November 20, 2006

The Honorable Arlen Specter, Chairman
Committee on the Judiciary
United States Senate
Washington, D.C. 20510-6275

Dear Chairman Specter:

This letter responds to your letter of October 10, 2006, posing a follow-up question to me regarding testimony I provided to the Committee on the Judiciary at a hearing on September 20, 2006, regarding "Examining Proposals to Restructure the Ninth Circuit."

Before responding to the question, I would like to thank you and the other members of the Committee for allowing me to testify on this important subject and for the opportunity to respond to your further question.

The question you posed to me is as follows:

Background: In your testimony, you discussed the consistency of law in the West that is provided having one circuit cover much of the West. In particular, you noted the importance of consistency in intellectual property law and maritime law.

- *Please provide additional examples in which consistency of law provided by the 9th Circuit has been important in intellectual property law.*
- *Please provide additional examples in which consistency of law provided by the 9th Circuit has been important in maritime law.*

I address each part of this question below, the first part regarding intellectual property with several relatively brief illustrative bullet points and the second regarding maritime law with a more expansive discussion of primarily one aspect of maritime regulation.

Consistency of Intellectual Property Law

The current Ninth Circuit has provided important consistency in federal law governing many aspects of intellectual property from copyright to trademark and trade secret issues to issues affecting the internet and many other aspects of technology. It may be worth noting that is consistency of law generally excludes patent cases because Congress has sought to provide uniformity in this area by directing such cases to the Federal Circuit. Some noteworthy examples of uniformity in intellectual property law that the current Ninth Circuit provides -- and that provide stability for business development in the West -- include:

- Decisions that provide consistency in the law governing trademark infringement and dilution in internet searches. *See, e.g., Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004) (setting forth standards regarding trademark violations in the "keying" of advertisements to terms entered in internet searches); *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199 (9th Cir. 2000) (affirming finding of consumer confusion in similar marks displayed commercially on the internet); *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999) (addressing likelihood of confusion between two internet-based movie industry databases). As a result of this consistency in the law, a business in Idaho, Nevada, or any of the other states within the Ninth Circuit need not contend with potentially conflicting standards governing internet searches conducted by users or affected by companies in other Western states.

- Decisions that provide consistency in the law governing the sharing of computer files containing copyrighted sound recordings. *See A&M Records, Inc. v. Napster, Inc.*, 284 F.3d 1091 (9th Cir. 2002) (affirming preliminary injunction in multi-district litigation regarding violation of record companies' copyrights through peer-to-peer music file sharing). The court's rulings in the *Napster* case gave consistent direction to all of the record companies and the many thousands of music file users in the Western states. For example, a California-based record company can be sure that not only users in California, but also users in Oregon, Arizona, and all of the other states in the Ninth Circuit are governed by the same rules regarding copyright violation.

- Decisions that provide consistency in the law governing various aspects of video game development such as reverse engineering. *See, e.g., Sony Computer Entertainment, Inc. v. Connectix Corp.*, 203 F.3d 596 (9^{th} Cir. 2000) (intermediate copying of certain elements of Playstation software for purposes of designing emulator software was permissible reverse engineering and fair use); *MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9^{th} Cir. 1993) (download of content from Internet to RAM is copying under Copyright Act; purpose of download and use of content subject to fair use analysis), *cert. dismissed* 510 U.S. 1033 (1994); *Sega Enterprises v. Accolade,* 977 F.2d 1510 (9^{th} Cir. 1992) (permitting as fair use the disassembly of copyrighted computer program in order to gain understanding of unprotected functional elements of the program when person seeking understanding has legitimate reason for doing so and no other means of access to unprotected elements exists). Because of these cases, video game developers, whether located in Los Angeles, Silicon Valley, or the Pacific Northwest, have operated under a coherent body of law that provides a level and consistent competitive playing field.

