 at A067.

1 not do), Plaintiffs will be entitled to relief for CSI's breach of that license, but will not have
2 pled a cause of action for breach of license or other related non-preempted claims.

3 For that reason, if this motion is granted, or if this motion is denied solely
4 because a triable issue of fact exists, Plaintiffs should have leave to amend their complaint.
5 "Dismissal with prejudice and without leave to amend is not appropriate unless it is clear on
6 de novo review that the complaint could not be saved by amendment." Eminence Capital v.
7 Spechler, 316 F.3d 1048, 1052 (9th Cir. 2003), *citing* Chang v. Chen, 80 F.3d 1293, 1296
8 (9th Cir. 1996).

9
10 **G. Even if CSI Had a License, It Exceeded Its Terms.**

11 First, Defendants have claimed to Plaintiffs that they have only made
12 approximately 950 copies of Plaintiffs' software. Plaintiffs deem it futile to ask them,
13 through discovery, to change that claim. The Court has prohibited Plaintiffs from asking
14 third parties how many copies they have purchased from Defendants, and whether they
15 have received unlimited licenses to copy Plaintiffs' software, as some documents indicate.
16 Scheduling Order, November 20, 2008, at ¶ (3). Defendants now ask the Court to rule that
17 they did not exceed their claimed license by making, using, selling, or distributing more
18 than 1000 copies, or by using the software in manners Prime Response, Ltd. and CSIL were
19 not licensed to use it, before Plaintiffs can take meaningful discovery on those issues. For
20 that reason alone, Plaintiffs ask the Court to deny Defendants request for judgment that
21 Defendants have not exceeded the license they claim to have.

22 Second, Defendants have not made a clear statement of what the terms are of
23 the license they claim to have, and they seek now a ruling as to those terms. It is already
24 clear that, if the Court finds they have a license, that its terms are disputed. If the Court
25 rules they have an actual license (and it really should not) the scope of that license would be
26

1 defined by the terms of the licenses procured by the separate entities through which they
 2 claim it. If the Court finds they do not have an actual license, but have an implied one (and
 3 it really should not find that either), the scope of the license would be determined by the
 4 alleged conduct giving rise to the asserted implied license. Accordingly, to be fair to
 5 Plaintiffs, they should not be required to have at this point, when they do not even know
 6 what the terms of such a license would be, to have discovered all evidence they need to
 7 oppose a motion for a ruling that the presently-unknown terms of such an unjustly
 8 recognized were not exceeded.
 9

10 That having been said, it would be hoped that the terms of any license CSI
 11 were found to have would be no more advantageous to CSI than those granted by Netbula
 12 in the Prime Response, Ltd./CSIL license.
 13

14 That license only authorized 1000 client runtime copies and one SDK
 15 license. CSI has distributed many more copies than that and has granted some of its
 16 customers unlimited licenses to copy a product containing Plaintiff's copyrighted software.
 17 CSI also had many programmers using the Netbula SDK. Yue Declaration at ¶¶ 76-77 and
 18 97 and Exhibits 18 and 19 thereto.
 19

20 Importantly, the CSIL distribution license was carefully limited to 1000
 21 "client" runtime licenses. CSIL chose not order or pay for the more expensive "server"
 22 runtime licenses.³⁶ See especially Exhibit 10 to Yue Declaration, as well as Exhibits 11-13
 23 and ¶¶ 46-54 of that Declaration. Mr. Akande's questions regarding "server" issues prior to
 24 CSIL's choice to purchase only the more economical "client" licenses do not support a
 25 position that the license "really" was a server license (Cal. Civ. Code § 1625) and might
 26

³⁶ 1000 client licenses cost about \$7000 at that time, where as just one (1) server license cost about \$800. Yue Declaration, page 2 and Exhibit 10.

1 even be considered evidence of an intent to breach that license prior to acquiring it, since
2 Plaintiffs believe that CSI is using Plaintiffs software in server application as well as client
3 applications, which exceeds its the license rights it claims here but should not be found to
4 have. Yue Declaration, ¶ 60.

5
6 In addition, the CSIL distribution license was also carefully limited to use of
7 Netbula's software on specified platforms (Windows NT, 2000, XP, and Server 2003). Yue
8 Declaration Exhibit 10. CSI has tacitly admitted licensing the use of Plaintiffs software on
9 other platforms, including Windows Vista. Yue Declaration, ¶¶ 60-65.

10 More detail on CSI's use of Netbula's software in ways not licensed by the
11 CSIL license are described at Yue Declaration at ¶¶ 46 and 83-89 and Exhibits 1, 3, 5, 7,
12 10, 11 12, and 16-18 thereto.

13
14 For these reasons alone, CSI cannot escape Plaintiffs' claim for copyright
15 infringement even if the Court were to find it heir in some fashion to the limited license
16 purchased by CSIL and Prime Response. S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1087
17 (9th Cir. 1989) ("The district court erred in assuming that a license to use a copyrighted
18 work necessarily precludes infringement. A licensee infringes the owner's copyright if its
19 use exceeds the scope of its license."), accord, Asset Mktg. Sys. v. Gagnon, 542 F.3d 748,
20 755 (9th Cir. 2008).

21
22 **III. CONCLUSION.**

23 A copyright owner is entitled to negotiate the terms of a license when it
24 grants one. If it grants a license to a small company, it is entitled to do so without having a
25 large parent corporation and all the subsidiaries thereof to claim they also have a license. If
26 the licensee negotiates a bargain price by agreeing to restrictions on the license, the

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licensee’s parent should not claim that those restrictions do not apply to it simply because, not having entered into a license at all, it didn’t sign up for those restrictions.

As a matter of law, CSI has no actual license.

As a matter of law, because Messrs. Akande, Wilson, and Witte all falsely asserted to Plaintiffs that they represented its licensee, suppressing the true fact that the “Chordiant” they represented was not Plaintiff’s licensee, they “[gave] information of other facts which are likely to mislead for want of communication of [the] fact”³⁷ that they really represented a *non*-licensee, they cannot use Plaintiff’s responses to that deceit as a basis to claim it consented to a license where none existed. It would be a shameful injustice to find otherwise, simply because Defendants can afford better legal representation in twisting their wrongful behavior into an implied license.

Even if CSI were found to have a license, it has used Plaintiff’s software in manners that would not have been covered by any conceivable license it could be found to have, and Plaintiffs should be allowed to redress for their doing so in an action for copyright infringement.

For the foregoing reasons, Plaintiffs most respectfully request this honorable Court to deny all relief sought by Defendants’ Motion for Summary Judgment.

Respectfully submitted this 16th day of March 2009

_____/s/_____
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³⁷ Cal. Civil. Code 1710(3).