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16 Netbula, LLC and
17 Dongxiao Yue

12 UNITED STATES DISTRICT COURT
13 NORTHERN DISTRICT OF CALIFORNIA
14 SAN JOSE DIVISION

15	DONGXIAO YUE and NETBULA, LLC,)	CASE NO. CV 08-0019-JW
16)	
17	Plaintiffs,)	OPPOSITION TO CHORDIANT'S
18	v.)	TRIAL BRIEF ON EQUITABLE
19	CHORDIANT SOFTWARE, INC., <i>et al.</i>)	DEFENSES [DOCKET 474]
20	Defendant)	Hearing Date: July 19, 2010
)	Hearing Time: 9:00 am
)	Location: Courtroom 8
)	Judge: Honorable James Ware

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22 Plaintiffs Dongxiao Yue and Netbula, LLC most respectfully oppose
23 Chordiant's Statements and Requests in its Trial Brief on the Equitable Defenses of Laches,
24 Estoppel, and Acquiescence [Docket 474], as follows:
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26

1 **A. Chordiant Is Barred from the Equitable Relief It Seeks by its Unclean**
 2 **Hands with Respect to the Very Communications upon Which Its**
 3 **Motion is Based.**

4 It is well established that Chordiant Software, Inc. was neither the same
 5 company that changed its name from Prime Response, Ltd. (Plaintiffs' original licensee) nor
 6 its legal successor in interest with respect to the Plaintiffs' original license. Nonetheless, the
 7 two conversations upon which Chordiant bases its claims for equitable relief, the series of
 8 communications between 'Toye Akande and Dr. Yue in 2004, and the series of
 9 communications between Oliver Wilson in 2007, both contained untrue statements by those
 10 persons that are of critical materiality to Chordiant's present attempt to assert Laches and
 11 Estoppel. First, Mr. Akande stated to Dr. Yue that "the previous company name" of
 12 Chordiant Software, Inc. was "Prime Response Ltd."¹ Later, Mr. Wilson, by then an
 13 employee of Chordiant Software, Inc., initiated his communications with Dr. Yue with the
 14 untrue statement that "Chordiant software purchased 1 developer license, 1000 runtime
 15 licenses (s10303) from you several years ago."²

17 **B. This Action Was Not Barred by Laches.**

18 The doctrine of Laches is not a proper basis for finding that, as a matter of
 19 equity, Chordiant was a licensee under the Chordiant Software International Ltd license or
 20 the Prime Response, Ltd. license. Those matters were questions of law, and were properly
 21 resolved by the Jury. *see., e.g., Brownrigg v. deFrees*, 196 Cal. 534, 539, 238 P. 714, 715

24 ¹ Exhibit 1090, page 3. Chordiant cannot argue that Mr. Akande was really an
 25 employee of Chordiant Software International Ltd, and Mr. Akande was really saying that
 26 he was representing that entity, because Chordiant also argues that Dr. Yue should have
 27 known it was dealing with Chordiant Software, Inc. when it was dealing with Mr. Akande.
 28 Chordiant cannot, in equity, take those opposite positions for purposes of this equitable
 motion.

² Exhibit 1162.

1 (Cal. 1925) ("Though a good defense in equity, laches is no defense at law.") and
 2 Bagdasarian b. Gragnon, 31 Cal 2d 744, 192 P. 2d 935 (Cal. 1948) (the cross complaint
 3 "was for damages and presented a cause of action at law and not in equity; accordingly, the
 4 defense of laches was not available.").

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 6 Further, a defense of laches would be limited to a defense that Plaintiffs
 7 caused actual prejudice to Chordiant by knowingly and unreasonably *delaying the initiation*
 8 *of this action*. Jarrow Formulas, Inc. v. Nutrition Now, Inc., 304 F.3d 829 (9th Cir 2002)
 9 ("Laches is an equitable time limitation on a party's right to bring suit"), *accord* Danjaq
 10 LLC v. Sony Corp., 263 F.3d 942, 950-951 (9th Cir. 2001) ("Laches is an equitable defense
 11 that prevents a plaintiff, who "with full knowledge of the facts, acquiesces in a transaction
 12 and sleeps upon his rights" to initiate a lawsuit to vindicate them.).³

