

No. H021153
(Santa Clara Super. Ct. No. CV786804)

**IN THE COURT OF APPEAL OF
THE STATE OF CALIFORNIA
SIXTH APPELLATE DISTRICT**

ANDREW BUNNER,
Defendant and Appellant,

v.

DVD COPY CONTROL ASSOCIATION, INC.,
Plaintiff and Respondent.

Appeal From Order Granting Preliminary Injunction
Of The Superior Court
For The County Of Santa Clara
(Hon. Wm. J. Elfving, Presiding)

**BRIEF OF AMICUS CURIAE ON BEHALF OF
IEEE-USA IN SUPPORT OF APPELLANT BUNNER**

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STATEMENT OF INTEREST

The Institute of Electrical and Electronics Engineers, Inc. United States Board (IEEE-USA) promotes the career and technology policy interests of the nearly two hundred and thirty thousand (230,000) electrical, electronic, and computer engineers who are United States members. The vision of IEEE-USA is to advance global prosperity by fostering technological innovation, enabling members careers, and promoting the engineering community worldwide. The IEEE-USA promotes the engineering process of creating, developing, integrating, sharing, and applying knowledge about electro and information technologies and sciences for the benefit of humanity and the profession.

As an organization dedicated to promoting sound technology public policy applicable to United States electrical, electronics and computer engineers, IEEE-USA has a strong interest in the legal principles governing reverse engineering of computer software. This appeal presents substantial questions concerning such legal principles, and IEEE-USA is therefore profoundly interested in the outcome. IEEE-USA supports reverse engineering under the circumstances set out in its Position Statement identified below. The IEEE-USA Board of Directors has authorized the filing of this brief.¹

SUMMARY OF ARGUMENT

As set forth below, IEEE-USA supports lawful reverse engineering of copies of software because reverse engineering promotes the advancement of scientific learning, technological improvements and enhances the public interest. Part°A, *infra*.

The trial court held that reverse engineering constitutes an improper means of discovering a trade secret when such reverse engineering is prohibited by an adhesion contract. This holding is inconsistent with California law for two reasons. First, the holding is inconsistent with the

¹This brief addresses only the legal issues concerning proper interpretation of statutory and contractual obligations under California law. IEEE-USA does not condone copyright piracy and this case is not about copyright piracy.

language and legislative history of the UTSA. Part°B, *infra*. Second, that holding implicitly assumes the enforceability of contracts of adhesion prohibiting reverse engineering and purporting to create affirmative obligations of secrecy for ideas learned from mass market products. Such an obligation is inconsistent with the public policy of the State of California. Part°C, *infra*.

ARGUMENT

A. IEEE-USA s Position Statement Concerning Reverse Engineering.

In November 1997, IEEE-USA reviewed and broadened its Position Statement concerning the public benefits of reverse engineering. The Position Statement, which is set out below, represents the considered judgment of United States IEEE members with expertise in matters of intellectual property public policy, and has been approved by the Board of IEEE-USA as the position of IEEE-USA. The 1997 revision expressly broadened the 1993 Statement to address the enforceability of contractual restrictions on otherwise lawful reverse engineering.

IEEE-USA encourages the protection of intellectual property rights associated with each computer software product sold in domestic and international markets, including copyrights, trademark rights, trade-secret rights, and patent rights. IEEE-USA believes that the development of high value software products in the United States should be encouraged by promoting: (1)°the incorporation of high intellectual work content into these computer software products; and (2)°the establishment and maintenance of worldwide protection for the intellectual property rights associated with this intellectual content.

IEEE-USA also believes that the high intellectual content of a computer product and competition are enhanced when computer products developed by one vendor are capable of operating with computer products developed by another vendor. This compatibility promotes the development of interoperable products by independent and competing vendors and, therefore, promotes enhanced value to the vendee at a competitive price.

The authors of the United States Constitution realized that scientific and cultural advantages would be fostered by providing legal protection for limited periods of time to the originators of intellectual property. Congress passed the

Copyright Act to provide authors, including computer programmers, exclusive rights to the expression contained in their work. On the other hand, Congress did not, under the Copyright Act, protect the ideas contained in that expression. Rather, Congress desired that the ideas contained in works, including computer programs, should be available for use by and to reach others. Accordingly, IEEE-USA considers that it is appropriate to perceive and learn those ideas by lawful means of reverse engineering.

