

No. 08-17034

**IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

DONGXIAO YUE,

Plaintiff - Appellant,

v.

STORAGE TECHNOLOGY CORPORATION; SUN
MICROSYSTEMS INC.; MICHAEL MELNICK; JULIE
DECECCO; MICHAEL P. ABRAMOVITZ; LISA K.
RADY; JONATHAN SCHWARTZ,

Defendants - Appellees.

On Appeal from the United States District Court
for the Northern District of California
(District Case No. 5:07-CV-05850-JW)

BRIEF OF APPELLANT DONGXIAO YUE

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TABLE OF CONTENTS

I. STATEMENT OF JURISDICTION 1

II. ISSUES PRESENTED FOR REVIEW 1

A. Issues on the Disqualification of Defense Counsel 1

B. Issues on Award of Attorneys’ Fees under the Copyright Act 2

C. Issues on Plaintiff’s Motion to Strike Defendants’ Motion for Fees 3

D. Disqualification of the Former Judge and Rule 60(b) Relief 3

III. STATEMENT OF THE CASE 3

IV. STATEMENT OF FACTS..... 8

A. Facts for the Copyright Claims 8

B. Facts Regarding Fenwick’s Role in the *Netbula-Distinct ENE* 9

V. SUMMARY OF THE ARGUMENT11

A. Disqualification of Fenwick & West Due to Conflict of Interest 11

B. The Award of Attorney’s Fees 12

VI. STANDARDS OF REVIEW 13

VII. ARGUMENT 13

A. Defense Counsel was Disqualified Due to Conflict of Interest and Unprofessional Conduct 13

1. *The Yue v. Sun case is substantially factually related to the prior Netbula v. Distinct litigation* 14

2. *The departure of Claude M. Stern from Fenwick & West could not act as an ethical barrier between him and his former colleagues at Fenwick & West on confidences he obtained months before he left Fenwick..... 17*

3. *The past and ongoing work-relationship between Claude M. Stern and defense counsel Jedediah Wakefield creates a conclusive presumption of the sharing of confidences Mr. Stern obtained in the Netbula v. Distinct ENE* 18

4. *The district court should have granted Yue’s request for discovery or an evidentiary hearing on the motion for disqualification of Fenwick & West* 19

5. *Defense attorney Laurence F. Pulgram violated the rules of professional conduct by communicating with Yue directly on matters represented by counsel and should be disqualified* 22

B. The District Court Erred in Awarding Fees to Defendants Under the Copyright Act..... 23

6. *The district court did not to properly decide Defendants’ fee motion because it did not conduct a de novo review of magistrate judge’s report and recommendation*..... 23

7. *Defendants were not prevailing parties for the purpose of Section 505 of the Copyright Act because the district court made no decision on the merits of the copyright infringement claims but dismissed the case under the doctrine of virtual representation* 26

8. *Awarding fees to Defendants would endorse highly questionable business practice* 27

9. *The Fogerty/Lieb factors do not favor awarding fees to Defendants.* 28

10. *The district court’s award of fees was based on erroneous view of the facts* 30

11. *Post-judgment fees on matters such as the motion for disqualification of counsel was not awardable under the Copyright Act because there was no longer a “civil action” under the Copyright Act after the copyright claims were dismissed* 32

12. *“Fees upon fees” are not awardable under the Copyright Act*..... 33

13. *The district court did not make a lodestar analysis of the fees award* 34

14. <i>Block billing made it impossible to determine the reasonableness of fees</i>	35
15. <i>The amount of fees awarded was unreasonable</i>	37
16. <i>Yue was not afforded due process in contesting the fee award</i>	40
C. Defendants’ Fee Motion Should Have Been Denied for Failure to Comply with Mandatory Local Rule	42
17. <i>The Northern District Civil Local Rule 54-6 was unambiguous and enforceable</i>	42
18. <i>Even if the Northern District Civil Local Rule 54-6 was ambiguous or otherwise unenforceable, it was unreasonable to require Yue to pay over \$10,000 for help identifying the ambiguity in the rules</i>	44
D. Disqualification of Judge Jenkins and Rule 60(b) Relief	44
19. <i>The disqualification of former Judge Martin J. Jenkins was not moot</i>	44
20. <i>Rule 60(b) relief could have been granted because Defendants filed no opposition</i>	45
VIII. CONCLUSION	45

TABLE OF AUTHORITIES

Cases

<i>Barilla v. Ervin</i> , 886 F.2d 1514, 1518 (9th Cir. 1989).....	25
<i>Berkla v. Corel Corp.</i> , 302 F.3d 909 (9th Cir. 2002).....	27
<i>Brayton Purcell LLP v. Recordon & Recordon</i> , 487 F. Supp. 2d 1124, 1127 (N.D. Cal. 2007)	32
<i>Bridgeport Music v. Rhyme Syndicate Music</i> , 376 F.3d 615, 628 (6th Cir. 2004).....	30
<i>Camacho v. Bridgeport Financial</i> , 523 F.3d 973, 977-78 (9th Cir. 2008)	13
<i>Camacho v. Bridgeport Financial</i> , 523 F.3d 973, 982 (9th Cir. 2008).....	34
<i>Cancio v. Financial Credit Network, Inc</i> , 2005 US DIST LEXIS 13626 at 16 (N D Cal 2005).....	39
<i>Cho v. Superior Court</i> , 39 Cal.App.4th 113 (1995)	21
<i>Clark v. American Marine Corp.</i> , 320 F. Supp. 709 (E.D.La. 1970).....	35
<i>Erickson v. Pardus</i> , 127 S. Ct. 2197, 2200 (2007).....	31
<i>Fantasy, Inc. v. Fogerty</i> , 94 F.3d 553, 558 (9th Cir. 1996).....	28
<i>Ferland v. Conrad Credit Corp.</i> , 244 F.3d 1145, 1147-48 (9th Cir. 2001).....	13
<i>Fields-D'arpino v. Restaurant Associates</i> ,	

39 F.Supp.2d 412(S.D.N.Y. 1999) 21
Fogerty v. Fantasy, Inc.,
 510 U.S. 517 (1994)..... 26, 28
Hensley v. Eckerhart,
 461 U.S. 424, 103 S.Ct. 1933, 1939-1940, 76 L.Ed.2d 40 (1983)..... 39
Identity Arts v. Best Buy Enterprise Services Inc.,
 No. C 05-4656 PJH. (N.D.Cal. 3-26-2008) 33
In Re County of Los Angeles,
 223 F.3d 990, 993 (9th Cir. 2000)..... 14
Johnson v. Georgia Highway Express, Inc.,
 488 F.2d 714, 718 (5th Cir. 1974)..... 35
JONES v. WALKER,
 496 F.3d 1216, 1220 (11th Cir. 2007)..... 43
Kerr v. Screen Extras Guild, Inc.,
 526 F.2d 67, 70 (9th Cir. 1975)..... 35
Kourtis v. Cameron,
 419 F.3d 989 (9th Cir. 2005)..... 29
Liljeberg v. Health Services Acquisition Corp.,
 486 U.S. 847, 100 L. Ed. 2d 855, 108 S. Ct. 2194 (1988) 44
Machadio v. Apfel,
 276 F.3d 103, 106 (2d Cir. 2002)..... 43
Massey v. City of Ferndale,
 7 F.3d 506 (6th Cir. 1993)..... 25
McCOMBS v. MEIJER, INC.,
 395 F.3d 346, 360 (6th Cir. 2005)..... 25
McKenzie Const. v. St. Croix Storage Corp.,
 961 F.Supp. 857 (V.I. 1997)..... 21
Perfect 10 v. Ccbill LLC.,

488 F.3d 1102 (9th Cir. 2007)..... 30

Petroleum Sales, Inc. v. Valero Refining Co. — Calif. ,
 No. C 05-3526 SBA. (N.D.Cal. 9-11-2007) 36

Poly Software Intern., Inc. v. Su,
 880 F. Supp. 1487(Utah 1995)..... 21

Riley v. Northwestern Bell Telephone Co.,
 1 F.3d 725, 729 (8th Cir. 1993)..... 43

Romstadt v. Allstate Ins. Co.,
 59 F.3d 608, 615 (6th Cir. 1995)..... 25

Screenlife Establishment v. Tower Video, Inc.,
 868 F. Supp. 47, 50 (S.D.N.Y. 1994) 26

Sealy, Inc. v. Easy Living, Inc.,
 743 F.2d 1378 (9th Cir. 1984)..... 35

Torres-Negrón v. J & N Records,
 504 F.3d 151, 164 (1st Cir. 2007) 26

Trone v. Smith,
 621 F.2d 994, 998 (9th Cir. 1980)..... 14, 22

Trone v. Smith,
 621 F.2d 994,999 (9th Cir. 1980)..... 13

U.S. v. GOMEZ-ROSARIO,
 418 F.3d 90, 101 (1st Cir. 2005) 43

Statutes

28 U.S.C. § 1291..... 1

28 U.S.C. § 636(b)(1) 25

FRCP 72(b) 24, 25

I. STATEMENT OF JURISDICTION

This is the second appeal from district court's orders in the *Yue-Sun* case below. This Court has jurisdiction pursuant to 28 U.S.C. § 1291, because (1) the district court dismissed the case below with prejudice and entered final judgment against Plaintiff on March 4, 2008 and Plaintiff filed a timely appeal of the final judgment; (2) the district court issued the final order on the last dispositive motion – Defendants' motion for attorneys' fees under Section 505 of the Copyright Act -- on September 5, 2008; and (3) Plaintiff timely filed the second Notice of Appeal pursuant to Federal Rule of Appellate Procedure 4(a) on September 10, 2008.

