



VLS 7/22/02 11:35

3:02-CV-01273 MUSICMATCH INC V. CDDDB INC

\*4\*

\*AMDCMP.\*

STEPHEN P. SWINTON (106398)  
JENNIFER L.W. RUMBERGER (197532)  
ANDREA S. HOFFMAN (199284)  
Cooley Godward LLP  
4401 Eastgate Mall  
San Diego, CA 92121  
Telephone: (858) 550-6000  
Facsimile: (858) 550-6420

Attorneys for Plaintiff,  
MUSICMATCH, INC.

FILED  
02 JUL 19 PM 3:41  
CLERK, U.S. DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA  
BY: *[Signature]*

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

MUSICMATCH, INC., a Washington  
corporation,

Plaintiff,

v.

CDDDB, INC., a Delaware corporation, d/b/a  
Gracenote,

Defendant.

Case No. 02-CV-01273 JM (JAH)

**FIRST AMENDED COMPLAINT FOR  
DAMAGES AND DECLARATORY RELIEF**

**DEMAND FOR JURY TRIAL**

Plaintiff MusicMatch, Inc. ("MusicMatch") Alleges:

**INTRODUCTION**

1. Through this action, MusicMatch seeks damages and declaratory relief for the activities of the defendant CDDDB, Inc., d/b/a Gracenote ("Gracenote") by which Gracenote has monopolized, or attempted to monopolize, the market for on-line audio-CD database services. As set forth herein, the defendant's illegal conduct is exemplified by its fraudulent procurement and enforcement of the "Gracenote patents" comprising United States Patent No. 6,061,680 ("the '680 patent"), United States Patent No. 6,230,192 ("the '192 patent"), and United States Patent No. 6,330,593 ("the '593 patent") and acquisition and assertion of copyright and related property rights in its audio-CD database and the trademarks and service marks associated with the term "CDDDB." In addition, MusicMatch alleges other illegal and unfair acts involving, *inter alia*, the

345270 v2/SD  
7##%02!.DOC

1. **ORIGINAL** CASE No. 02-CV-01273 JM (JAH)

1 defendant's pattern and practice of abrupt and wrongful termination of consumer access to its  
2 CDM database service in violation of established contractual relations, interference with the  
3 present and prospective relationships between MusicMatch and its partners and customers,  
4 including an impact on tens of thousands of consumers per day, and other acts of unfair  
5 competition. As set forth below, MusicMatch seeks damages, trebled, and preliminary and  
6 permanent injunctive relief to prevent the foregoing conduct. In addition, MusicMatch asks this  
7 Court to declare the Gracenote patents and copyrights invalid and unenforceable and further to  
8 declare that MusicMatch's current and anticipated activities do not infringe any claim of the  
9 Gracenote patents.

#### 10 THE PARTIES

11 2. Plaintiff MusicMatch was founded in 1997 to develop complete digital music  
12 management through jukebox software. MusicMatch is now the recognized global leader in  
13 personalized music software and services. Among its products, the MusicMatch Jukebox is the  
14 world's most actively used jukebox software enabling users to play, record tracks to a hard drive  
15 and/or CD, and organize music collections. MusicMatch also runs the world's most successful  
16 online music subscription service, called "Radio MX." MusicMatch maintains its principal place  
17 of business at 16935 W. Bernardo Dr. in San Diego. MusicMatch is organized under the laws of  
18 the State of Washington.

19 3. MusicMatch is informed and believes that defendant Gracenote is a corporation  
20 organized and incorporated under the laws of the State of Delaware. Gracenote operates a  
21 publicly accessible database that contains information about music and audio CDs, such as artist  
22 names, song titles, and track lengths. This information can be and is accessed through the  
23 Internet by third parties, including third party residents of this District, for use with respect to the  
24 play and enjoyment of commercial audio CDs. Gracenote maintains its principal place of  
25 business at 2141 Fourth Street in Berkeley, California. As set forth below, through its business in  
26 the operation of its database, Gracenote conducts business in this jurisdiction and throughout the  
27 nation and worldwide.

## JURISDICTION AND VENUE

4. Based, in part, upon communications from Gracenote to MusicMatch and further in view of Gracenote's previous pursuit of litigation against parties similarly situated to MusicMatch, prior to filing this complaint plaintiff reasonably apprehended that Gracenote intended to sue MusicMatch on a claim of infringement of the Gracenote patents. MusicMatch understands and believes that Gracenote contends that MusicMatch infringes the Gracenote patents, that such patents are valid, and further that the Gracenote patents are enforceable. For its part, MusicMatch contends that it does not infringe the Gracenote patents, that the Gracenote patents are invalid, and that such patents are also unenforceable. In light of the foregoing, an actual case or controversy exists between MusicMatch and defendant concerning the infringement, validity and enforceability of the Gracenote patents. Indeed, after MusicMatch filed its original complaint in this Court, on July 2, 2002, defendant Gracenote filed a duplicative suit against MusicMatch alleging claims of breach of contract, unfair competition, and patent infringement, *Gracenote, Inc. v. MusicMatch, Inc.*, C-02-3162-PVT. That action is currently pending in the Northern District of California. MusicMatch contends that the duplicative filing of Gracenote's lawsuit in the Northern District of California is a further example of the defendant's acts to stifle and injure competition.

5. Counts One, Two and Three and Four of this Complaint seek declaratory relief under the Declaratory Judgment Act, Title 28, United States Code, Sections 2201 and 2202. This Court has subject matter jurisdiction of the claims asserted thereunder by reason of Title 28, United States Code, Sections 1331, 1338(a), 1338(b), and 1367.