13
 14 The elements of a laches defense are detailed by the Court of Appeals in the
 15 latter of those two cases, which holds that "To demonstrate laches, the 'defendant must
 16 prove both an unreasonable delay by the plaintiff and prejudice to itself.'" 263 F.3d at 951.
 17 Thus, there are three elements: (1) delay; (2) unreasonableness of the delay; and (3)
 18 prejudice. In particular:

19
 20 **The first element of laches is delay.** Generally speaking, the relevant
 21 delay is the period from when the plaintiff knew (or should have
 22 known) of the allegedly infringing conduct, until the initiation of the
 23 lawsuit in which the defendant seeks to counterpose the laches
 24 defense. Kling v. Hallmark Cards, Inc., 225 F 3d 1030, 1036 (9th Cir.
 2000) ("any delay is to be measured from the time that the plaintiff
 25 knew or should have known about the potential claim at issue");

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 27 ³ Chordiant's authorities on Laches are all from trademark cases, with one exception,
 28 which was a combined trademark and copyright action. It is important to be careful in
 applying precedents from the trademark context to the copyright context because, as noted in
 one of Chordiant's authorities, there are "fundamental differences' between patent and
 copyright law on the one hand, and trademark law on the other hand." Miller v. Glenn
Miller Prods., 318 F. Supp. 2d 923, 938 (C.D. Cal. 2004)

1 Jackson, 25 F. 3d at 889 ("Laches is based on the plaintiff's delay in
2 beginning litigation").

3 263 F.3d at 952.

4 **The next question is whether [the target party's] delay was**
5 **reasonable.** . . . In determining reasonableness, courts look to the
6 cause of the delay. Delay has been held permissible, among other
7 reasons, when it is necessitated by the exhaustion of remedies through
8 the administrative process, [citation omitted]; when it is "used to
9 evaluate and prepare a complicated claim," [citation omitted] and when
10 its purpose is "to determine whether the scope of proposed
11 infringement will justify the cost of litigation," *id.* By contrast, delay is
12 impermissible when its purpose is to capitalize on the value of the
13 alleged infringer's labor, by determining whether the infringing
14 conduct will be profitable.

15 263 F.3d at 954. As to the third element, prejudice, the Danjaq Court held:

16 Unreasonable delay, however, is not enough: "In addition, laches
17 requires prejudice." [citation omitted] Courts have recognized various
18 sorts of prejudice for purposes of laches. The reason for this is clear
19 and, in some sense, definitional: The very purpose of laches as an
20 equitable doctrine -- and the reason that it differs from a statute of
21 limitations -- is that the claim is barred because the plaintiff's delay
22 occasioned the defendant's prejudice. Telink, 24 F. 3d at 45 ("Unlike
23 a limitations period, which bars an action strictly by time lapse, laches
24 bars a claim if unreasonable delay causes prejudice to the defendant.
25 International Tel. & Tel. Corp. v. General Elecs. Corp, 518 F 2d 913,
26 926 (9th Cir. 1975).. 'Laches is not like limitation, a mere matter of
27 time; but principally a question of the inequity of permitting the claim
28 to be enforced -- an inequity founded upon some change in the
29 condition or relations of the property or parties.' Holmberg. v.
30 Armbrecht, 327 U.S. [932] 396. 66 S. Ct. 582, 90 L. Ed. 743
31 [(1946)]." (footnote omitted)).

32 Courts have recognized two chief forms of prejudice in the laches
33 context -- evidentiary and expectations-based. Evidentiary prejudice
34 includes such things as lost, stale, or degraded evidence, or witnesses
35 whose memories have faded or who have died. [citations omitted] A
36 defendant may also demonstrate prejudice by showing that it took
37 actions or suffered consequences that it would not have, had the
38 plaintiff brought suit promptly. Jackson, 25 F. 3d at 889 ("Here,
39 Appellees have shown that circumstances have changed in a way that
40 would not have occurred had Plaintiff sued earlier."); Russell v. Price,

1 612 F. 2d 1123, 1126 (9th Cir. 1979) ("Defendants at no time changed
 2 their film distribution activities in reliance on [Plaintiff's] conduct.");
 3 Lotus, 831 F. Supp. at 220 (noting that one form of prejudice is"
 4 continuing investments and outlays by the alleged infringer in
 5 connection with the operation of its business").

6 263 F.3d at 955.