II. ISSUES PRESENTED FOR REVIEW

A. Issues on the Disqualification of Defense Counsel

1. Was the *Yue v. Sun* case substantially factually related to the prior *Netbula v. Distinct* litigation which involved the same PowerRPC software?
2. Did the departure of Claude M. Stern from the Fenwick & West firm act as an ethical barrier between Mr. Stern and his former colleagues at Fenwick & West on confidences he obtained at Fenwick?
3. Does the past and ongoing work-relationship between Claude M. Stern and defense counsel Jedediah Wakefield create a conclusive presumption of the sharing of confidences Mr. Stern obtained in the *Netbula v.*

Distinct litigation?

4. Should the district court grant Plaintiff's request for discovery or an evidentiary hearing on the motion for disqualification of Fenwick & West in light of the evidence that Stern may have shared the confidence with others at Fenwick?
5. Did defense attorney Laurence F. Pulgram violate the rules of professional conduct by communicating to Yue directly on matters represented by counsel?

B. Issues on Award of Attorneys' Fees under the Copyright Act

6. Since the district court declined to review *de novo* Yue's timely objections to the magistrate judge's report and recommendation and denied Yue's duly noticed motion for *de novo* determination, have the district court properly decided the fee award?
7. Were Defendants prevailing parties for the purpose of Section 505 of the Copyright Act even though the district court made no decision on the merits of the copyright infringement claims but dismissed the case under the doctrine of virtual representation?
8. Did the district court consider the pivotal criterion established by the Ninth Circuit in *Berkla v. Corel Corp* in determining whether to award fees to Defendants?
9. Did the *Fogerty* factors favor awarding fees to Defendants?

10. Was the district court's award of fees based on correct view of the facts?
11. Were post-judgment fees on matters such as the motion for disqualification of counsel and Rule 60(b) motion awardable under the Copyright Act?
12. Were "fees upon fees" awardable under the Copyright Act?
13. Did the district court perform a lodestar analysis for the fee award?
14. Did the district court properly determine the reasonableness of the fees?
15. Was the amount of fees awarded reasonable?

C. Issues on Plaintiff's Motion to Strike Defendants' Motion for Fees

16. Was Yue afforded the opportunity to contest the amount of fees?
17. Was Northern District Civil Local Rule 54-6 ambiguous or otherwise unenforceable?
18. Even if Northern District Civil Local Rule 54-6 was ambiguous or otherwise unenforceable, was it reasonable to order Yue to pay Defendants' fee for litigating the motion to strike for their failure to comply with the rule?

D. Disqualification of the Former Judge and Rule 60(b) Relief

19. Was the disqualification of former Judge Martin J. Jenkins moot?
20. Should Rule 60(b) relief be granted?

III. STATEMENT OF THE CASE

Dongxiao Yue ("Yue") is the author and the owner of the three

copyrights in the PowerRPC software, and the founder of Netbula, LLC. This 10-count copyright infringement action arises out of StorageTek and Sun's unauthorized copying, distribution and adaptation of PowerRPC. The individual defendants directly infringed the copyrights, destroyed evidence, contributed to the infringement or are vicariously liable for the infringement.

On October 22, 2007, Yue filed a motion to intervene and join the *Netbula-Sun* litigation. At the time, there was no dispositive motion pending in that case and discovery was ongoing. After his effort to join *Netbula-Sun* was rebuffed, on November 19, 2007, acting *pro se*, Yue commenced this lawsuit. On January 28, 2008, attorney Elena Rivkin noticed her appearance as counsel for Yue. On February 21, 2008, Rivkin filed a motion to withdraw. See Excerpts of Record, Volume 2, pages ERV2.214-231 for Docket Sheet.

On March 4, 2008, the former presiding judge dismissed the case with prejudice. On March 26, 2008, Plaintiff filed a motion for relief from judgment under FRCP 60(b). Plaintiff amended the rule 60(b) motion on April 30, 2008.

In the related *Yue v. Chordiant Software, Inc.* case (No. C08-0019-JW, N.D. Cal), on March 10, 2008, Yue filed a motion to disqualify Fenwick & West and Laurence Pulgram. Later, the disqualification motion was also filed in the *Yue-Sun* case, on the ground that (1) a Fenwick & West attorney Claude M. Stern served as an Early Neutral Evaluator in a prior case

involving the PowerRPC software and (2) Laurence Pulgram made direct communication to a represented party. The briefing of the disqualification motion was completed on April 17, 2008.

On June 3, 2008, forty-seven (47) days after the completion of the briefing of the motion to disqualify counsel, Defendants requested to file a surreply, supported by declarations of Claude M. Stern, Jedediah Wakefield, Connie L. Ellerbach and Laurence Pulgram. After the Fenwick attorneys refused to have their depositions taken, Yue filed a motion for a court order to compel the deposition of the four declarants. ERV2.157-160. See also, Doc. 109 below. Defendants filed an opposition.

On June 24, 2008, the district court granted Defendants' motion to file the surreply, and ordered that Yue could not take depositions of "current opposing counsel." Excerpts of Record, Volume 1, page ERV1.73:23-24. On June 26, 2008, Yue filed a response to Defendants' surreply, supported by evidence that contradicted Stern's declaration that he did not discuss the *Netbula-Distinct* ENE with anyone at Fenwick & West. ERV2.146-147.

Next day, on June 27, 2008, Claude M. Stern telephoned Yue, stating that he was willing to have his deposition taken. ERV2.136. Stern stated that he left Fenwick & West in June 2003.

On June 30, 2008, at the hearing of the motion to disqualify Fenwick and Pulgram, the district court instructed Yue to provide further evidence

regarding the *Netbula-Distinct* ENE. See, e.g., ERV1.51 (hearing transcript). Yue then contacted Stern and defense counsel Jedediah Wakefield to arrange the deposition of Stern. ERV2.136. On the same day, Wakefield wrote a letter to the district judge, objecting to the deposition of Stern. ERV2.139-143. See also, ERV2.138.

On July 24, 2008, the district court denied the motion to disqualify defense counsel and ordered that Plaintiff may not depose Stern. It also denied Plaintiff's rule 60(b) motion for lack of jurisdiction. ERV1.21-25.

On March 18, 2008, Defendants filed a motion for attorney's fees, seeking \$92,000 in fees and costs. ERV2.194:25.

On April 1, 2008, Yue filed an opposition to Defendants' motion for attorney's fees and a notice of appeal. On April 8, 2008, Defendants filed a reply brief to Yue's opposition to the motion for attorney's fees, seeking an additional \$42,000 in fees and costs. ERV2.187:22-23.

On April 24, 2008, Yue informed defense counsel that they did not comply with Civil Local Rule 54-6 in filing their motion for attorney's fees because they never attempted to confer with Yue "for the purpose of attempting to resolve any disputes with respect to the motion." ERV2.134-135. On June 16, 2008, Yue filed a motion to strike Defendants' motion for attorney's fees for their failure to comply with Civil Local Rule 54-6.

On July 22, 2008, the hearing of Defendants' fee motion and Yue's motion to strike was held before Magistrate Judge Elizabeth D. Laporte. Yue argued the motions *pro se*. See, ERV1.29-41 for the transcript of the hearing.

On July 23, 2008, the district court signed an order that "allows Elena Rivkin Franz to withdraw as counsel of record" for Yue and "[s]ubstituting Dongxiao Yue as new counsel of record, *in propria persona*." ERV1.27-28.

On the same day, Plaintiff informed the district court that he had received the certificate for the YUE PWRPC (TXu 1-576-987) copyright. See, ERV2.123 for the copyright certificate.

On August 6, 2008, the Magistrate Judge recommended that Defendants be awarded \$219,949.90 in attorney's fees and costs under §505 of the Copyright Act. The Magistrate Judge also recommended that striking Defendants' fee motion was unwarranted. ERV1.4-13.

On August 20, 2008, Plaintiff filed *two* duly noticed motions for *De Novo* review. One was Docket No. 145 below, "Motion for De Novo Determination of Plaintiff's Motion to Strike". ERV2.115-121. The other motion was Docket No. 146 below, "Motion for De Novo Determination of Defendants' Motion for Attorney's Fees." ERV2.85-114. Both motions were noticed for hearing on November 3, 2008. ERV2.228-229.

On September 5, 2008, before Defendants filed any opposition to Plaintiff's *two* duly noticed motions for *de novo* review, the district court

declined *de novo* review, vacated the hearing of the Motion on Docket No. 145, and ordered Yue to pay defendants \$219,949.90 in 30 days. ERV1.1-2.

On September 10, 2008, Plaintiff filed the second notice of appeal. On September 17, 2008, Plaintiff filed the motion for stay pending appeal. On November 19, 2008, the district court denied Plaintiff's motion for stay. See docket entries on ERV2.229-231.

IV. STATEMENT OF FACTS

A. Facts for the Copyright Claims¹

Since 1994, Yue had been developing software he later named "PowerRPC." In July 1996, Yue founded a Delaware Limited Liability Company named "Netbula, LLC" ("Netbula") to market PowerRPC.