- Decisions that have provided consistency in the law on internet jurisdiction over the years and across the circuit. *See Pebble Beach Company v. Caddy,* 453 F.3d 1151 (9^{th} Cir 2006)(operation of passive website and selection of golf course trademark as domain name does not support specific jurisdiction over foreign operator of website); *see also Schwarzenegger v. Fred Martin Motor Co.,* 374 F.3d 797 (9^{th} Cir. 2004) (defendant must engage in some activity that amounts to "express aiming" at forum in order to support specific jurisdiction); *Rio Properties v. Rio International Interlink,* 284 F.3d 1020 (9^{th} Cir 2000) (registration of domain and creation of a passive web site insufficient basis for jurisdiction); *Bancroft & Masters v. Augusta National,* 223 F.3d 1082 (9^{th} Cir 2000) (sending letter to plaintiff that triggered dispute sufficient to establish jurisdiction in plaintiff's forum); *Panavision International v. Toeppen,*141 F.3d 1316 (9^{th} Cir. 1998) (attempt to sell domain name to plaintiff is conduct aimed at plaintiff's forum sufficient to establish jurisdiction) (all cited and followed in *Pebble Beach*). This consistency over time in a rapidly growing and changing area of technology provides important stability for businesses.

- Decisions that provide consistency in the law regarding when one party may use the trademark of another party, by establishing and following the "nominative fair use" defense to trademark infringement. *See New Kids on the Block v. News America Publishing, Inc.,* 971 F.2d 3012 (9^{th} Cir. 1992) (establishing 3-factor test for when use of trademark is necessary because it is only word reasonably available to describe a particular thing). The *New Kids* analysis has been applied in many cases, including *Playboy Industries v. Welles,* 279 F.3d 796 (9^{th} Cir. 2002) (use of Playboy and Playmate trademarks in conjunction with web site promoting Welles's services was fair use), *Cairns v. Franklin Mint Co.,* 292 F.3d 1139 (9^{th} Cir. 2002) (use of Princess Diana's name and likeness in connection with collectible products was fair use), *Mattel, Inc. v. Walking Mountain Productions,* 353 F.3d 792 (9^{th} Circ. 20003) (use of Barbie doll in photographic parodies was fair use), and *Brother Records, Inc. v. Jardine,* 318 F.3d 900 (9^{th} Cir. 2003) (use of Beach Boys name not fair use because name was used more prominently than necessary, suggesting sponsorship by trademark holder). As in other areas of intellectual property law, this consistency in an important area of law across the broad geographic reach of the current Ninth Circuit enhances business development and innovation whether it occurs in Boise, Idaho or Hollywood, California.

Consistency of Maritime Law

Like intellectual property law, maritime law is a broad subject containing many subcategories, including, to name a few, fisheries management, marine mammal protection, navigable waterways, admiralty law, Jones Act cases, marine insurance, oil spills, vessel flag and safety requirements, security interests in vessels, and Coast Guard jurisdiction. Any one of these areas could provide examples where consistent interpretation of federal law within the Ninth Circuit is important to West coast businesses. Rather than survey all of these different areas of maritime law, by way of illustration, I describe below the importance of consistency in fishery management and also include some additional brief examples from other laws affecting fishermen.

Fishery Management

The Magnuson-Stevens Fishery Conservation and Management Act ("the Magnuson Act" or "the Act") is the "principal law governing marine fisheries in the United States." Pacific Fishery Management Council Information Sheet: The Magnuson-Stevens Act ("the Information Sheet"), at 1, *available at* http://www.pcouncil.org/facts/msact.pdf (last visited Nov. 13, 2006). The Magnuson Act created eight Regional Fishery Management Councils ("Councils"), with each Council representing a group of neighboring states with ocean borders. *See* 16 U.S.C. § 1852. The Act granted each of the eight Councils authority over a geographic portion of the ocean, which, as a general matter, entailed the area "seaward of [the] States" represented on the Council out to the edge of the "exclusive economic zone," roughly two hundred nautical miles from shore. *Id.* at § 1852 (A)-(H); *see id.* at § 1811; Information Sheet at 1. The Act tasked the Councils with creating Fishery Management Plans ("Plans") for each "fishery" — defined broadly as "one or more stocks of fish which can be treated as a unit," 16 U.S.C. § 1802(13)(A) — located within the Council's geographical area of authority. *See id.* at § 1853(a). The Plans must comply with eight National Standards set forth in the Magnuson Act, the principle aim being to "prevent overfishing while achieving, on a continuing basis, the optimum yield from each fishery." *Id.* at § 1851(a)(1). The Councils submit to the Secretary of Commerce their Plans, which the Secretary may then incorporate as law through regulation. See *id.* at 1854.