7 In this case, the evidence does not support those elements.

8 **1. No Delay after Time Plaintiffs Knew or Should Have Known**
 9 **Chordiant Had No License.**

10 A defendant that persisted in a claim that it had a license through May 2010
 11 should not be heard in equity to argue that the plaintiff should have known it had no such
 12 license in 2004. This is especially so when that defendant made written representations that
 13 it had a license when, in fact, it did not. Chordiant, through trial, could not even tell the
 14 Court whether or not Mr. Akande worked for it. How then should it be heard to argue that
 15 Dr. Yue should have known that Mr. Akande worked for Chordiant when he told Dr. Yue
 16 that the license he claimed his employer had been "raised under the previous company
 17 name" of "Prime Response Ltd."⁴ In April 2007, Mr. Wilson told Dr. Yue that the
 18 Chordiant *he* was working for "purchased 1 developer license, 1000 runtime licenses
 19 (s10303) from you several years ago."⁵ How then was it unreasonable for Dr. Yue not to
 20 realize that Chordiant had no license and neglect to set about promptly suing it at those
 21 times?

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 24 ⁴ Exhibit 1090, page 3. Chordiant cannot argue that Mr. Akande was really an
 25 employee of Chordiant Software International Ltd, and Mr. Akande was really saying that
 26 he was representing that entity, because Chordiant also argues that Dr. Yue should have
 27 known it was dealing with Chordiant Software, Inc. when it was dealing with Mr. Akande.
 Chordiant cannot, in equity, take those opposite positions for purposes of this equitable
 motion.

28 ⁵ Exhibit 1162.

1 Again, "any delay is to be measured from the time that the plaintiff knew or
2 should have known about the potential claim at issue." Danjaq LLC v. Sony Corp., 263
3 F.3d at 952.

4 **2. Any Delay Was Not Unreasonable.**

5 Again, Mr. Akande in 2004, and Mr. Wilson in 2007, affirmatively, falsely
6 in at least Wilson's case, represented to Dr. Yue that "Chordiant" employing them was Dr.
7 Yue's licensee. In that context, it should not be found that Dr. Yue's delay to file an
8 infringement action was unreasonable.

9 Further, Mr. Witte acted in a manner that could have caused Dr. Yue to
10 reasonably believe that Chordiant was the licensee under the 2000 and 2004 licenses, as Mr.
11 Akande and Mr. Wilson had explicitly stated. First, in September 2007, Mr. Witte
12 indicated Chordiant was a licensee by telling Dr. Yue that Chordiant would investigate the
13 number of copies it had made, as required by Plaintiffs' licenses to Prime Response Ltd and
14 Chordiant International.⁶ Next, just as Chordiant was beginning its effort to secretly
15 remove Dr. Yue's Windows *and* Java software, Mr. Witte took the position that Chordiant
16 *did* have a license, but had no duty to account for the copies it made.⁷ Then, in December
17 2007, when that removal was nearly complete, Mr. Witte finally divulged the results of the
18 copy count Mr. Witte had actually completed in September, 2007,⁸ before Chordiant began

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24 ⁶ Exhibit 1164 ("We are collecting information on use of Netbula's software and I
expect to be back to you with more information before long.")

25 ⁷ Exhibit 1169 ("if you are going to ask Chordiant for the unusual and burdensome
information you've been talking about, you need to show me where in any agreement it is
required for Chordiant to provide that information. We take *our contractual obligations*
seriously." [emphasis added])

26 ⁸ Exhibit 1544

1 to remove Netbula's software. At that time, Mr. Witte further represented that the removal
2 of Netbula's software was complete.⁹

3 In addition, Mr. Wilson, and Mr. Witte both concealed the copying and
4 removal of the Netbula Java works that was going on while they were communicating with
5 him regarding the Netbula Windows works.
6

7 Finally, Chordiant has persisted in asserting that it did have a license right up
8 through trial in 2010. How then can it be heard to assert in equity that Dr. Yue delayed
9 bringing this action because he thought, for a time, that might be so?

10 3. No Prejudice to Chordiant.