6. Count Five seeks monetary relief and cancellation of Gracenote's "CDDB" service mark for Gracenote's registration of a generic or merely descriptive mark. This Court has subject matter jurisdiction of Count Five by reason of 28 U.S.C. §§ 1331, 1338(a), and 1367.

7. Count Six of the Complaint seeks damages, trebled, under the Sherman Act, Title 15 United States Code Section 2. This Court has independent subject matter jurisdiction of that claim by reason of Title 28 United States Code, Sections 1331 and 1367.

1           8.     This Court has jurisdiction of Count Seven, plaintiff's claim for tortious  
2 interference with business relations, and Count Eight, plaintiff's claim for unfair competition,  
3 under Section 1338(a) or, alternatively, under the principles of supplemental jurisdiction.

4           9.     Because a substantial part of the events giving rise to MusicMatch's claims  
5 occurred in this judicial district, venue is proper in this District under Title 28, United States  
6 Code, Sections 1391(b).

7                               **FACTUAL BACKGROUND**

8                               **THE DEFENDANT'S ILLEGAL ACQUISITION OF AND ASSERTION  
9 OF PURPORTED INTELLECTUAL PROPERTY RIGHTS**

10                           **CREATION AND DISTRIBUTION OF THE PUBLIC CD DATABASE KNOWN AS "CDDB"**

11           10.    MusicMatch is informed and believes that as early as 1992, various individuals  
12 and companies throughout the world created and distributed software programs that allowed users  
13 to play selections or "tracks" from audio compact discs ("CDs") on various computer platforms.  
14 Many of these programs also integrated functions that allowed users to access a compact disc  
15 database, or "CDDB," that contained textual data corresponding to the audio track names and  
16 other distinguishing titles or characteristics concerning CDs that the users might play. Many of  
17 these programs were freely distributed to the public under terms and conditions that encouraged  
18 other users to use the programs and associated cddb's without charge or fee.

19           11.    MusicMatch is informed and believes that by 1992, Ti Kan ("Kan"), a resident of  
20 California, had developed a software program known as "xmcd." In its early versions, xmcd  
21 provided various functions associated with the playback of audio CD tracks. Among the functions  
22 that xmcd provided was the ability for a user to access various compact disc databases containing  
23 textual track information concerning the titles or other characteristics of the CD tracks. As early  
24 as 1992, Kan distributed a complementary database with his xmcd software. In application, a user  
25 could install the xmcd software and associated CD database and operate the software in  
26 conjunction with the CD database across a network installation of multiple computers.

27           12.    MusicMatch is informed and believes that Kan freely distributed his xmcd  
28 software and associated CD database to the public under terms and conditions that encouraged  
public use of the software and CD database. In addition, Kan openly encouraged the public to use

1 the CD database and to supplement the contents of that database with new CD data that would  
2 enhance the content and depth of the database. In return for public contributions to the CD  
3 database, Kan openly promised to ensure free access by the public to the CD database and  
4 provided periodic distributions of updated versions of the CD database that had been  
5 supplemented by public contributions.

6 13. In reliance upon Kan's promises of future access to the CD database and the  
7 success and desirability of Kan's xmcd program, MusicMatch is informed and believes that Kan  
8 received large amounts of public contribution of data to his CD database. As a result, Kan's CD  
9 database grew rapidly. In substantial reliance upon Kan's written promises of continued access to  
10 the CD database, Kan's database quickly became the de facto industry database for title and track  
11 information for audio CDs.

12 14. MusicMatch is informed and believes that, unbeknownst to the contributing  
13 members of the public and contrary to the public expectations and Kan's written representations,  
14 Kan asserted proprietary ownership over the CD database that he distributed to the public and to  
15 which he received substantial public contributions. Indeed, Kan appended a claim of copyright to  
16 each database entry submitted by the public for insertion to the database. Not only was that false  
17 due to the lack of "original" material associated with the content of the CD database, but such  
18 claim was, in many cases, contrary to the true source of each database entry.

19 15. MusicMatch is informed and believes that Kan continued to revise and distribute  
20 his xmcd program and associated CD database. For example, in January 1996, Kan distributed a  
21 version of xmcd and associated CD database (version 1.3.1) that expressly contemplated and  
22 advertised operational capabilities across network platforms. On April 4, 1996, Kan released and  
23 distributed xmcd version 2.0 with its associated CD database. Throughout these continuing  
24 updates and distributions, Kan continued to promise public availability of the database and  
25 encouraged continued public contributions to the same.

26 16. MusicMatch is informed and believes, that Kan made xmcd and its CD database  
27 available to the public in accordance with the terms of the GNU General Public License ("GNU  
28 GPL"), (*see* <http://www.gnu.org/licenses/licenses.html>). MusicMatch is further informed and

1 believes, and on that basis alleges, that the CD database accessed by xmcd was created from  
2 submissions from the "user community," or the end-users of the online CD database. Under the  
3 terms of the GNU GPL, users received a royalty-free license to use, copy, distribute, or modify  
4 xmcd and its CD database.

5 17. Beginning sometime in 1996 and continuing thereafter, Kan, acting in concert with  
6 others, began to assert publicly his claim of proprietary ownership of the entirety of the CD  
7 database that the public had constructed and populated by voluntary contributions. MusicMatch is  
8 informed and believes that by 1997, Kan and others had formed a corporate entity believed to be  
9 named CDDDB, LLC. Through CDDDB, LLC, Kan and his confederates initiated a plan and scheme  
10 to acquire a monopoly position in the on-line distribution of audio CD track and related  
11 information and the commercial benefits to be derived from that distribution. This scheme was  
12 directly contrary to the public promises and representations that had enabled to Kan to grow and  
13 populate his CD database over which he and his colleagues and corporate entity now illegally  
14 planned to assert proprietary ownership and control. Moreover, at or about this time, Kan and his  
15 colleagues and corporate entity withdrew Kan's CD database from public distribution in direct  
16 contravention of Kan's promises of continued access and distribution upon which the public relied  
17 in helping to create and enhance that database.