One of three copyrights alleged in this case covers the code Yue wrote before he founded Nebula. This copyright is titled "YUE PWRPC" and has U.S. copyright registration number TXu 1-576-987 (effective date of November 27, 2007). ERV2.123. The two other copyrights were assigned from Netbula to Yue in September 2007, along with accrued and prospective causes of action.

In 2000, StorageTek purchased eight (8) PowerRPC developer licenses (SDK licenses) and 1000 runtime licenses. Yue delivered the software to

¹ Unless otherwise noted, the facts in this section are taken directly from the First Amended Complaint ("FAC").

StorageTek on a CD with the license information on the CD label: licensee -- “StorageTek”, invoice number -- “1605”, “8 Developers 1000 runtime”.

In September 2002, StorageTek informed Netbula that it no longer distributed the PowerRPC runtime with its products. Unknown to Yue, StorageTek incorporated PowerRPC into its “LibAttach” product and distributed LibAttach to many customers. In March 2004, defendant Lisa K. Rady, the program manager of the LibAttach, wrote in an internal email:

As you can see, we have exceeded the 1,000 distributions that we had right to with Netbula.... I think it is obvious that engineering has not and did not monitor the distributions on this product.

In the responding email, StorageTek manager Michael Melnick wrote:

The agreement is specific to platform (Win NT and 95/98 platforms) types of Netbula software (PowerRPC SDK). This concerns me greatly as we have already told them we are no longer shipping it with our product.

Despite the fact that its managers knew that it exceeded the license, StorageTek concealed this fact from Plaintiff and continued to make unauthorized copies of PowerRPC, including selling unlimited licenses for the LibAttach software.

B. Facts Regarding Fenwick’s Role in the *Netbula-Distinct ENE*

Distinct Corporation (“Distinct”) has been a direct competitor in the RPC software market. It had and still has products similar to PowerRPC and

JavaRPC. The JavaRPC software was an implementation of the PowerRPC technology in the Java programming language. ERV2.145.

In 2002, Netbula sued Distinct for trademark infringement of the PowerRPC and Netbula marks. In November 2002, Netbula and Distinct held an Early Neutral Evaluation (“ENE”) session at the office of Fenwick & West, LLP. Claude M. Stern, a partner of Fenwick, acted as the Early Neutral Evaluator. In two private meetings, Mr. Claude asked Yue to tell him concerns and positions about the various disputes between the two competitors in the RPC market, so he could provide a candid evaluation. Yue talked to Mr. Stern on related issues in confidence. Yue also provided confidential documents to Mr. Stern. Mr. Stern provided legal advice to Yue on the strength and weakness of the *Netbula-Distinct* case. See, ERV2.145-148; ERV2.181; ERV2.209; ERV1.46.

In January 2006, Netbula filed a copyright infringement action against Symantec Corporation (“Symantec”) et al (Case No. C06-0711 (N.D. Cal), the “*Symantec* case”), alleging the infringement of PowerRPC. The Symantec defendants were represented by Fenwick & West.

Yue did not realize the connection between Claude Stern and the Symantec litigation team until sometime in July 2007, after Fenwick attorney Jedediah Wakefield showed surprising level of knowledge about the *Netbula v. Distinct* dispute in deposing Yue as a witness in the *Symantec* case.

ERV2.183. In particular, Wakefield possessed *Netbula v. Distinct* documents Yue had never seen. ERV2.145.

In a declaration filed on July 31, 2007 in the *Symantec* case, Yue pointed out that the *Netbula-Distinct* ENE was held at Fenwick office. In March 2008, Yue emailed Wakefield and other Fenwick attorneys, suggesting that Fenwick should disqualify itself due to conflict of interest. ERV2.183.

Yue later found that Jedediah Wakefield worked closely with Claude M. Stern on intellectual property cases when Wakefield was an associate at Fenwick. ERV2.183-184. Although Stern allegedly left Fenwick in June 2003, he and Wakefield remained as “work friends” connected by the Facebook social network. ERV2.78-80.

V. SUMMARY OF THE ARGUMENT

A. Disqualification of Fenwick & West Due to Conflict of Interest

In 2002, Claude M. Stern, a Fenwick & West attorney, obtained confidential information from Yue and Netbula regarding PowerRPC and JavaRPC in the course of *Netbula-Distinct* litigation while serving as an Early Neutral. At the time, Mr. Stern and Jedediah Wakefield had a close work relationship at Fenwick & West.

After Stern allegedly left Fenwick in June 2003, Stern and Wakefield continued to maintain a close relationship. Moreover, Wakefield mysteriously possessed numerous documents about the *Netbula-Distinct*

case. Wakefield fought vehemently to prevent the discovery of his and Stern's knowledge of the *Netbula-Distinct* ENE in the proceedings below. Stern's own declaration showed that he could not account for the whereabouts of the confidential PowerRPC case documents. Under these circumstances, it can be conclusively presumed that a sharing of confidences between Stern and Wakefield had occurred. Accordingly, defense counsel must be disqualified.

B. The Award of Attorney's Fees

Because the district court did not conduct *de novo* review of the parts of magistrate judge's recommendation that had been properly objected to, the fee award had not been properly determined. Because the district court did not decide the merits of the copyright claims, Defendants are not prevailing parties for the purpose of Section 505 of the Copyright Act. Even if the Defendants were prevailing parties, awarding fees to them would endorse highly questionable business practice and would not be faithful to the purpose of the Copyright Act. The Ninth Circuit *Fogerty* factors do not favor a fee award to Defendants. Much of the fees was not awardable under the Copyright Act. Defendants failed to confer with Plaintiff as required by local rule. Plaintiff wasn't afforded due process in contesting the fee demand. The district court did not make a lodestar calculation and did not determine the reasonableness of the massive fee amount. The fee award should be vacated.

VI. STANDARDS OF REVIEW

A. Standard of Review on the Motion to Disqualify Fenwick & West and Laurence Pulgram

“The primary responsibility for controlling the conduct of lawyers practicing before the district court rests with that court.” *Trone v. Smith*, 621 F.2d 994,999 (9th Cir. 1980). The standard of review is abuse of discretion. The Court treats an interlocutory appeal on denying a motion to disqualify counsel “as a petition for mandamus.” *Id.* at 1002.

B. Standard of Review on the Motion for Attorneys’ Fees

The Ninth Circuit established the following standard for the review of attorneys’ fees award:

“We review the factual determinations underlying an award of attorneys' fees for clear error and the legal premises a district court uses to determine an award *de novo*.” *Ferland v. Conrad Credit Corp.*, 244 F.3d 1145, 1147-48 (9th Cir. 2001) (per curiam) (citations omitted). “If we conclude that the district court applied the proper legal principles and did not clearly err in any factual determination, then we review the award of attorneys' fees for an abuse of discretion.” *Id.* at 1148.

Camacho v. Bridgeport Financial, 523 F.3d 973, 977-78 (9th Cir. 2008).

VII. ARGUMENT

A. Defense Counsel was Disqualified Due to Conflict of Interest and Unprofessional Conduct

The Ninth Circuit has held that a settlement judge or mediator “becomes a confidant of the parties, on a par with the parties' own lawyers” and “will

be conclusively presumed to have received client confidences in the course of the mediation.” *In Re County of Los Angeles*, 223 F.3d 990, 993 (9th Cir. 2000). Claude M. Stern was like Yue and Netbula’s attorney for his role in the *Netbula-Distinct* ENE.

1. *The Yue v. Sun case is substantially factually related to the prior Netbula v. Distinct litigation*

As the Ninth Circuit explained, “[i]f there is a reasonable probability that confidences were disclosed [in an earlier representation] which could be used against the client in [a] later, adverse representation, a substantial relation between the two cases is presumed.” *Id* at 994 (citing *Trone v. Smith*, 621 F.2d 994, 998 (9th Cir. 1980)). In the *Netbula-Distinct* ENE, various issues about PowerRPC and JavaRPC were discussed between Stern and Yue in confidential meetings, including history of the products, history of the dispute with Distinct, pricing of the PowerRPC and JavaRPC products, market value, market of the products and Distinct’s potential claim that Netbula infringed its copyright. ERV2.147. The confidences can be used against Yue in this litigation which involves the same PowerRPC software².

For instance, the *Distinct* case was closely related to the market and value of PowerRPC and the licensing of these technologies and the RPC software market in general. Defendants admitted that the *Yue-Sun* also

² The district court’s order did not state whether the two cases were substantially factually related. See, ERV1.24:1-7.

involves “value of the copyrighted work” (i.e., PowerRPC) and “pricing history” which is “crucial evidence as to the market value or reasonable royalty for the software at issue.” ERV2.213:3-24.

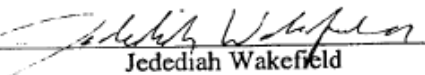
Moreover, as Defense counsel represented in numerous filings at the district court, the *Netbula-Distinct* dispute involved copyright claims. In a related PowerRPC copyright case, Defense Counsel made the following document request, which they later filed with the Court as an Exhibit to a declaration of Jedediah Wakefield.

DOCUMENT REQUEST NO. 22

All DOCUMENTS CONCERNING alleged copyright infringement by NETBULA, including but not limited to DOCUMENTS CONCERNING accusations by DISTINCT that NETBULA was engaged in copyright infringement, as set forth in Paragraph 13 of Defendant Distinct Corporation’s Supplemental Counterclaims, *Netbula, LLC v. Distinct Corp.*, Case No. C-02-1253-JL (N.D. Cal.).