IEEE-USA further believes that lawful reverse engineering of computer programs is fundamental to the development of programs and software-related technology. The term reverse engineering means the discovery by engineering techniques of the underlying ideas and principles that govern how a machine, computer program, or other technological device works. Engineers use this information for many purposes, including making other products interoperate with the target product that is the subject of the reverse engineering. Engineers also use this information for the purpose of designing competing products that are not substantially similar in expression, as well as to discover patentable subject matter and ideas not otherwise disclosed in the literature provided with the product by the originator. IEEE-USA further believes that lawful reading, analysis, or disassembly of machine language is a reverse engineering technique by which an engineer can reconstruct the ideas of a computer program.

Accordingly, an engineer having the right to use a copy of a computer program should be entitled, without the authorization of the author, to observe, study or test the functioning of the program, in order to determine the ideas that underlie the program, if such analysis is accomplished while performing any of the acts of reading, displaying, running, transmitting, receiving, or storing the program, or other lawful acts involving the program that the engineer is entitled to do.

IEEE-USA supports the fair use rulings in *Sega Enterprises vs. Accolade*, 977 F.2d 1510 (9th Cir. 1992) and *Nintendo vs. Atari*, 975 F.2d 832 (Fed. Cir. 1992) pertaining to disassembly of computer code. Additionally, when the object code of a program is widely distributed so that the object code is no longer a trade secret, contractual provisions accompanying the object code which purport to limit the engineer's fair use privileges to reverse engineer the object code should not be enforceable.

Consistent with the foregoing Position Statement, IEEE-USA herein addresses the trial court's holding that reverse engineering may be an

improper means of discovering a trade secret where a contract of adhesion prohibits reverse engineering.

B. The Superior Court's Holding That Reverse Engineering In Contravention Of A Click Licence [sic] Is An Improper Means Under The UTSA Is Inconsistent With The Language And Legislative History Of The Statute.

The Superior Court held as follows in determining that reverse engineering in this case was improper:

Although the parties dispute the who and how, the evidence is fairly clear that the trade secret was obtained through reverse engineering. The Legislative comment to the Trade Secrets Act states, The Legislative comment to the Uniform Trade Secrets Act states, Discovery by reverse engineering, that is, by starting with the known product and working backward to find the method by which it was developed, is considered proper means. The only way in which the reverse engineering could be considered improper means herein would be if whoever did the reverse engineering was subject to the click licence [sic] agreement which preconditioned installation of DVD software or hardware, and prohibited reverse engineering. Plaintiff's case is problematic at this pre-discovery stage. Clearly they have no direct evidence at this point that Mr. Jon Johansen did the reverse engineering, and that he did so after clicking on any licence [sic] agreement. However, in trade secret cases, it is a rare occasion when the Plaintiff has a video of an employee walking out with trade secret, or an admission of a competitor that they used improper means to obtain Plaintiff's intellectual property. In most situations, Defendants try to cover their tracks with considerably more effort than the Defendants did herein. The circumstantial evidence, available mostly due to the various defendants' inclination to boast about their disrespect for the law, is quite compelling on both the issue of Mr. Johansen's improper means and that Defendants' knowledge of impropriety.

While the Superior Court was correct to rely on the language and legislative history of the statute, it overlooked the critical evidence of legislative intent demonstrating that a license prohibition on reverse engineering of a widely distributed product cannot transform reverse engineering from a proper to an improper means of discovery of trade secrets under California law.

Section 3426.1(a) provides statutory examples considered to be improper means, which include theft, bribery, misrepresentation, breach or inducement of breach of a duty to maintain secrecy, or espionage through electronic or other means. More important, Section 3426.1(a) expressly provides that certain activities are *not* improper means. The Legislature explicitly stated that reverse engineering or independent derivation alone shall not be considered improper means. CIV. CODE §3426.1(a). The Superior Court recognized this portion of the statute. While its reasoning is not wholly clear, however, the Superior Court apparently determined that the insertion of the word alone by the Legislature permitted sufficient flexibility of interpretation that a click license agreement prohibition on reverse engineering could transform the circumstances from reverse engineering alone into reverse engineering by improper means. This interpretation was an erroneous one.