18 18. In addition to wrongfully asserting proprietary ownership of the CD database and  
19 withdrawing that database from public distribution, Kan and others decided to attempt to obtain  
20 patents purportedly encompassing the methods of accessing a CD database and associated  
21 commercial activities related to or adaptable to such database access. However, these patent  
22 applications derived from or claimed the very functions that Kan's public xmcd and other third  
23 party software applications had demonstrated many years earlier. In furtherance of this plan, on  
24 April 15, 1997, two of Kan's colleagues filed United States Patent Application No. 08/838,082  
25 ("the '082 application") with the United States Patent and Trademark Office. Without disclosing  
26 the prior activities of Kan and others in the distribution and use of CD databases, the specification  
27 and claims of the '082 application disclosed and claimed techniques that had been publicly  
28



1 available long before the "critical" date of April 15, 1996, one year prior to the filing date of the  
2 '082 application.

3 19. In later proceedings in the prosecution of the patent applications filed in  
4 continuation of the '082 patent application, Kan was later joined as a named inventor as to claims  
5 associated with accessing a CD database across a computer network. Even then, however, neither  
6 Kan nor his alleged co-inventors disclosed the prior work and publications of Kan and others. As  
7 set forth below, in or about May 9, 2000, the United States Patent and Trademark Office issued  
8 United States Patent No. 6,061,680 ("the '680 patent"). The '680 patent claims priority from the  
9 '082 application. The claims of the '680 patent purport to relate to a computer-implemented  
10 method of searching for a match in a database of a plurality of records.

11 **CREATION AND DISTRIBUTION OF THE PUBLIC CD DATABASE KNOWN AS "CDDDB" AND**  
12 **CONTINUED WRONGFUL ASSERTION OF PROPRIETARY INTERESTS**

13 20. MusicMatch is informed and believes that in 1998, Escient, Inc. acquired the  
14 corporate entity through which Kan and his colleagues had carried out much if not all of the  
15 foregoing activities. Following that acquisition, Escient created a new subsidiary, defendant  
16 CDDDB, Inc. CDDDB, Inc. is currently doing business as Gracenote. Thereafter, CDDDB continued  
17 its illegal efforts to monopolize the market for online CD databases utilized by companies, such as  
18 MusicMatch, with audio CD and mp3 player products.

19 21. For example, following the aforementioned acquisition, defendant filed various  
20 trademark and/or servicemark applications with the United States Patent and Trademark Office by  
21 which it claimed proprietary rights to the generic term "CDDDB," that, as noted above, had long  
22 been used to describe generic databases comprised of CD data. At no time during the prosecution  
23 of those applications did defendant disclose the prior descriptive and generic uses of the term  
24 CDDDB. As a result of its failure to disclose relevant and material information to the United States  
25 Patent and Trademark Office, defendant was able to obtain federal trademark and service mark  
26 registrations to "CDDDB" and thereafter asserted a proprietary claim to that term contrary to the  
27 public's prior rights and interests therein.

28



22. Similarly, following its acquisition of CDDB, LLC by defendant's predecessor in interest, defendant began to assert proprietary interests in the CD database originally distributed by Ti Kan as described above. As part of that wrongful assertion of proprietary ownership and claim of copyright, in late 1998, defendant insisted that MusicMatch enter into a formal database agreement before it would be granted access to the previously-public database now generally referred to by defendant as "CDDB<sup>1</sup>." By this time, due to the substantial public contributions to the CDDB<sup>1</sup> database and the monopoly position which that database enjoyed in the relevant market, MusicMatch was compelled as a matter of economic and practical necessity to enter into the CDDB<sup>1</sup> agreement with defendant in order to ensure access to the large volume of data developed by the public in the database.

23. In order to ensure its continued stranglehold on the market for online CD databases utilized by companies with audio CD and mp3 player products, defendant imposed numerous onerous and anticompetitive conditions as part of the CDDB<sup>1</sup> agreement with MusicMatch that operated to prevent competition in that market. For example, the CDDB<sup>1</sup> license agreement required MusicMatch and its customer base to use the CDDB<sup>1</sup> database exclusively to ascertain CD information from the table of contents of each CD.

24. As a further aspect of its plan to monopolize the relevant market, MusicMatch is informed and believes that representatives of defendant began filing formal applications to register their purported claims to copyright over Kan's CD database, "CDDB." In so doing, defendant failed to disclose that they were not the "author" of the database and that the database did not consist of "original" works but rather merely consisted of textual data associated with the titles and other distinguishing information expressly derived from each respective audio CD. In addition, defendant's representatives also falsely represented that the "CDDB database" was originally published in 1997 when, in fact, as noted above, the Kan and others had published the database as early as 1992.

25. MusicMatch operated under the CDDB<sup>1</sup> agreement until the Fall of 1999. During this time, MusicMatch's customers provided significant benefits to defendant by continuing to populate the CDDB<sup>1</sup> database with new audio CD data. Although the CDDB<sup>1</sup> database agreement

1 with MusicMatch did not require MusicMatch to pay royalties to defendant, through the continued  
2 use of the previously public database, defendant enjoyed significant economic benefits, including  
3 population of the database, from the exclusivity it obtained with MusicMatch and its customers.  
4 In numerous publications and press announcements, defendant boasted of its association with  
5 MusicMatch. In the Fall of 1999, however, defendant Gracenote notified MusicMatch that  
6 Gracenote was arbitrarily discontinuing access to its CDDB<sup>1</sup> database and required MusicMatch to  
7 negotiate yet a new license agreement for access to a "new" database that defendant described as  
8 the "CDDB<sup>2</sup> database."