Under this legal regime, "unity of management, or at least close cooperation, is vital to prevent jurisdictional differences from adversely affecting conservation practices." *Or. Trollers Ass'n v. Gutierrez*, 452 F.3d 1104, 1120-21 (9th Cir. 2006) (citing a Senate Committee Report on the Magnuson Act, S. Commerce Comm. Rep. No. 94-416 (1975), reprinted in *A Legislative History of the Fishery Conservation and Management Act of 1976*, at 685 (1976); alterations omitted). The logic is simple. Conservation efforts of one community concerning a mobile or migratory species of fish can be nullified by another. Moreover, economic hardship arising from restricted fishing in one community may translate directly into a boon for the second — given the consequently undiminished resource — a result that discourages and undermines efforts to impose restraint.

For this reason, along with the Magnuson Act's nationalization of fishery law, Congress drafted certain provisions to prevent the Act's eight management Councils from inconsistently managing fisheries that overlap more than one Council's geographic area of authority. National Standard # 3 of the Magnuson Act thus directs the Secretary to manage stocks of fish "as a unit throughout [the stock's] range." 16 U.S.C. § 1851(a)(3). Moreover, where a fishery "extends beyond the geographical area of authority of any one Council," the Secretary is permitted either to designate which of the relevant Councils will prepare the management plan for that fishery or to require the Councils jointly to prepare the plan. *Id.* at § 1854(f); *see*, *e.g.*, Fishery Management Plan for Coastal Migratory Pelagics in the Atlantic and Gulf of Mexico, Amendment 5, *available at* http://www.safmc.net/Portals/0/HistManag/CMP_History.pdf (last visited Nov. 13, 2006) (management plan outline for mackerel and cobia fishery jointly prepared by Gulf Council and South Atlantic Council). Similarly, for certain East Coast species of fish that customarily traverse the geographical authority of multiple Councils, authority is centrally retained by the Secretary. 16 U.S.C. § 1852(a)(3).

The principle of consistency in the Magnuson Act, of course, could be undercut by *in*consistent court interpretation of the Act and its implementing regulations throughout the geography of a regulated fishery. On the West Coast, many fish stocks are migratory and are encountered along the entire contiguous United States. *See, e.g.*, Pacific Coast Groundfish Fishery Management Plan For The California, Oregon, And Washington Groundfish Fishery, Appendix B, Part 2, at 173-74 (Nov. 2005), *available at* http://www.pcouncil.org/groundfish/gffmp/gfa19/GF_FMP_App_B2.pdf (last visited Nov. 9, 2006) (Pacific Hake "is highly migratory, moving into many areas of the West Coast . . . . [M]ature adults [move] northward and inshore, following food supply and Davidson currents." (citations omitted)); *id.* at 185-86 (Leopard Sharks "found from southern Oregon to Baja California, Mexico" and "form large nomadic schools"); *id.* at 188 (Soupfin Sharks "found from Northern British Columbia to Abreojos Point, Baja California" and "have a coast-wide movement," migrating "north in the summer and southward in the winter"); *id.* at 190 (Spiny Dogfish "migrate in large schools" with "[s]easonal migrations . . . taken so as to stay in the preferred temperature range" (citations omitted)). Unlike migratory fish stocks on the East Coast, which are subject to the potentially differing interpretations of the First, Second, Third, Fourth, Fifth, and Eleventh Circuits, such stocks on the West Coast currently enjoy the consistent and coherent interpretations offered by a single Circuit for the entire region.

Migratory fish stocks aside, the potential for variance in federal court interpretations of the Magnuson Act and its regulations is significant. The National Marine Fisheries Service, through which the Secretary of Commerce promulgates the regulations interpreting the Magnuson Act, issues "more than 400 rules a year . . . governing where, when and how fishermen can fish." Michael C. Laurence, Note, *A Call To Action: Saving America's Commercial Fishermen*, 26 Wm. & Mary Envtl. L. & Pol'y Rev. 825, 829 (2002) (quotations and footnote omitted; alterations in original). That number is the "fourth-highest among federal agencies in the issuing of rules and regulations." *Id.* at n.30 (citations omitted). While not all of these rules pertain specifically to West Coast fisheries, any interpretation or determination of their validity or invalidity is a potential basis for inter-Circuit disagreement.