To the extent that it is ascertainable, the court should effectuate the intent of the Legislature and give effect to the manifest objectives of the legislation, which appear from the provisions considered as a whole, in light of the legislative history. *Masonite Corp. v. County of Mendocino Air Quality Management Dist.*, 42 Cal. App. 4th 436, 444 (1996). Here, the history reveals that the California Legislature specifically intended that the reverse engineering of mass distributed software be permitted under Section 3426.1(a).

Specifically, in codifying California law governing misappropriation of trade secrets, California Assembly Bill No. 501 (AB 501) was introduced on February 7, 1983. Amicus Curiae IEEE-USA's Request for Judicial Notice (RJN) Ex. A. AB 501 was based on the Uniform Trade Secrets Act (UTSA) as approved by the National Conference of Commissioners on Uniform State Laws in 1979 and the American Bar Association in 1980. RJN Ex. B (Report of Senate Committee on Judiciary); see 1 R. MILGRIM, MILGRIM ON TRADE SECRETS, §1.01[2] at 1-21. While the text of the UTSA itself did not include specific examples of methods of discovering a trade secret that constituted proper means, the comments to the Uniform Act included reference to such cases interpreting Section 757 of the Restatement. Those comments reflected the understanding of the Conference that proper means

included [d]iscovery by reverse engineering, that is, by starting with the known product and working backward to find the method by which it was developed. *See* UNIFORM TRADE SECRETS ACT, /1, Commissioner s Comment (*reprinted in* MILGRIM, *supra*, /1.01[2][a] at 1-30). The Comments further provided that if a known product was acquired by fair and honest means, such as purchase of the item on the open market, then reverse engineering the known product is lawful. *See id.*

California s Legislature adopted this understanding of the UTSA when it enacted the relevant provisions of the Civil Code in 1984. The Legislative Committee Comment expressly stated that acquisition of the product on the open market and subsequent reverse engineering is lawful. *See* CIV. CODE/3426.1, Legislative Committee Comment Senate. California s Legislature thus took one further step than the National Conference by expressly including this understanding in California s version of the UTSA. CIV. CODE/3426.1(a); *see* RJN Ex. °C.

Cases interpreting the Restatement at the time the UTSA was adopted in California also reflected this understanding. *See Chicago Lock Co. v. Fanberg*, 676 F.2d 400, 404 (9th Cir. 1982) (citing *Sinclair v. Aquarius Electronics, Inc.*, 42 Cal. App. 3d 216 (1974)); *Uribe v. Howie*, 19 Cal. App. 3d 194 (1971); *Cal Francisco Inv. Corp. v. Vrionis*, 14 Cal. App. 3d 318 (1971)). Such courts held, for example, that [i]t is well recognized that a trade secret does not offer protection against discovery by fair and honest means such as by independent invention, accidental disclosure or by so-called reverse engineering, that is, starting with the known product and working backward to divine [*sic*] the process. *Sinclair*, 42 Cal. App. 3d at 226. *See also Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974) (A trade secret law, however, does not offer protection against discovery by . . . so-called reverse engineering); *Chicago Lock Co.*, 676 F.2d at 405 (A lock purchaser s own reverse-engineering of his own lock, and subsequent publication of the serial number-key code correlation, is an example of the independent invention and reverse engineering expressly allowed by trade secret doctrine).

Thus, in order to interpret the word *alone* in the statutory language, the Superior Court should have considered that the California committee

comments, committee reports, the California cases, and the comments to the Uniform Act all provided at the time the statute was adopted that so long as the product was acquired on the open market, reverse engineering was to be permitted. This Court should hold that the Legislature intended to privilege reverse engineering wherever it was performed after lawful acquisition of a mass-distributed product. Accordingly, there is no basis for a finding of likelihood of success on the merits in this action, and the preliminary injunction should be vacated.

C. The Superior Court's Implicit Holding That A Contractual Provision Prohibiting Reverse Engineering Accompanying A Mass-Distributed Work Is Enforceable Was Also Erroneous.

As noted above, the Superior Court held that breach of an alleged click licence [*sic*] prohibition on reverse engineering was sufficient to turn reverse engineering from a proper into an improper means of discovery of a trade secret under the statute. Assuming, contrary to the foregoing analysis, that reverse engineering of a mass distributed product can ever be considered improper means of acquisition of knowledge of a trade secret under the California statute, it is contrary to California's public policy to permit such prohibitions to create an affirmative obligation of secrecy in an adhesion contract. Accordingly, for this independent reason, the Superior Court should be reversed.