Dated: October 12, 2006

FENWICK & WEST LLP

By: 
Jedediah Wakefield

ERV2.149. In a motion for sanctions, Mr. Wakefield wrote:

Defendants noted in their March 9 letter that Netbula had apparently failed to produce **highly relevant** documents related to a **previous intellectual property dispute between Netbula and a third party named Distinct Corporation** (“Distinct”) that were specifically called for by Document Request No. 22. In its February 28 production, Netbula had

produced a document in response to this request—a letter from **Distinct accusing Netbula’s PowerRPC software of copyright infringement** and demanding a response. See **Sieber Reply Decl. ¶ 7**.

ERV2.135; See also, ERV2.151, Defendants’ “Reply Brief In Support of Motion to Enforce Prior Court Order and For Sanctions”, filed by Jed Wakefield (emphasis added). Fenwick attorney Albert Sieber, in his supporting declaration, stated,

Netbula had produced only a single document in response to Document Request 22, seeking all documents concerning alleged copyright infringement by Netbula, and **specifically documents related to allegations of infringement made by Distinct Corporation** (“Distinct”).

ERV2.153:20-25, Sieber declaration at ¶ 7(emphasis added).

The above documents show that Fenwick & West attorneys had already used the information from *Netbula-Distinct* against Netbula in the related PowerRPC copyright litigation. The confidences Fenwick & West obtained from the *Netbula-Distinct* ENE can also be used against Netbula in the related litigations. Similarly, Fenwick attorneys could use the confidences obtained from Yue in the Distinct ENE against Yue in *Yue-Sun* -- Yue has always been the owner of the pre-Netbula PWRPC copyright, is the principal of Netbula and is the assignee of the Netbula copyrights. Therefore, the *Yue-Sun* and *Netbula-Distinct* are substantially factually related.

2. The departure of Claude M. Stern from Fenwick & West could not act as an ethical barrier between him and his former colleagues at Fenwick & West on confidences he obtained months before he left Fenwick

Claude M. Stern stated in his declaration that he left Fenwick & West in June 2003. As to the whereabouts of the *Netbula-Distinct* ENE files, he stated the following in his declaration:

As far as I can recall, I did not discuss or disclose any confidential information concerning the *Netbula v. Distinct* case to anyone at Fenwick...

I have asked my secretary Dandra Nichols to conduct a search of the file database reflecting what files I brought with me from Fenwick & West to Quinn Emanuel. I have been informed by Sandra and believe that we have no file at Quinn Emanuel relating to the *Netbula v. Distinct* ENE. Based on this information, I have concluded that I destroyed the *Netbula v. Distinct* file either before I left Fenwick & West or shortly thereafter. Since I was the sole neutral in the *Netbula v. Distinct* matter, it would not have been my practice to leave that file at Fenwick & West upon my departure from that firm.

ERV2.166-168, Claude Stern Decl. at ¶¶ 5-6 (emphasis added). Mr. Stern also stated that he only discussed the ENE with Fenwick's general counsel.

Mr. Stern qualified his statement with "as far as I can recall", subject to the limitations of his memory. But, Mr. Stern definitely talked to his secretary at Fenwick about the ENE. See ERV2.146-7, Stern's letter on Fenwick & West stationery. Regarding the confidential ENE documents, Mr. Stern made a string of deductions based on what his secretary at his new

firm told him.

But, Mr. Stern failed to consider other possibilities. In fact, Mr. Stern basically admitted that he lost track of the *Netbula-Distinct* ENE files when he left Fenwick. He might have left copies of the ENE files on Fenwick's computers or office. That could explain how Wakefield possessed those *Netbula-Distinct* case files.

Mr. Stern made no claim that he instituted an ethical-wall to protect the ENE files while he was at Fenwick. The sharing of ENE files while Stern was at Fenwick is therefore conclusively presumed. Once the confidences were shared, there is no way to remove the information from people's mind. Stern's departure from Fenwick could not undo the sharing.

3. The past and ongoing work-relationship between Claude M. Stern and defense counsel Jedediah Wakefield creates a conclusive presumption of the sharing of confidences Mr. Stern obtained in the Netbula v. Distinct ENE

Yue requested Mr. Wakefield to provide a list of cases in which he worked with Mr. Stern, Wakefield refused to provide the information.

ERV2.81, 159. A Fenwick web page stated the following:

Led by partner Claude Stern and backed by associates Jed Wakefield..., Fenwick & West's team secured a victory that will enable Critical Path to maintain its position as a leader in Internet messaging infrastructure and services.

See <http://www.fenwick.com/pressroom/5.1.1.asp?mid=118&loc=SD>.

ERV2.183-4. This page clearly showed that Stern and Wakefield worked

closely on intellectual property cases. Claude M. Stern's list of "Work Friends" on his "Facebook" at www.facebook.com shows Mr. Wakefield as one in Mr. Stern's "work networks." In fact, Mr. Stern only lists four "Work Friends" on Facebook³, two of which are Fenwick & West attorneys, and one of the two is Mr. Wakefield. ERV2.78-80.

4. *The district court should have granted Yue's request for discovery or an evidentiary hearing on the motion for disqualification of Fenwick & West*

On June 3, 2008, defense counsel filed a motion for leave to file a surreply, supported by the declaration of three Fenwick attorneys and Claude M. Stern. Plaintiff informed defense counsel that he would not oppose the filing of the surreply if the four declarants agreed to have their depositions taken regarding the *Netbula-Distinct* ENE. ERV2.159. Plaintiff sent the declarants narrowly tailored deposition notices, but the Fenwick attorneys declined to have their deposition taken. ERV2.159-164.

Yue then filed a motion for a court order to depose the Stern and three Fenwick attorneys regarding the disqualification issue. Defendants filed an opposition. On June 24, 2008, the district court denied Yue's motion to "take depositions of current opposing counsel." ERV1.73.

On Friday, June 27, 2008, Stern telephoned Yue and stated that he was

³ Facebook, founded in 2004, is a social networking facility that enables "friends" to keep in touch and exchange information.

willing to have his deposition taken and suggested Yue to contact defense counsel to schedule the deposition. ERV2.136, 143. In the morning of June 30, 2008, at the hearing on Yue's motion to disqualify defense counsel, the district court instructed Yue to provide additional evidence about the *Netbula-Distinct* ENE. ERV1.51. Later that day, Yue contacted Wakefield to set a date and time for the Stern deposition. Wakefield immediately wrote a letter to the district judge, suggesting the court to stop the deposition of Stern. ERV2.139-143.

On July 23, 2008, the district court denied Yue's motion to disqualify Fenwick. Regarding the Stern deposition, the district court's order stated the following:

In a separate Order, the Court denied Plaintiff's motion to take the deposition of Claude Stern. The parties informed the Court that Plaintiff nevertheless gave notice he intends to proceed with the deposition. (Docket Item Nos. 125, 130.) In light of Plaintiff's attempt to proceed with the deposition, Defendants or Stern may file a motion before Magistrate Judge Elizabeth D. Laporte for a protective order or to quash or modify the subpoena as appropriate.

ERV1.24:24-28 (fn.5).

The district court was in clear error here. Previously, the district court ordered that Yue may not depose "current opposing counsel." Claude M. Stern was not an opposing counsel. He allegedly left Fenwick in 2003, four years before this lawsuit was filed. Yue just wanted to ask him some

questions about the *Netbula-Distinct* ENE, such as the whereabouts of the confidential ENE files.

As Plaintiff later found out, Stern and Wakefield are “work friends”, evidenced by their Facebook “work networks.” ERV2.78-79. Facebook network was founded in 2004, ERV2.80, after Stern left Fenwick in 2003.

By opposing the deposition of Stern, Fenwick acted as Stern’s attorney. ERV2.143. This was as a judicial admission that rendered the inquiry of sharing of confidences unnecessary.

Stern – a former Fenwick & West partner – was like Yue’s lawyer by serving as the Early Neutral in the prior PowerRPC case and had obtained confidences that could be used against Yue in this lawsuit. As a result, Fenwick attorneys (such as Mr. Wakfeield) who worked closely with Stern had been tainted⁴. They cannot be untainted simply because Stern left Fenwick. Yue has a right to ensure that his trust in the system is not betrayed by attorneys switching sides. Confidentiality and loyalty are fundamental professional ethics of the legal profession.

“Disqualification does not depend upon proof of the abuse of

⁴ See, e.g., *Cho v. Superior Court*, 39 Cal.App.4th 113 (1995) (former settlement judge in a related case was hired by the law firm, the law firm was disqualified); *McKenzie Const. v. St. Croix Storage Corp.*, 961 F.Supp. 857 (V.I. 1997); *Fields-D'arpino v. Restaurant Associates*, 39 F.Supp.2d 412(S.D.N.Y. 1999); *Poly Software Intern., Inc. v. Su*, 880 F. Supp. 1487(Utah 1995).

confidential information. Because of the sensitivity of client confidence and the profession's institutional need to avoid *even the appearance* of a breach of confidence, disqualification is required when lawyers change sides in factually related cases.” *Trone v. Smith*, 621 F.2d 994, 1001 (9th Cir. 1980) (ordering removal of counsel) (emphasis added). Stern’s close association with Wakefield before and after Stern’s departure from Fenwick creates the appearance of breach of confidence and requires the disqualification of Wakefield and Fenwick & West.