9         26. The negotiations between Gracenote and MusicMatch over access to defendant's  
10 the "CDDB<sup>2</sup> database" demonstrated the economic power that defendant had amassed by reason of  
11 the conduct set forth above. For example, whereas the public was able to access Kan's publicly  
12 distributed versions of his xmcd database free of charge, and MusicMatch was similarly allowed to  
13 continue access for its customers to the CDDB<sup>1</sup> database royalty-free, Gracenote now demanded  
14 compensation for access to its database equivalent to a royalty fee **plus** 50% of MusicMatch's  
15 revenues earned for e-commerce linking! Similarly, Gracenote continued to demand onerous and  
16 unreasonable provisions for exclusivity over MusicMatch's selection and use of the source of CD  
17 database information. Gracenote further demanded MusicMatch's agreement and concession that  
18 the public-domain CD text data that its customers would submit to Gracenote's database would be  
19 owned exclusively by the defendant.

20         27. In recognition of the monopoly position that the defendant had achieved, effective  
21 December 31, 1999, MusicMatch entered into a new database access agreement with Gracenote  
22 for access to the CDDB<sup>2</sup> database. By this agreement, MusicMatch was now obligated to pay  
23 substantial royalties to Gracenote in order that its customers could continue to access the public  
24 domain information within defendant's CDDB<sup>2</sup> database. In addition, Gracenote continued to  
25 demand exclusivity conditions barring the use of alternative database sources for CD information.

26         28. Following execution of the CDDB<sup>2</sup> database agreement, MusicMatch's software  
27 engineers diligently proceeded to implement the necessary changes in the MusicMatch JukeBox to  
28 accommodate the technical revisions and modifications the Gracenote incorporated in the new

1 database. However, even with that diligence, MusicMatch was not able to fully implement and  
2 incorporate the new features of the CDDB<sup>2</sup> database for approximately nine months. Gracenote  
3 was fully aware of and accepted the lead times necessitated by this process. In addition, the  
4 conversion from the CDDB<sup>1</sup> database to the CDDB<sup>2</sup> database was significantly hampered – and  
5 remains plagued today – by defects in the Gracenote database and associated software.

6 **DEFENDANT'S TERMINATION OF THE CDDB<sup>2</sup> DATABASE AGREEMENT**

7 29. In late 2001, Gracenote repeated its prior conduct of abrupt termination of  
8 MusicMatch's access to the defendant's database followed by new demands for ever-increasing  
9 and exorbitant royalty payments and other onerous conditions in return to renewed access. With  
10 an undated, personally delivered letter, Gracenote personnel advised MusicMatch in August 2001  
11 that MusicMatch's access to CDDB<sup>2</sup> database would be terminated effective December 31, 2001.  
12 In giving the notice, Gracenote knew that its belated notice would place MusicMatch in jeopardy  
13 because it could not reasonably redesign its software and convert its substantial user-base within  
14 the remaining 4 months of the agreement.

15 30. Gracenote's belated and abrupt notice of termination for MusicMatch was  
16 consistent with a pattern and practice employed by Gracenote with respect to other significant  
17 licensees of the CDDB databases. Indeed, only months prior to employing that tactic with  
18 MusicMatch, Gracenote pursued the same strategy with Roxio wherein, to exact maximum  
19 leverage over Roxio, Gracenote terminated its license with minimal notice and then filed suit  
20 against Roxio on the eve of its planned IPO. In each case, the defendant pursued a strategy  
21 designed to maximize its leverage over its licensees and exact monopolistic royalty agreements by  
22 inducing conditions of extremis upon its licensees.

23 31. In response to Gracenote's abrupt notice of termination of the CDDB<sup>2</sup> database  
24 agreement, MusicMatch attempted to negotiate with Gracenote for renewed access to the  
25 defendant's database. Consistent with its prior conduct however, Gracenote's new exorbitant  
26 demands for royalty and exclusivity provision, among others, reflected an enhanced monopoly  
27 position over the relevant market. After MusicMatch determined that it could not continue in  
28 business beholden to Gracenote's demands for access to the public-domain database, it notified

1 Gracenote that it was electing to “extend” the CDDB<sup>2</sup> database license pursuant to the express  
2 terms of Section 16 of that license. Under these provisions, among other things, MusicMatch was  
3 entitled to continue distributing CDDB-enabled versions of its software through June 30, 2002,  
4 and its Original Equipment Manufacturer-customers were entitled to continue depleting their  
5 inventory of MusicMatch product indefinitely thereafter. Finally, Gracenote agreed that it would  
6 continue to provide service to end-users of the MusicMatch JukeBox for one year following the  
7 extension period (June 30, 2003). MusicMatch’s letter confirming its election set forth the  
8 parties’ agreement and understanding of these terms without objection by Gracenote.

9 32. Following Gracenote’s termination of the CDDB<sup>2</sup> database license, but during the  
10 extension period, MusicMatch management and engineers set about to independently design an  
11 alternative database that would allow MusicMatch to sever its long-standing dependence upon the  
12 defendant’s wrongful assertion of proprietary ownership of the public-domain cddb database. In  
13 response, the defendant employed still further tactics to “force” MusicMatch to acquiesce to its  
14 monopolistic demands to access to the CDDB<sup>2</sup> database. First, it made hollow overtures of good  
15 faith that suggested that the defendant would act reasonably and responsibly in the negotiations.  
16 Yet, after further protracted negotiations were virtually completed, Gracenote representatives  
17 presented new and onerous demands upon MusicMatch that it knew the MusicMatch could not and  
18 would not accept. (MusicMatch is informed and believes that the defendant’s further effort to  
19 negotiate a license in 2002 served merely as a pretext to lull MusicMatch into complacency and  
20 cause it to delay or defer its efforts to design around defendant’s patents and other intellectual  
21 property claims.)