It is undisputed that click license agreements are contracts of adhesion, as the recipient of the software has no choice but to accept the terms in order to obtain access to the purchased materials. *See Graham v. Scissor-Tail, Inc.*, 28 Cal. 3d 807, 817 (1981); *see also Perdue v. Crocker Nat'l Bank*, 38 Cal. 3d 913, 925 (1985). Where such click license agreements contain prohibitions on reverse engineering, the contractual effect is to place an affirmative obligation of secrecy as to the contents of the object code upon every purchaser of the software. *See CIV. CODE* §3426.1(a). Only if this affirmative obligation of secrecy is enforceable can the disclosure of the results of reverse engineering be considered to violate the statute. *See id.*

The question, then, is whether such contractual restraints are substantively unconscionable and therefore unenforceable under California law. Civil Code Section 1670.5 provides the standard for unconscion-

ability, and is founded upon Uniform Commercial Code Section 2-302.² Under Section 2-302, contract terms are to be evaluated in the light of the general commercial background and the commercial needs of the particular trade or case U.C.C. /2-302, cmt.°1. The Second Restatement of Contracts also provides that [t]he determination that a contract or term is or is not unconscionable is made in light of its setting, purpose and effect. RESTATEMENT (SECOND) OF CONTRACTS /208 cmt.°a (1981).

The IEEE-USA is uniquely suited to provide this Court insight regarding the business mores governing the determination of whether an adhesive prohibition on reverse engineering is unconscionable. As the representative body of more than 200,000 engineers in the United States, many of them residents of the State of California, it is apparent that the IEEE-USA s policy statement against such prohibitions reflects a strong understanding that such prohibitions violate the mores and business practices of the software engineering community.

The IEEE-USA s Policy Statement provides strong reasons for this understanding. Reverse engineering supports the free flow of ideas, the advancement of engineering knowledge, and is plainly permitted as a fair use under the Copyright Act when performed to understand the underlying ideas and to create interoperable computer systems. *See Sony v. Connectix*, 203 F.3d 596 (9th Cir. 2000); *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1527 (9th Cir. 1992). Prohibitions on reverse engineering accompanying mass market software unduly restrict the free flow of information and provide the potential to unduly restrict competition. Moreover, the attempt to create an affirmative obligation of secrecy upon every person coming into contact with a piece of mass distributed media is a serious infringement on personal liberty.

²Civil Code Section 1670.5 was adopted verbatim from Uniform Commercial Code Section 2-302. The legislative committee comment to Section 1670.5 states: The Assembly declares its intent, therefore, that the Official Code Comments to Uniform Commercial Code Section 2-302 prepared by the American Law Institute and National Conference of Commissioners on Uniform State Laws,°°° be used as an aid to interpretation of Section 1670.5. *Legislative Committee Comment*, CAL. CIV. CODE/1670.5 , 328 (Deering 1994).

Adhesive license prohibitions against reverse engineering unduly restrict the free flow of ideas more than is necessary to protect legitimate trade secrets. The nature of object code is such that ascertaining the underlying ideas and concepts associated with the work is nearly impossible in the absence of reverse engineering. Without the ability to disassemble the code and determine the underlying concepts, technology developments in mass-market-software-based products are stifled. Enforcement of such adhesive mass market restrictions would place a chokehold on the growth of technology and serve to undermine the very foundation of scientific progression.

It is therefore the considered opinion of IEEE-USA, as expressed in its Policy Statement, that when the object code of a program is widely distributed, adhesive contractual provisions accompanying the object code which purport to limit the engineer's privileges to reverse engineer the object code and publish the results of that analysis should not be enforceable. The IEEE-USA urges this Court to hold that such restrictions are therefore against the public interest of the State of California and should be considered void as against public policy.

CONCLUSION

For the foregoing reasons, IEEE-USA urges this Court to reaffirm the Legislature's position that reverse engineering is strongly in the public interest of the people of the State of California by reversing the Superior Court's decision on the foregoing grounds.

DATED: July 5, 2000.

Respectfully,

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