5. Defense attorney Laurence F. Pulgram violated the rules of professional conduct by communicating with Yue directly on matters represented by counsel and should be disqualified

In October 2007, Pulgram initiated a string of email communications with Yue on substantive matters. ERV2.211-2. A large portion of these Pulgram-Yue communications were about the related *Netbula-Sun* case, which was then represented by attorney Vonnah M. Brillet. For instance, on October 31, 2007, Pulgram wrote the following email:

Dr. Yue's reference below to a December 16, 2005 letter from Sun threatens, for a second time, to breach the express agreement of confidentiality that Sun required before the settlement discussions of which it is a part. His reference to his desire to use extrinsic evidence to interpret the license agreements has also previously been addressed. This suggests that you may not have transmitted to him the attached prior response, as we requested.

The email was about the use of certain evidence in the *Netbula-Sun* litigation. But Pulgram sent this email directly to Yue – the principal of Netbula. ERV2.178-179, 212. Ms. Brillet stated in her declaration that she never authorized Pulgram to communicate with Yue on Netbula matters. *Id.*

Pulgram not only emailed Yue directly about Netbula matters, he also used these communications against Yue in this *Yue-Sun* case to argue that Yue was virtually represented in *Netbula-Sun*. Pulgram violated the rules of professional conduct and should be disqualified.

B. The District Court Erred in Awarding Fees to Defendants Under the Copyright Act

Under the American rule, each party bears its own cost of litigation, unless otherwise authorized by statute or agreement. Defendants in this case sought attorneys' fees under Section 505 of the Copyright Act.

6. The district court did not properly decide Defendants' fee motion because it did not conduct a de novo review of magistrate judge's report and recommendation

On August 20, 2008, Plaintiff filed *two* duly noticed motions for *De Novo* review. Both motions contain specific objections on law and fact. One motion was Docket No. 146, "Motion for De Novo Determination of Defendants' Motion for Attorney's Fees." This motion raised nine (9) objections on legal grounds⁵, and twenty (20) more specific objections to the

⁵ Some of the objections were the following (ERV2.86, TOC of Motion):

- Defendants are not prevailing parties for the purpose of Section 505 of

magistrate judge's report and recommendation. ERV2.85-114. The other was Docket No. 145 below, "Motion for De Novo Determination of Plaintiff's Motion to Strike," raising six issues. ERV2.115-121.

The district court did not determine *de novo* any of Plaintiff's twenty-nine (29) objections accompanied his Motion (Docket No. 146 below) for *De Novo* Review of Defendants' motion for attorney's fees. In fact, the district court's order did not even mention Plaintiff's "Motion for De Novo Determination of Defendants' Motion for Attorney's Fees." (Doc. 146 below) but vacated the hearing for the Motion for de novo review of Plaintiff's motion to strike (Doc. 145 below). See, ERV1.2.

"The district judge must determine *de novo* any part of the magistrate judge's disposition that has been properly objected to." FRCP 72(b) (3). "The district court cannot simply 'concur' in the magistrate's findings,... it must conduct its own review in order to adopt the recommendations."

the Copyright Act;

- The magistrate judge did not consider the pivotal criterion required by the Ninth Circuit for awarding fees under the Copyright Act;
- The district court lacked jurisdiction to adjudge the reasonableness of the copyright claims post-judgment as the case was on appeal;
- Legal fees on collateral matters are not awardable under the Copyright Act;
- Post-Judgment legal fees are not awardable under the Copyright Act;
- "Fees upon fees" are not awardable under the Copyright Act;
- The Magistrate did not make a lodestar analysis;
- Block billing made it impossible to determine the reasonableness of fees.

McCOMBS v. MEIJER, INC., 395 F.3d 346, 360 (6th Cir. 2005) (citing *Massey v. City of Ferndale*, 7 F.3d 506 (6th Cir. 1993)). Even if no objections were made, the district judge still must conduct a *de novo* review of all of a magistrate judge's conclusions of law. *Barilla v. Ervin*, 886 F.2d 1514, 1518 (9th Cir. 1989) (“failure to file objections only relieves the trial court of its burden to give *de novo* review to factual findings; conclusions of law must still be reviewed *de novo*.”).

The district court’s “ORDER...DENYING MOTION FOR DE NOVO REVIEW” provided the following reason for declining *de novo* review:

Since the Court has wide discretion to consider and reconsider a magistrate's recommendation, the Court finds that Judge Laporte’s award of attorney fees and costs are reasonable and ADOPTS Judge Laporte’s Report and Recommendation.

ERV1.1-2.

The district court applied the incorrect legal standard here. Although a fee award under the Copyright Act is discretionary, a district court abuses its discretion when “it relies on clearly erroneous findings of fact, or when it improperly applies the law or uses [an] erroneous legal standard.” *Romstadt v. Allstate Ins. Co.*, 59 F.3d 608, 615 (6th Cir. 1995). Plaintiff properly presented objections to the fee award on both law and fact. *De novo* determination was required by the statutory scheme defined in 28 U.S.C. § 636(b)(1) and implemented in FRCP 72(b). Since the district court denied

the request for *de novo* review and did not conduct a *de novo* review, the district court did not properly decide Defendants' fee motion.

7. Defendants were not prevailing parties for the purpose of Section 505 of the Copyright Act because the district court made no decision on the merits of the copyright infringement claims but dismissed the case under the doctrine of virtual representation

The district court dismissed the *Yue-Sun* case based on the doctrine of virtual representation. In doing so, the district court denied Yue's day in court to litigate his copyright claims. No determination was made on the merits of the ten (10) copyright claims stated in the First Amendment Complaint. Under such circumstance, Defendants were not prevailing parties for the purpose of Section 505 of the Copyright Act.

A defendant may be deemed the "prevailing party" under the Copyright Act when it successfully defends against the significant claims "actually litigated" in the action. *Screenlife Establishment v. Tower Video, Inc.*, 868 F. Supp. 47, 50 (S.D.N.Y. 1994). In *Torres-Negrón v. J & N Records*, 504 F.3d 151, 164 (1st Cir. 2007), the first circuit held:

We have made no ruling on [plaintiff's] claims of infringement. Therefore, [defendant] has not prevailed on the merits of the copyright infringement allegations and is not entitled to a fee award under the statute.

Without a ruling on the merits of the copyright claims, it would be impossible to apply the factors identified in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994) (such as frivolousness and objective unreasonableness).

Since Defendants were not prevailing parties for the purpose of Section 505 of the Copyright Act, awarding them attorney's fees under the Act was improper.

8. Awarding fees to Defendants would endorse highly questionable business practice

Defendants' conduct as alleged in the First Amended Complaint was plain theft of Plaintiff's intellectual property. Sun and StorageTek's managers (such as Melnick and Rady) knew that Sun and StorageTek were making unauthorized copies of the PowerRPC software. Melnick was "greatly concerned" about the fact that StorageTek had already exceeded the copy limit. Yet, StorageTek concealed the fact from Plaintiff that it had exceeded the license limit. Rady also knew that StorageTek exceeded the license. But Sun and StorageTek proceeded to sell more unlimited licenses of PowerRPC to numerous third parties. The facts alleged in the FAC established highly questionable and deceptive business practice by Sun and StorageTek.

In *Berkla v. Corel Corp.*, 302 F.3d 909 (9th Cir. 2002), Corel Corp successfully defended a copyright infringement claim. On whether Corel should be awarded attorney's fees under the Copyright Act, the Ninth Circuit held:

courts *may not* rely on the Lieb factors if they are not
'faithful to the purposes of the Copyright Act.'

Faithfulness to the purposes of the Copyright Act is, therefore, the pivotal criterion." *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 558 (9th Cir. 1996).

Berkla, 302 F.3d at 922-923. In denying fees award to the prevailing defendant, the Ninth Circuit held that while the defendant did not technically infringe copyright, its conduct "nevertheless constituted a highly questionable business practice" and "[i]t would be inconsistent with the Copyright Act's purposes to endorse [defendant's] improper appropriation of [plaintiff's] product by awarding fees." *Berkla*, 302 F.3d at 923 (emphasis added).

Berkla held that awarding fees to a prevailing defendant who engaged in questionable business practice would be inconsistent with the purpose of the Copyright Act and the court may not rely on the *Lieb* (*Fogerty*) factors. The facts alleged in the FAC include deceptive, fraudulent and oppressive conduct, destruction of evidence and misappropriation of Plaintiff's software. Even assuming arguendo that Defendants were prevailing parties under Section 505 of the Copyright Act, awarding fees to Defendants would be endorsing highly questionable business practice.

9. The Fogerty/Lieb factors do not favor awarding fees to Defendants

The non-exclusive factors identified in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994) do not favor awarding fees to Defendants either.

a) Legal Reasonableness

Plaintiff requested to join *Netbula-Sun* to vindicate his copyrights but was summarily rejected by the *Netbula-Sun* court. ERV2.171-174. The *Netbula-Sun* court noted during the December 14, 2007 hearing that *Yue-Sun* case “is not completely overlapping with” *Netbula-Sun*, and the copyright claim in *Netbula-Sun* “may survive.” ERV2.93, 102, 177.

The three copyrights alleged in the instant action (the 2000 and 2K4 Copyrights and the pre-*Netbula* copyright) were never part of the *Netbula v. Sun* case. Yue did not have his day in court to protect his copyrights.