22 33. When defendant’s efforts to force MusicMatch to accept their further license  
23 demands in 2002 failed, defendant then threatened MusicMatch with suit over several of its  
24 patents, United States Patent No. 6,230,192 (“the ‘192 patent”), and United States Patent No.  
25 6,330,593 (“the ‘593 patent”), both of which had issued based upon the alleged priority and  
26 enforceability of the aforementioned ‘082 patent application. MusicMatch refused to acquiesce to  
27 this further tactic and, instead, filed its original complaint in this Court.

28

**DEFENDANT'S WRONGFUL DENIAL OF ACCESS TO THE CDDB<sup>2</sup> DATABASE**

34. After MusicMatch filed its original complaint, defendant accelerated its monopolistic actions designed to punish MusicMatch and make an example of it for other licensees. As part of that effort, and consistent with the tactics that it had successfully employed earlier with Roxio, on July 1, 2002, without prior notice, Gracenote began denying access to all new registrants to the MusicMatch Juke Box product. Through that action, Gracenote intercepted efforts to access its database by all MusicMatch Juke Box end-users who had obviously received their product well within the extension period and thus were entitled to access the database pursuant to the "extension" provisions of that agreement.

35. Defendant's conduct in abruptly terminating access to its database by legitimate customers of MusicMatch, for whom MusicMatch had previously paid and continued to pay for registration, caused immediate and irreparable harm to MusicMatch and its customer relations and customers. Such denial is contrary to the express terms of the parties' license agreement and further contrary to the unrebutted statements of understanding expressed by MusicMatch in the letter by which it exercised its rights to extend the agreement.

36. Following that unannounced and abrupt termination, MusicMatch demanded the rightful resumption of service to its customers. Although Gracenote purported to resume that service momentarily, it reaffirmed its prior position and permanently barred access by a substantial number of authorized MusicMatch customers. In discussions between the parties' representatives concerning that threatened and actual denial of service, the defendant's representative acknowledged that the defendant was playing a "high stakes game of poker" involving MusicMatch and its customers. As set forth below, the defendant has planned and implemented the aforementioned conduct in a conscious effort to exact continued monopolistic control over the relevant market and to punish MusicMatch for refusing to acquiesce to its licensing demands.

**COUNT ONE****NON-INFRINGEMENT OF THE GRACENOTE PATENTS**

37. MusicMatch repeats, repleads and incorporates herein the allegations of paragraphs 1 through 36 of this complaint.

**THE PATENTS IN SUIT****THE '680 PATENT**

38. MusicMatch is informed and believes that on or about May 9, 2000, the United States Patent and Trademark Office issued the '680 patent. The '680 patent claims priority from Patent Application No. 08/838,082 ("the '082 application") filed on April 15, 1997. MusicMatch is informed and believes that defendant Gracenote claims to be the owner, by assignment, of the entire right, title and interest of the '680 patent. The claims of the '680 patent purport to relate to a computer-implemented method of searching for a match in a database of a plurality of records.

**THE '192 PATENT**

39. MusicMatch is informed and believes that on or about May 8, 2001, the United States Patent and Trademark Office issued the '192 patent. As with the '680 patent, the '192 patent claims priority from the '082 application. MusicMatch is informed and believes that defendant Gracenote claims to be the owner, by assignment, of the entire right, title and interest of the '192 patent. The claims of the '192 patent purport to relate to a method for associating local and remote data on a local computer connected to a network.

**THE '593 PATENT**

40. MusicMatch is informed and believes that on or about December 11, 2001, the United States Patent and Trademark Office issued the '593 patent, which claims priority from the '082 application filed on April 15, 1997. MusicMatch is informed and believes that defendant Gracenote claims to be the owner, by assignment, of the entire right, title and interest of the '593 patent. The claims of the '593 patent purport to relate to a system and method of obtaining, via a network, information associated with the playback of audio recordings.

41. MusicMatch's software and services do not and will not infringe any claims of the '680 patent, the '192 patent, and/or the '593 patent.

**COUNT TWO****INVALIDITY OF THE GRACENOTE PATENTS**

42. MusicMatch repeats, repleads and incorporates herein the allegations of paragraphs 1 through 41 of this complaint.



43. The claims of the '680 patent, the '192 patent, and the '593 patent are invalid by reason of one or more provisions of Title 35 of the United States Code, including but not limited to §§ 101, 102, 103, and 112.

**COUNT THREE**

## UNENFORCEABILITY OF THE GRACENOTE PATENTS

44. MusicMatch repeats, repleads and incorporates herein the allegations of paragraphs 1 through 43 of this complaint.

45. Applicants for patents have a general duty of candor and good faith in their dealings with the Patent and Trademark Office (the “Patent Office”) and an affirmative obligation to disclose to the Patent Office all information that they know to be material to the examination of a pending application pursuant to 37 C.F.R. § 1.56. This duty extends to the applicants and their representatives, such as their attorneys, and all others associated with the prosecution, including every person who is substantively involved in the preparation or prosecution of the application.

46. As alleged herein above, MusicMatch is informed and believes, and on that basis alleges, that the database now maintained by defendant is based on and derived from a database developed as early as 1992 by Kan, one of the named inventors of the '680 patent. MusicMatch is further informed and believes that the software used by defendant to operate its database and provide database services is based on a version of "xmcd," which was developed for that purpose by Kan, either alone or with others, no later than 1992.