11 Mr. Witte's tactics reflect *benefits* that Chordiant received by pretending it
12 had a license. That is, Mr. Witte conducted a count that it admitted in its opening statement
13 was too small, and that was conveniently 8 copies short of the license it repeatedly claimed
14 to Dr. Yue (and this Court) that it had. He completed that Count in September 2007.
15 Exhibit 1544. Chordiant initiated its effort to remove the Netbula works in October 2007.
16 Exhibit 1700. Mr. Witte finally disclosed the purported results of that count two months
17 later, when he thought the removal of Netbula's works was complete. Exhibit 1170. During
18 that time, Mr. Witte kept Dr. Yue hanging on with promises that Chordiant was, in October
19 2007 (when the copy-count was complete but removal was just beginning) still counting,¹⁰
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25 ⁹ Exhibit 1170 ("For all customers, the total number is thus 953 copies. I should also
26 advise you that Chordiant has decided to replace Netbula's code with substitute code not
provided by Netbula.")

27 ¹⁰ Exhibit 1169 ("We are continuing to collect information about the number of copies
28 distributed")

1 but withheld the delivery of that information until the removal was arguably complete.
2 Exhibit 1170.

3 Chordiant gained an important benefit from that delay. It kept Plaintiffs
4 from bringing an action seeking impoundment of Marketing Director under 17 USC § 503.
5 As it was, Plaintiffs filed this action within two weeks of Mr. Witte's delivery of his
6 December 21, 2007 email indicating the infringed software was removed so that there
7 would be no more copies made. Accordingly, it cannot be truthfully said in this case that "
8 the plaintiff's delay occasioned the defendant's prejudice." Danjaq LLC v. Sony Corp., 263
9 F.3d at 955.

11 **C. The Doctrine of Estoppel, if a Proper Defense to a Copyright Claim, Has**
12 **No Factual Basis in This Case.**

13 Chordiant cites one case, Granite States Ins. Co. v. Smart Modular Techs.,
14 76 F.3d 1023 (N.D Cal. 1996), as support for its position that Plaintiffs should be estopped
15 to receive the verdict rendered by the Jury. That subrogation action by an insurer for
16 negligence and breach of contract falls short of providing authority that a person whose
17 copyright has been infringed can be estopped from bringing a statutory claim for damages
18 arising from that infringement, but it does stand for the proposition that, insofar as
19 Chordiant's argument is that Dr. Yue's communications with Chordiant while it held itself
20 out to be a licensee estops him from denying that it is, that defense would be governed by
21 California law, the law chosen in the license to Chordiant International. Granite States,
22 *supra*, at 1029 ("California law governs the underlying merits of the dispute.").

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25 Under California law, a plaintiff can normally only be estopped to assert a
26 claim when the defendant meets its burden of proving that the false representation of

1 plaintiff led the defendant, who was ignorant of the true facts, to act to its detriment.
2 GMAC v. Gandy, 200 Cal. 284, 297 (Cal. 1927) ("Among the dominant essentials of
3 equitable estoppel or estoppel *in pais* is that there must have been a false representation or a
4 concealment of material facts of the matter as to which the estoppel is claimed, and the
5 party to whom such representation is made or from whom such facts are concealed must
6 have been ignorant, actual and permissibly, of the truth of the matter").
7

8 Plaintiffs submit that, due to the evidence set forth above, Chordiant has not
9 and could not have met that burden.

10 **D. Chordiant Is Estopped to Assert either Laches or Estoppel**

11 A defendant is estopped to assert a defense of laches if the plaintiff's delay in
12 asserting its rights was somehow induced by the defendant, or was somehow caused by the
13 defendant's negligence or untrue statements. Austin v. Halmark Oil, 21 Cal. 2d 718, 735
14 (Cal. 1943) ("A defendant may be estopped from urging the defense of laches where his
15 conduct contributed to the delay."), Adams v. California Mut. Building and Loan, 18 Cal.
16 2d 487, 489 (Cal. 1941) ("Where the delay in commencing action is induced by the conduct
17 of the defendant it cannot be availed of by him as a defense.").

18 As set forth above, those are fair statements of what the evidence has shown
19 in this case, and Chordiant should be barred by its own statements in furtherance of delay
20 from asserting laches or estoppel at all.

21 **Conclusion**

22 For the foregoing reasons, Plaintiffs most respectfully request this honorable
23 Court to refrain from using its equitable powers to vary the Jury's verdict for any of the
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grounds asserted in Chordiant's Trial Brief on the Equitable Defenses of Laches, Estoppel,
and Acquiescence [Docket 474],.

Respectfully submitted,

DATED: June 23, 2010

_____/s/_____
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