Yue’s lawsuit can find similarity in the case of *Kourtis v. Cameron*, 419 F.3d 989 (9th Cir. 2005). There, a copyright owner sued the same defendants on identical cause of actions years after the first suit was final. The Ninth Circuit noted “the weighty due process considerations that make adequacy of representation the *sine qua non* of any privity relationship” and “adequate representation is a due process prerequisite to precluding a litigant from his day in court if he was not a party to the earlier litigation.” *Id.* at 1001 (fn.5).

b) Factual Reasonableness

The FAC alleged specific facts about Defendants’ infringing activities, including unauthorized copying, adaptation and distribution of PowerRPC. These facts are based on Defendants’ own admissions.

The FAC asserted ten (10) infringement claims. The district court did not

address the merits of any of these claims. Instead, it concluded that Yue should have brought the claims in the *Netbula-Sun* case, despite the fact that the *Netbula-Sun* court already blocked Yue's attempt to join the *Netbula-Sun* case and Netbula had no standing to sue on Yue's copyrights.

c) Motivation

Yue had a right under the U.S. Copyright Act to bring lawsuits against infringers. He was just trying to vindicate his intellectual property rights.

"[I]t generally does not promote the purposes of the Copyright Act to award attorney fees to a prevailing defendant when the plaintiff has advanced a reasonable, yet unsuccessful claim." *Bridgeport Music v. Rhyme Syndicate Music*, 376 F.3d 615, 628 (6th Cir. 2004). See also, *Perfect 10 v. Ccbill LLC.*, 488 F.3d 1102 (9th Cir. 2007) (denying attorney's fees and costs because "Perfect 10's legal claims are not frivolous or objectively unreasonable.").

In this case, the facts alleged in the FAC are software piracy. Awarding fees to Defendants would encourage software piracy.

10. *The district court's award of fees was based on erroneous view of the facts*

One of district court's findings was that Plaintiff filed the *Yue-Sun* case to re-litigate issues that had been decided by the *Netbula-Sun* court. This conclusion was erroneous.

The *Yue-Sun* case was filed on November 19, 2008. It was based on Yue's October 22, 2007 motion to join *Netbula-Sun*. Almost one month after the *Yue-Sun* case was filed, on December 14, 2007, the *Netbula-Sun* court stated that the copyright claim in *Netbula-Sun* "may survive" and *Yue-Sun* is not completely overlapping with *Netbula-Sun*. ERV2.93, 102, 177. The summary judgment in *Netbula-Sun* was issued on January 18, 2008. ERV2.102. Yue could not possibly predict the outcome of *Netbula-Sun* when he filed the *Yue-Sun* case in November 2007.

The magistrate judge's report stated that although Yue presented evidence that there was infringement as recent as 2007, his claims against two high-level Sun executives were "speculative." ERV1.9, ERV2.110. In the FAC, Yue alleged specific facts that support Schwartz, Melnick and DeCecco's liabilities under the copyright law. Under Federal Rule of Civil Procedure 8(a), as long as Yue gave defendants a fair notice of the claim and the ground upon which it rests, "[s]pecific facts are not necessary." *Erickson v. Pardus*, 127 S. Ct. 2197, 2200 (2007). Thus, the FAC satisfied the notice pleading standard.

In the dismissal order, the district court did not rule on substantive issues regarding the sufficiency of the infringement claims or whether they are speculative. The district court did not have jurisdiction to resolve these issues after the case was on appeal.

11. *Post-judgment fees on matters such as the motion for disqualification of counsel was not awardable under the Copyright Act because there was no longer a “civil action” under the Copyright Act after the copyright claims were dismissed*

Section 505 of the Copyright Act states that “[i]n any civil action under this title,” the court may award reasonable attorney’s fee to the prevailing party as part of the costs. The copyright claims were dismissed on March 4, 2008 and final judgment was entered on the same day. There had no longer been a “civil action” under the Copyright Act since then at the district court.

In the *Brayton Purcell LLP v. Recordon & Recordon*, 487 F. Supp. 2d 1124, 1127 (N.D. Cal. 2007) case, the court made the following analysis:

The analysis might be different had the parties in the case at bar stipulated to a dismissal of the case as part of their agreement to submit to binding arbitration. *There would no longer have been a “civil action” under the Copyright Act pending before the Court*, and any new court filing seeking to confirm the arbitration award arguably would not be a “civil action” under the Copyright Act.

Id. at 1128 (emphasis added). The *Brayton* court was dealing with a situation where the parties stipulated to binding arbitration but did not dismiss the copyright claims before arbitration. *Brayton* reckons that “a civil action” ceases to exist under Copyright Act once the copyright claim is dismissed. Following this reasoning, fees on post judgment litigation were not awardable under the Copyright Act, because these litigation activities cannot arise under the Copyright Act.

This argument is based on the text of the copyright statute, but is also consistent with the law that under Copyright Act one can only recover attorney's fees incurred in copyright claims and related claims.

The fees for the following motions did not arise under the Copyright Act: (1) the post-judgment motion for disqualification of counsel; (2) the motion to strike Defendants' motion due to their failure to comply with the local rule which requires meet-and-confer; and (3) Plaintiff's motion for rule 60(b) relief which the district court declined to entertain for lack of jurisdiction.

Most of the \$220,000 fee was generated by Defendants after the case was dismissed. See, fee statements at ERV2.127-132, 188-190, 196-207. These post-judgment fees were not awardable under the Copyright Act.

12. "Fees upon fees" are not awardable under the Copyright Act

Defendants spent over \$60,000 on their motion for attorney's fees itself. The Northern District of California recently held that such "fees upon fees" were not awardable under the Copyright Act. In *Identity Arts v. Best Buy Enterprise Services Inc.*, No. C 05-4656 PJH. (N.D.Cal. 3-26-2008), the court noted that certain federal statutes authorize "fees upon fees" but "defendants have not submitted any controlling authority regarding the availability of fees upon fees vis-a-vis the Copyright Act specifically. Accordingly, the court declines to award such fees."

Defendants, similarly, made no showing that "fees upon fees" were

available under the Copyright Act. In addition, Defendants failed to confer with Plaintiff to resolve the fee issue and generated over \$60,000 in “fees upon fees”, which could have been avoided if they had conferred with Plaintiff. Even if the “fees upon fees” were available, the court "must calculate awards for attorneys' fees using the `lodestar' method." *Camacho v. Bridgeport Financial*, 523 F.3d 973, 982 (9th Cir. 2008). No lodestar computation was made in this case.

13. *The district court did not make a lodestar analysis of the fees award*

Under Ninth Circuit law, the court "must calculate awards for attorneys' fees using the `lodestar' method." *Camacho v. Bridgeport Financial*, 523 F.3d 973, 982 (9th Cir. 2008).

In this case, the district court made no lodestar analysis to determine the reasonable rates of the attorneys and reasonable hours they spent. For instance, Pulgram’s rate was \$625 per hour in December 2007, and it was \$690 per hour in January 2008. Compare ERV2.197 and ERV2.198. Why the \$65 rate increase was reasonable was not analyzed. The magistrate judge took Defendants’ total fee request and subtracted \$3000. ERV1.11. But, she did not perform a lodestar calculation of the \$3000 deduction.

As Plaintiff pointed out, many of Defendants’ fee entries are highly questionable. Some of the fee entries are “**estimated**” (see ERV2.205) and some of them do not belong to the *Yue-Sun* litigation. ERV1.38. And, most

of the amount came from “block billing” entries with 9 hours, 10 hours and even 11.30 hours per day per lawyer.

In the case of *Sealy, Inc. v. Easy Living, Inc.*, 743 F.2d 1378 (9th Cir. 1984), the Court stated the following:

The district court's finding that the services rendered and the hours spent by plaintiff's counsel were "reasonable and necessary" is conclusory and unsupported by any analysis of the time records actually presented in this case...

Moreover, the district court presented no basis for its finding that the rates charged by plaintiff's counsel were reasonable. No effort appears to have been made to examine the "customary fee" prevailing in the community. *Kerr v. Screen Extras Guild, Inc.*, 526 F.2d 67, 70 (9th Cir. 1975), cert. denied, 425 U.S. 951, 96 S.Ct. 1726, 48 L.Ed.2d 195 (1976). Though the fee actually charged to the client may be an important factor, "whether or not [the client] agreed to pay a fee and in what amount is not decisive. * * * The criterion for the court is not what the parties agreed but what is reasonable" *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 718 (5th Cir. 1974), quoting *Clark v. American Marine Corp.*, 320 F. Supp. 709 (E.D.La. 1970), affirmed 437 F.2d 959 (5th Cir. 1971).

Sealy, Inc., 743 F.2d at 1385. Like the district court in *Sealy, Inc.*, the *Yue-Sun* court's reasonableness determination was also conclusory.

14. Block billing made it impossible to determine the reasonableness of fees

In Defendants' fee schedule, there were numerous entries where an attorney billed many hours (up to 11.30 hours a day) in a single time slot,

without providing the details. “[B]lock billing — the lumping together of multiple tasks in a single time entry — makes it impossible to determine the reasonableness of the time spent on each task.” *Petroleum Sales, Inc. v. Valero Refining Co. — Calif.*, No. C 05-3526 SBA. (N.D.Cal. 9-11-2007) (Doc. No. 143). In *Petroleum Sales*, the court ruled:

five problematic instances of block billing are the entries by Esmaili for 4.3 hours on May 1, 2006; 4.5 hours on June 15, 2006; 2.4 hours on August 8, 2006; 5 hours on August 9, 2006; and 6.9 hours on August 10, 2006. The Court will therefore exclude the total of this time (23.1 hours) from the lodestar.