47. MusicMatch is informed and believes, and on that basis alleges, that starting in 1993, Ti Kan made xgcd and its CD database available to the public in accordance with the terms of the GNU General Public License (“GNU GPL”). MusicMatch is further informed and believes, and on that basis alleges, that the CD database accessed by xgcd was created from submissions from the user community.” Under the terms of the GNU GPL, end-users received a royalty-free license to use, copy, distribute, or modify xgcd and its CD database.

48. MusicMatch is informed and believes, and thereon alleges, that in or around 1995 Ti Kan collaborated with Steven Scherf, one of the named inventors on the '680 patent, to further develop the publicly available xmcd database.



1           49. MusicMatch is informed and believes, and thereon alleges, that on or about  
2 January 9, 1996, Ti Kan and Steven Scherf released a version of an internet-based CD-lookup  
3 service. MusicMatch is also informed and believes, and based thereon alleges, that on April 4,  
4 1996, Ti Kan and Steven Scherf released "xmcd CDDb version 2.0." MusicMatch is informed  
5 and believes, and based thereon alleges, that xmcd CDDb version 2.0 was a further development  
6 and public release of the original xmcd product.

7           50. MusicMatch is informed and believes, and thereon alleges, xmcd and the public  
8 distribution and use of the product were highly material to the patentability of the Gracnote  
9 patents. Notwithstanding that materiality, neither defendant nor its agents (hereinafter collectively  
10 referred to as "the applicants"), and in particular, Ti Kan, disclosed the facts concerning the prior  
11 public use and distribution of xmcd, including version 2.0. To the contrary, Ti Kan and Gracnote  
12 knowingly and willfully concealed and failed to disclose this information to the Patent Office.

13           51. MusicMatch is informed and believes, and thereon alleges, that the applicants were  
14 aware that this prior art xmcd software was highly material to the parent '082 application and the  
15 divisional applications, which issued into the Gracnote patents. The xmcd software, such as  
16 version 2.0, disclosed the subject matter of all or many of the features claimed in the parent '082  
17 application and one or more of the divisional applications derived from the '082 application, and  
18 anticipated or rendered obvious some or all of the claims of those applications.

19           52. MusicMatch is informed and believes, and thereon alleges, that the applicants  
20 breached their duty of candor and acted with intent to deceive the Patent Office. Specifically, (1)  
21 one of the named inventors of the '680 patent, Ti Kan, created a public domain program known as  
22 xmcd four years before the priority date of the '680 patent; (2) the xmcd program discloses the  
23 subject matter of many of the features of the invention claimed in the '680 patent, which would  
24 have rendered one or more of the claims unpatentable; and (3) the applicants knowingly failed to  
25 disclose the existence of the xmcd program, its associated database and prior public use to the  
26 Patent Office. As further evidence of their fraudulent conduct, Gracnote attempted during  
27 litigation with Roxio, Inc. to remove Ti Kan as an inventor from the '680 patent. Gracnote  
28

1 also informed and believes, and based thereon alleges, that the material submitted for copyright  
2 registration was not an original work. Rather, the subject matter was either compiled, arranged  
3 and contributed by users of the xmcd, CDDB<sup>1</sup> and CDDB<sup>2</sup> products or was a derivatives of  
4 previously issued copyrights.

5 59. MusicMatch is informed and believes, and based thereon alleges, that as early as  
6 1992, Ti Kan was distributing the xmcd software over the Internet. Through his xmcd software, Ti  
7 Kan openly encourage the public to use the CD database and to supplement the CD database with  
8 data from new CDs. MusicMatch is informed and believes, and based thereon alleges, that Ti Kan  
9 incorporated the CD data compiled, arranged, and contributed by the xmcd users into the xmcd  
10 database.

11 60. MusicMatch is informed and believes, and based thereon alleges, that Ti Kan,  
12 defendant, or its predecessors in interest continued to collect and incorporate CD data compiled,  
13 arranged, and contributed by users of the xmcd CD database. MusicMatch is informed and  
14 believes, and based thereon alleges, that Ti Kan continued to invite users of the xmcd CD  
15 database, including versions distributed in January 1996 (version 1.3.1) and April 4, 1996 (version  
16 2.0), to compile, arrange, and contribute CD data. MusicMatch is informed and believes, and  
17 based thereon alleges, that Ti Kan made xmcd and its CD database available to the public in  
18 accordance with the terms of the GNU GPL, and that through this public availability further data  
19 compiled, arranged, and contributed by the xmcd users was incorporated into the xmcd CD  
20 database.

21 61. MusicMatch is informed and believes, and based thereon alleges, that beginning in  
22 1996 and continuing thereafter, defendant and its predecessors in interest began filing copyright  
23 applications and otherwise asserting copyrights interest in material that was not original and for  
24 which they were not the authors. MusicMatch is informed and believes, and based thereon alleges,  
25 that defendant and its predecessors in interest knew that their copyright registrations were invalid  
26 and that they were not in fact the author of those copyrights, but that they willfully deceived the  
27 Copyright Office as to the authorship of those copyrights. Had the Copyright Office known of the  
28

1 authorship fraud Gracenote and its predecessors in interest perpetrated on it, the Copyright Office  
2 would not have issued those copyrights.

3 **COUNT FIVE**

4 **CANCELLATION OF SERVICE-MARK REGISTRATION**

5 62. MusicMatch repeats, repleads and incorporates herein the allegations of  
6 paragraphs 1 through 61 of this complaint.