Even minor variations in the interpretation of the Magnuson Act could generate incentive for forum-shopping among smaller Circuits. A disagreement between federal judges regarding the inception of the Act's limitations provision, for example, can leave aggrieved parties empowered to bring suit in one jurisdiction but not another. *Compare Kramer v. Mosbacher*, 878 F.2d 134, 137 (4th Cir. 1989) (holding that limitations period for challenging regulation under Magnuson Act began to run at the time the regulation was promulgated, not when the regulation was implemented to close the fishery), *superseded by Fishery Conservation Amendments of 1990, as stated in Or. Trollers Ass'n v. Gutierrez*, 452 F.3d 1104, 1113 (9th Cir. 2006), *with Islamorada Charter Boat Ass'n v. Verity*, 676 F. Supp. 244, 246 (S.D. Fla. 1988) (holding that limitations period for challenging regulation under Magnuson Act did not begin to run until the regulation was implemented to close the fishery). Analogous disagreement might signify the availability of preliminary relief in one jurisdiction but not another. *Compare Kramer*, 878 F.2d at 137 (holding that due to section 1855(d) of the Act, preliminary relief from fishery regulations was unavailable), *with Verity*, 676 F. Supp. at 245-46 (holding that section 1855(d) of the Act did not preclude preliminary relief from fishery regulations). Such forum shopping and conflicts between smaller Circuits is avoided in the Ninth Circuit.

Examples from Other Laws Affecting Fishermen

The problem of potential forum-shopping extends beyond the Magnuson Act to other laws affecting fishermen. For example, the willingness of creditors to make loans to fishermen for basic supplies and services needed for voyages — and the consequent ability of fishermen to engage in their occupation — may currently depend to some extent on the Circuit in which the creditor and fishermen operate. The value of fishing permits linked to a fisherman's vessel are often "integral to the value of the vessel itself," *PNC Bank Del. v. F/V Miss Laura*, 381 F.3d 183, 185 (3rd Cir. 2004), yet a creditor's ability to extend its lien against such permits along with the vessel remains unclear in some Circuits. *Compare Gowen, Inc. v. F/V Quality One*, 244 F.3d 64, 68-69 (1st Cir. 2001) (holding that creditor's lien against a fisherman's vessel also could apply against valuable permits associated with the vessel), *with PNC Bank Del.*, 381 F.3d at 186-87 (leaving open the question of whether a lien could attach to such permits).

Although not exclusively within the province of fishermen, maritime tort law is a particularly troublesome area for forum-shopping. When deciding where to bring such an action, the likely defenses to the action are a crucial factor. In this regard, the Fifth and Ninth Circuits endured a period during which comparative negligence provided a defense to strict liability in the latter Circuit but not the former. *See Pan-Alaska Fisheries, Inc. v. Marine Constr. & Design Co.*, 565 F.2d 1129, 1137 (9th Cir. 1977) (holding that comparative negligence can apply as a partial defense to a strict liability claim under admiralty law); *Lewis v. Timco, Inc.*, 697 F.2d 1252, 1255 (5th Cir.) (rejecting *Pan-Alaska Fisheries* and holding that comparative negligence is no defense to strict liability claims under admiralty law), *vacated*, 716 F.2d 1425 (1983). Although that inconsistency was resolved, the two Circuits have yet to agree about whether a plaintiff's negligence in "failing to uncover" the product's defect is a cognizable form of negligence under the defense. *Compare Pan-Alaska Fisheries*, 565 F.2d at 1139-40 (rejecting Restatement view and holding that even "negligence consist[ing] merely in a failure to discover the defect in the product" can reduce an award), *with Lewis v. Timco, Inc.*, 716 F.2d 1425, 1430 n.2 (noting *Pan-Alaska Fisheries*' conclusion on the issue but leaving the question open). Such conflicts and attendant forum-shopping would be aggravated by splitting the Ninth Circuit into smaller circuits.

In sum, the ready availability of the above examples, just within the subcategory of maritime law related to fishery management and fishing, should give pause when assessing the extent to which dividing the Ninth Circuit could lead to inconsistent maritime law application, conflicting rulings affecting West coast businesses, and the potential for forum-shopping.

I hope the above responses are helpful to you and the Committee in your consideration of the important issues raised by proposals to divide the Ninth Circuit. As I explained in my testimony to the Committee, I believe enacting any of these proposals would be a disservice to the administration of justice through the federal courts in the West and I continue to oppose such proposals.

If I can be of further assistance to you or any other member of the Committee, please do not hesitate to contact me.

Sincerely,

William H. Neukom