Id. at p.12. Similarly, Defendants’ block billing entries should be excluded.

Examples of Defendants’ block billing entries are given below:

Attorney	Rate	Hours	Amount	Date	LINE_ITEM_DESCRIPTION
SIEBER, ALBERT	\$410.00	7.60	\$3,116.00	20080407	RESEARCH, DRAFT AND REVISE PORTIONS OF OPPOSITION TO RULE 60(B) MOTION; CONFER WITH J. WAKEFIELD RE SAME; CONFER WITH J. WAKEFIELD RE REPLY IN SUPPORT OF MOTION FOR ATTORNEYS’ FEES AND OPPOSITION TO MOTION FOR DISQUALIFICATION
WAKEFIELD, JEDEDIAH	\$605.00	10.40	\$6,292.00	20080407	RESEARCH, DRAFT ARGUMENTS AND CONFER WITH MR. SIEBER AND MR. MAH RE 60(B) OPPOSITION, MOTION FOR ATTORNEYS FEES REPLY, AND OPPOSITION TO MOTION FOR DISQUALIFICATION.
SIEBER, ALBERT	\$410.00	7.00	\$2,870.00	20080408	FURTHER PREPARATION OF REPLY IN SUPPORT OF MOTION FOR ATTORNEYS’ FEES AND OPPOSITION TO 60(B) MOTION
WAKEFIELD, JEDEDIAH	\$605.00	8.40	\$5,082.00	20080408	RESEARCH, DRAFT AND REVISE REPLY IN SUPPORT OF FEES MOTION; PREPARE SUPPORTING DECLARATION IN SUPPORT OF SAME.

ATTORNEY OR PARALEGAL	Date	Hours	Rate	Amount	Line Item Description
ALBERT SIEBER	04/09/2008	10.40	410.00	4,264.00	RESEARCH, DRAFT AND REVISE OPPOSITIONS TO MOTIONS FOR RELIEF FROM JUDGMENT AND TO DISQUALIFY OPPOSING COUNSEL; CONFER WITH J. WAKEFIELD AND ASSIST IN ALL ASPECTS OF FILING OF SAME.
JEDEDIAH WAKEFIELD	04/09/2008	11.30	605.00	6,836.50	ANALYZE, REVIEW AND DRAFT OPPOSITIONS TO RULE 60(B) MOTION, MOTION FOR DISQUALIFICATION; AND DECLARATION IN SUPPORT OF SAME.
JEDEDIAH WAKEFIELD	06/29/2008	10.30	605.00	6,231.50	RESEARCH AND PREPARATION FOR HEARING ON MOTION FOR RELIEF FROM JUDGMENT AND MOTION TO DISQUALIFY JUDGE; PREPARE FOR CMC.
JEDEDIAH WAKEFIELD	07/01/2008	9.90	605.00	5,989.50	REVIEW AND REVISE OPPOSITION TO MOTION TO STRIKE; REVIEW EXHIBITS AND PROCEDURAL HISTORY; PREPARE SUPPORTING DECLARATION.

(The above are copied directly from fee statements at ERV2.127-132,

188-190, 196-207)

15. The amount of fees awarded was unreasonable

Defendants fee statements look like the following:

Attorney	Rate	Hours	Amount	Date	Narrative
WAKEFIELD, JEDEDIAH	\$605.00	8.9	\$5,384.50	3/17/2008	DRAFT ARGUMENTS FOR FEES MOTION; REVIEW SUPPORTING MATERIALS FOR SUPPORTING DECLARATION AND BILL OF COSTS.
WAKEFIELD, JEDEDIAH	\$605.00	5	\$3,025.00	3/18/2008	(ESTIMATED) FURTHER PREPARATION OF FEES MOTION AND SUPPORTING MATERIALS; RESEARCH RE TAXABLE COSTS AND SERVICE ISSUES; CONFER WITH PLAINTIFF RE SERVICE.

The above only showed two entries (ERV2.205) out of Defendants' spreadsheet. As shown, on March 18, 2008, Wakefield spent "**ESTIMATED**" 5 hours on preparation of the fee motion and research and "confer" with Plaintiff. *But Wakefield did not confer with Plaintiff on the fee motion.* On the previous day, he spent 8.9 hours. But that's not all. The following lists some of the billing entries for the opening brief of Defendants' fee motion (See ERV2.203-205).

WAKEFIELD, JEDEDIAH	\$605.00	1.2	\$726.00	3/4/2008	REVIEW AND ANALYZE ORDER DISMISSING CASE AND JUDGMENT; REVIEW AUTHORITIES AND ANALYZE GROUNDS FOR FEES MOTION; CONFER WITH MR. SIEBER AND MR. PULGRAM RE SAME.
PULGRAM, LAURENCE	\$690.00	1.8	\$1,242.00	3/4/2008	REVIEW ORDER GRANTING MOTION TO DISMISS; ANALYZE CASE LAW AND STRATEGIES REGARDING POTENTIAL MOTION FOR ATTORNEY'S FEES; CONFER WITH J. WAKEFIELD AND A. SIEBER RE SAME; EMAILS AND CALLS TO CLIENT.
SIEBER, ALBERT	\$410.00	1	\$410.00	3/4/2008	REVIEW ORDER RE MOTION TO DISMISS; CONFER WITH TEAM RE SAME; RESEARCH CASE LAW RE ATTORNEYS' FEES MOTION AND E-MAIL L. PULGRAM RE SAME.
WAKEFIELD, JEDEDIAH	\$605.00	1	\$605.00	3/5/2008	REVIEW RECENT AUTHORITIES RE PREVAILING PARTY ATTORNEYS FEES; REVIEW COMMUNICATIONS SUPPORTING AWARD OF SAME.
SIEBER, ALBERT	\$410.00	2.2	\$902.00	3/6/2008	CONFER WITH L. PULGRAM RE ATTORNEYS' FEES MOTION; RESEARCH RELATED TO SAME.
SIEBER, ALBERT	\$410.00	3.8	\$1,558.00	3/15/2008	RESEARCH, DRAFT AND REVISE MOTION FOR ATTORNEYS' FEES.
SIEBER, ALBERT	\$410.00	9.5	\$3,895.00	3/16/2008	RESEARCH, DRAFT AND REVISE MOTION FOR ATTORNEYS' FEES; CONFER WITH J. WAKEFIELD RE SAME.
PULGRAM, LAURENCE	\$690.00	0.9	\$621.00	3/17/2008	CONFER WITH J. WAKEFIELD AND A. SIEBER RE MOTION FOR ATTORNEY'S FEES AND COSTS; REVIEW AND EDIT INTRODUCTION TO MOTION.
PULGRAM, LAURENCE	\$690.00	1.2	\$828.00	3/17/2008	REVIEW AND REVISE MOTION FOR ATTORNEY'S FEES; INPUT RE COSTS BILL.
SIEBER, ALBERT	\$410.00	4.2	\$1,722.00	3/17/2008	REVIEW CORRESPONDENCE FROM J. WAKEFIELD AND L. PULGRAM RE MOTION FOR ATTORNEYS' FEES; REVISE BRIEF AND SUPPLEMENTAL RESEARCH BASED ON SAME; DRAFT SUPPORTING DECLARATION AND PREPARE EXHIBITS TO SAME.

On March 4, 2008, Wakefield billed \$726.00 on the fee motion;

Laurence Pulgram billed \$1242.00 for 1.8 hours conferring with his colleagues and clients on “strategies on potential motion for attorney’s fees”; Albert Sieber billed \$410 for one (1) hour on the fee motion. The next day, March 5, 2008, Wakefield billed \$605 for one hour of work on the fee motion; on March 6, 2008, Sieber billed \$902 for 2.2 hours on the fee motion; on March 15 and 16, 2008, Albert Sieber billed \$5453 for 13.3 hours of work on drafting the fee motion; On March 17, 2008, Wakefield billed \$5384.50 for 8.9 hours of work to “draft arguments for fee motion”.

The opening brief of Defendants’ fee motion totaled 19 pages. The argument portion was about 9 pages and 4000 words. Of that, about three (3) pages were dedicated to the analysis of two emails between Pulgram and Yue on *Netbula-Sun* matters and one paragraph of the complaint. Defense counsel have previously quoted and analyzed these communications in their motion to dismiss. The rest of the six pages of argument consist of standard arguments for asking fees, repeating their arguments in the motion to dismiss. Defense counsel billed over \$22,000.00 for preparing and filing the opening brief of the fee motion. ERV2.113.

On April 5 and 6, Sieber billed \$4428 for 10.8 hours of work drafting the reply brief for the fee motion; April 7, 2008, Wakefield billed \$6292 for 10.4 hours of work for fee motion related work; April 8, 2008, Wakefield, \$5082 for 8.4 hours on reply brief for the fee motion and Sieber billed for another 7

hours on the same task the same day. There are many block billing entries with fewer hours, and they add up. About 30% of the fees awarded to Defendants were the so called “fees upon fees” -- the attorney fees spent on the motion for attorneys’ fees. Defense counsel’s “fees upon fees” was over \$60,000.00 (sixty thousand dollars). ERV2.189-190.

"Counsel ... should make a good faith effort to exclude from a fee request hours that are excessive, redundant, or otherwise unnecessary." *Hensley v. Eckerhart*, 461 U.S. 424, 434 (1983). But Defense counsel made no such effort. Multiple lawyers repeated the same work again and again.