7 63. MusicMatch uses the term "CDDB" as a generic or merely descriptive  
8 abbreviation for "Compact Disc DataBase." The use of that term is necessary and appropriate for  
9 designation and use of features incorporated in the MusicMatch Jukebox.

10 64. The registration of "CDDB" by defendant or its predecessors in interest is in direct  
11 conflict with the proper function of a service mark as a designation of sole and exclusive origin of  
12 goods and services, considering the term's generic or merely descriptive meaning and the  
13 extensive generic or merely descriptive use of the term prior to and concurrent with defendant's  
14 and their predecessors in interest's purported use of the term as a service mark.

15 65. MusicMatch is informed and believes, and based thereon alleges, that defendant  
16 and its predecessors in interest were aware that "CDDB" is a generic or merely descriptive  
17 abbreviation, and is not subject to trademark or service mark registration. Despite this awareness,  
18 defendant or its predecessors in interest obtained a federal service mark registration for "CDDB."  
19 Defendant or its predecessors in interest obtained the registration by making false and misleading  
20 statements to the PTO regarding the generic or descriptive nature of the terms "Compact Disc  
21 Database" and "CDDB." Defendant or its predecessors in interest also withheld instances when  
22 they had used "CDDB" as a descriptive term for its services. MusicMatch is informed and  
23 believes, and based thereon alleges, that as early as April 1996 defendant or its predecessors in  
24 interest used the term "CDDB" in a descriptive or generic fashion.

25 66. Defendant's or their predecessors in interest's registration and purported service  
26 mark use and ownership of "CDDB" has damaged MusicMatch's business, goodwill, and other  
27 property and will continue to cause such damage unless this court orders the cancellation of  
28 Gracenote's "CDDB" mark.

## COUNT SIX

## VIOLATION OF THE SHERMAN ACT

67. MusicMatch repeats, replays and incorporates herein the allegations of paragraphs 1 through 66 of this complaint.

68. The relevant market for this claim is the market for commercial, online CD databases utilized by companies, such as MusicMatch, with audio CD and mp3 player products.

69. The geographic area of the relevant market is the United States.

70. In addition to defendant, MusicMatch offers access to on-line audio CD databases containing CD title, song track and similar information for incorporation into audio CD and mp3 player products. MusicMatch is, therefore, a competitor of Gracenote in this market or could, but for the anticompetitive behavior of defendant, utilize the services of a competitor. But for the anticompetitive acts alleged herein, these services provide alternative means for commercial software developers to offer such access.

71. Defendant has historically controlled close to 100% of the relevant market.

72. Defendant fraudulently procured the Gracenote patents by intentionally committing a fraud on the PTO, as described in paragraphs 11-20, supra. Defendant and Ti Kan knowingly misrepresented the prior public use and distribution of xmcd by Gracenote and Ti Kan to the PTO. But for reliance by the PTO on defendant to disclose all relevant prior art, such as Gracenote's and Ti Kan's development and distribution of xmcd, the PTO would not have issued the Gracenote patents.

73. Defendant has engaged in acts of monopolization or attempted monopolization (collectively, "anticompetitive conduct") in violation of the Sherman Act, 15 U.S.C. § 2 through their use of the fraudulently obtained Gracenote patents. MusicMatch is informed and believes, and based thereon alleges, that defendant specifically intended its anticompetitive conduct to give them monopoly power in the relevant market.

74. Defendant's anticompetitive conduct has included knowing attempts to enforce the unenforceable Gracenote patents that claim priority through the '082 application, including the '680, '192, and '593 patents. Prior to the filing of this lawsuit, Gracenote threatened MusicMatch

1 with enforcement of the Gracenote patents if MusicMatch attempted to utilize a competitive  
2 Internet CD database. Defendant also used its monopolistic position to force MusicMatch in 1999  
3 to renew its license agreement with Gracenote, and to accept unconscionably onerous license  
4 terms in such a renewal. After MusicMatch filed this action for declaratory relief, Gracenote on  
5 July 2, 2002 in fact filed suit against MusicMatch in the Northern District of California in an  
6 attempt to continue its unlawful, anticompetitive conduct and to enforce the fraudulently procured  
7 Gracenote patents.

8 75. Defendant has also through its anticompetitive conduct attempted to use its  
9 unlawful monopoly to force MusicMatch's customers to utilize defendant's CD database product,  
10 rather than utilize a competing database product created by MusicMatch or any other company. In  
11 or around July 1, 2002, Gracenote improperly, and in violation of the parties' license agreement,  
12 terminated MusicMatch's access to CDDB for its customers with continued rights of access.  
13 Gracenote restored access later on July 1, 2002 for a period of 10 days, but again improperly  
14 terminated MusicMatch's CDDB access on July 11, 2002.

15 76. This termination undertaken with the purpose and intent of forcing MusicMatch's  
16 customers to switch from MusicMatch's internet CD database product to defendant's CD database  
17 product, as implemented by other Gracenote customers. By attempting to force MusicMatch's  
18 customers to switch services which utilize Gracenote's CDDB, defendant has unlawfully and  
19 tortiously deprived and will continue to so deprive MusicMatch of license fees and royalties it  
20 would receive from those customers, as well as further monetary gain in connection with those  
21 customers.

22 77. MusicMatch and its products do not infringe or induce infringement of the '680,  
23 '192, or '593 patents. MusicMatch is informed and believes, and based thereon alleges, that  
24 defendant knows that MusicMatch and its products do not infringe or induce infringement of the  
25 '680, '192, or '593 patents and that defendant knows of the invalidity of the '680, '192, or '593  
26 patents.