In *Cancio v. Financial Credit Network, Inc.*, 2005 US DIST LEXIS 13626 at 16 (N D Cal 2005) (Henderson, J), the plaintiff asked \$9312.00 for spending 22.65 hours in preparing and filing the fee motion. Because “[t]he issues raised by this fee application are neither novel nor complex” and “[t]he litigation was limited in time and complexity”, the court found the “fees on fees” to be excessive and reduced the amount to about \$3000.

Unlike *Cancio*, this case was terminated without any ruling on the merits of the 10-count infringement claims, and there was no discovery or planning of discovery. In the more involved and more complex *Cancio*, \$9312 of “fees on fees” was excessive and the proper amount should be \$3000. Here, the “fees on fees” was over \$60,000, twenty (20) times more excessive.

Cancio was an FDCPA case, “fees upon fees” was allowed. There is no similar allowance of “fees upon fees” under the Copyright Act. Nevertheless, the amount of hours spent on “fees on fees” shows that defense counsel’s hourly rate and hours are unreasonable.

16. *Yue was not afforded due process in contesting the fee award*

Defendants’ stated their intention to use their financial resource to coerce Plaintiff into forgoing his intellectual property rights. Jedediah Wakefield stated in a telephone conference that Defendants would incur large amount of attorney’s fee and then seek it from Plaintiff, causing “serious repercussion” for Plaintiff’s “personal financial stability.” ERV2.120:24-25; ERV2.134-5. It was thus important for Plaintiff to have a chance to contest Defendants’ fee demands.

Federal Rule of Civil Procedure 54 (d)(2)(D) authorizes that “[b]y local rule, the court may establish special procedures to resolve fee-related issues without extensive evidentiary hearings.” Civil Local Rule 54-6 (b) of the district court requires that “the motion for attorney fees must be supported by declarations or affidavits containing the following information”:

A statement that counsel have met and conferred for the purpose of attempting to resolve any disputes with respect to the motion or a statement that no conference was held, with certification that the applying attorney made a good faith effort to arrange such a conference, setting forth the reason the conference was not held.

Civil Local Rule 54-6 (b), Northern District of California. Defendants did not meet and confer with Plaintiff about their fee motion, and they did not file any declaration or affidavit stating that they attempted the same.

Defendants sought \$92,000 of attorneys' fees in their March 18, 2008 fee motion. ERV2.194. In their reply brief filed on April 8, 2008, they asked for an additional \$42,000 (the total amount in their spreadsheet was \$42,863.50). ERV2.187. On July 23, 2008, the day after the hearing of the fee motion before the magistrate judge, Defendants filed a supplemental declaration, alleging that they incurred an additional \$87,000.00 (the total amount in their spreadsheet was \$87,458.00). ERV2.112.

As the procedure history shows, Yue was not afforded any opportunity to meet-and-confer with Defendants on their \$92,000 and subsequent \$42,000 fee demand. The Local Rule 54-6 requires meet-and-confer to resolve disputes and reduce costs, but Defendants failed to follow the local rule.

As for the \$87,000, Plaintiff simply could not have a chance to contest these fee demands. It was submitted to the district court in a supplemental declaration after the hearing of the fee motion.

Moreover, it was not until July 23, 2008 that the Court granted attorney Elena Rivkin's motion to withdraw. ERV1.27-8. Therefore, prior to July 23, 2008, Yue was officially represented by attorney Rivkin at the district court. Yet, on March 18, 2008, Defense counsel initiated direct communication

with Plaintiff on the *Yue-Sun* case. ERV2.112.

C. Defendants' Fee Motion Should Have Been Denied for Failure to Comply with Mandatory Local Rule

17. The Northern District Civil Local Rule 54-6 was unambiguous and enforceable

Defendants failed to comply with Civil Local Rule 54-6 (b) of the district court, which requires that that counsel meet-and-confer “for the purpose of attempting to resolve any disputes with respect to the motion...” Because of Defendants’ failure to meet-and-confer, Plaintiff lost the opportunity to contest the fee demand and reduce expenses. Also, Defendants’ failure placed additional burden on the courts and created satellite litigation on their massive “fees upon fees” and their failure to comply with the local rule.

Defendants’ main argument was that they should not be held accountable for an “oversight on [their] counsel’s part.” See, Defendants’ Opposition to Motion to Strike, Doc. No. 127 below, p.8:10-11; *cf.* ERV2.117. But, defense counsel billed over \$20,000.00 in preparing and researching Defendants’ fee motion. Oversight after spending so much time is not a valid excuse.

The magistrate judge concluded that the word “counsel” in the Civil Local Rule was “somewhat ambiguous” on whether it applies to cases where one party is a *pro se*. ERV1.13. However, in other parts of the Local Rules of the Northern District of California, the word “counsel” is used throughout to mean an attorney or a self-represented party. See, e.g, Civil Local Rules

30-2(b) (1), 37-1(a), 16-3, 16-9(a), 16-10(a), 16-10(b)(5), 16-10(c), 65-1(b). The district court did not cite any case where a self-represented party must be treated differently in this context, nor did it provide a rationale for treating a *pro se* litigant differently in the context of Local Rule 54-6.

Moreover, by definition, the word “counsel” includes a self-represented party. “Litigants in federal court have a statutory right to choose to act as their own counsel,” *Machadio v. Apfel*, 276 F.3d 103, 106 (2d Cir. 2002). “Basic rules of courtroom protocol and procedure impose an obligation, both on counsel and on individuals acting as their own counsel, to comply with court rules...” *U.S. v. GOMEZ-ROSARIO*, 418 F.3d 90, 101 (1st Cir. 2005). See also, *JONES v. WALKER*, 496 F.3d 1216, 1220 (11th Cir. 2007) (“Jones was ordered to proceed as his own counsel.”). The district court’s July 23, 2008 substitution of counsel order referred to Yue as “new counsel of record.” ERV1.28.

Because Defendants failed to make any effort to meet and confer with Plaintiff, their motion for attorneys’ fees was defective --- it was missing a required component per local rule. “[O]verlooking the defect of this document would only serve to whittle away at the rules and ultimately render them meaningless and unenforceable.” *Riley v. Northwestern Bell Telephone Co.*, 1 F.3d 725, 729 (8th Cir. 1993).

Defendants' failure to comply with Local Rule 54-6 was highly prejudicial to Plaintiff. Their fee motion should be denied.

18. *Even if the Northern District Civil Local Rule 54-6 was ambiguous or otherwise unenforceable, it was unreasonable to require Yue to pay over \$10,000 for help identifying the ambiguity in the rules*

Even if the Northern District Civil Local Rule 54-6 was ambiguous or otherwise unenforceable, with the ambiguity identified, the district court can make the rules better in the future by eliminating the ambiguity.

Neither the ambiguity in the Local Rules nor the "oversight on [defense] counsel's part" was Plaintiff's fault. As a first time *pro se* litigant, Plaintiff had reason to assume that the Local Rules must be well defined, unambiguous and enforceable. Forcing Plaintiff to pay Defendants over \$10,000⁶ in fees for litigating the motion to strike Defendants' motion due to their failure to comply with the rules is unfair.

D. Disqualification of Judge Jenkins and Rule 60(b) Relief

19. *The disqualification of former Judge Martin J. Jenkins was not moot*

The district court denied Plaintiff's motion to disqualify former judge Martin J. Jenkins on the ground that the motion was moot. However, under the precedent in *Liljeberg v. Health Services Acquisition Corp.*, 486 U.S. 847, 865 (1988), a judgment can be vacated when the trial judge is retroactively

⁶ See, ERV2.121.

disqualified. Thus, the issue of disqualification was not moot.

20. Rule 60(b) relief could have been granted because Defendants filed no opposition

Plaintiff filed amended FRCP 60(b) motions for relief from judgment on April 30, 2008 (Docket Nos. 94 and 95 below). Defendants chose not to file any opposition. ERV1.31. The district court could have indicated that it would entertain the motion, but it declined to do so.

In any case, the district court should have not ordered Plaintiff to pay Defendants attorneys' fees allegedly spent on the rule 60(b) motions that the district court declined to exercise jurisdiction and Defendants chose not to oppose.

VIII. CONCLUSION

For the foregoing reasons, the district court's order denying disqualification of defense counsel should be reversed. Defense counsel should be disqualified. The award of \$219,949.90 attorneys' fees to Defendants should be vacated.

Respectfully submitted,

DATED: November 26, 2008

/S/
DONGXIAO YUE
Plaintiff-Appellant
SELF-REPRESENTED

REQUEST FOR ORAL ARGUMENT

Plaintiff–Appellant hereby request that this appeal be set for oral argument.

Respectfully submitted,

DATED: November 26, 2008

/S/

Dongxiao Yue

STATEMENT OF RELATED CASES

Pursuant to Ninth Circuit Rule 28-2.6, Plaintiff-Appellant states that this case is related to and consolidated with case number 08-15927.

CERTIFICATE OF SERVICE

I hereby certify that on November 26, 2008, I electronically filed the foregoing Brief of Appellant with the Clerk of the Court of the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system.

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.

I also emailed a true copy of the brief and Excerpts of Record (2 volumes) to Defendants-Appellees' attorneys of record, Mr. Laurence Pulgram, Mr. Jedediah Wakefield and Mr. Liwen Mah, and mailed a hard copy via U.S. mail to their address at 555 California Street, San Francisco, CA.

/S/

Dongxiao Yue