27 78. MusicMatch is informed and believes, and based thereon alleges, that by attempted  
28 enforcement of the '680, '192, and '593 patents defendant intends to prevent software developers

1 such as MusicMatch from developing and utilizing alternative CD databases, even though such  
2 databases are compiled completely independently of the defendant's CD database and do not  
3 infringe the Gracenote patents.

4 79. Because of defendant's anti-competitive behavior, MusicMatch and its customers  
5 has suffered and will suffer damages in an amount to be determined at trial.

6 **COUNT SEVEN**

7 **TORTIOUS INTERFERENCE WITH BUSINESS RELATIONS**

8 80. MusicMatch repeats, repleads and incorporates herein the allegations of  
9 paragraphs 1 through 79 of this complaint.

10 81. At the time defendant threatened MusicMatch with enforcement of its  
11 unenforceable '680, '192, and '593 patents, MusicMatch had an ongoing and expectant business  
12 relationship with its customers because of, without limitation, MusicMatch's past sales to them,  
13 their knowledge and use of MusicMatch products, and MusicMatch's ongoing offers of product  
14 upgrades and new products.

15 82. MusicMatch is informed and believes, and based thereon alleges, that defendant  
16 made statements that were likely to deceive MusicMatch's customers, including OEM customers,  
17 to influence them to cease doing business with MusicMatch.

18 83. MusicMatch is informed and believes, and based thereon alleges, that defendant  
19 terminated the CDDB access of MusicMatch's customers with continuing rights of access under  
20 the parties' license agreement in an attempt to influence those customers to cease doing business  
21 with MusicMatch. Defendant's actions and statements constituted an unfair trade practice in  
22 violation of California Business and Professions Code section 17200, as set forth in paragraphs 30-  
23 37, *supra*.

24 84. MusicMatch is informed and believes, and based thereon alleges, that defendant's  
25 conduct as alleged above was undertaken in bad faith with an intent to tortiously interfere with  
26 MusicMatch's existing and expected business relationships.



85. As a direct and proximate result of defendant's conduct, MusicMatch has suffered and will continue to suffer irreparable harm to its customer relationships, for which there is no adequate remedy at law. Defendant's tortious interference with MusicMatch's existing and expectant business relationships entitles MusicMatch to obtain an injunction against all of defendant's tortious conduct.

86. As a direct and proximate result of defendant's conduct as alleged herein, MusicMatch has been damaged, and will continue to sustain such damage, in an amount to be proven at trial or in other appropriate proceedings.

**COUNT EIGHT**

## UNFAIR COMPETITION

87. MusicMatch repeats, repleads and incorporates herein the allegations of paragraphs 1 through 86 of this complaint.

88. Defendant knows or should know the underlying facts establishing the noninfringement, invalidity and/or unenforceability of the claims of the '680, '192, and '593 patents. In continuing to enforce the claims of the '680, '192, and '593 patents, Gracenote has acted and continues to act unfairly, inequitably and in bad faith. As such, defendant's actions constitute unlawful, unfair or fraudulent business practices under California Business & Professions Code Sections 17200, *et seq.*

89. In or around July 1, 2002, Gracenote also improperly, and in violation of the parties' license agreement, terminated access to CDDb for MusicMatch's customers with continued rights of access. Gracenote restored access later on July 1, 2002 for a period of 10 days, but again improperly terminated CDDb access on July 11, 2002. This predatory and unlawful termination has caused great disruption to tens of thousands of MusicMatch's customers and has had an ongoing negative and damaging effect on MusicMatch's business. Because defendant has acted unfairly, improperly, and in violation of the parties' license agreement, defendant's actions constitute unlawful, unfair or fraudulent business practices under California Business & Professions Code sections 17200, *et seq.*



90. By reason of the aforementioned acts of unfair competition and unlawful, unfair and fraudulent business practices, MusicMatch is entitled to injunctive relief.

WHEREFORE, MusicMatch prays as follows:

1. For declarations:

a. That MusicMatch's products and/or services do not and will not infringe any claims of the '680, '192, and '593 patents;

b. That the claims of the '680, '192, and '593 patents are invalid;

c. That the claims of the '680, '192, and '593 patents are unenforceable; and

2. For a preliminary and permanent injunction enjoining and restraining defendant, its respective officers, agents, servants, employees and attorneys, and all persons acting in concert with them, and each of them:

a. From making any claims to any person or entity that MusicMatch's products and/or services infringe the '680, '192, and '593 patents;

b. From interfering with, or threatening to interfere with, the manufacture, sale, license, distribution, or use of MusicMatch's products and/or services by MusicMatch, its allied parties, distributors, customers, licensees, successors or assigns, and others; and

c. From instituting or prosecuting any lawsuit or proceeding, placing in issue the right of MusicMatch, its allied parties, distributors, customers, licensees, successors or assigns, and others to make, use or sell MusicMatch's products and/or services;

3. For cancellation of service mark registration for "CDDDB";

4. For cancellation of copyrights associated with the Gracenote patents and the CDDDB<sup>1</sup> and CDDDB<sup>2</sup> products;

5. For treble damages under 15. U.S.C. §15;

6. For recovery of MusicMatch's attorneys' fees and costs of suit incurred herein; and

7. For such other and further relief as the Court may deem just and proper.

Dated: July 19, 2002

STEPHEN P. SWINTON  
JENNIFER L.W. RUMBERGER  
ANDREA S. HOFFMAN  
COOLEY GODWARD LLP

By: Andrea Hoffman  
Andrea S. Hoffman

Attorneys for Plaintiff  
MUSICMATCH, INC.

1 **DEMAND FOR JURY TRIAL**

2 Plaintiff MusicMatch, Inc. hereby demands a jury trial as provided by Rule 38(a)  
3 of the Federal Rules of Civil Procedure.

4  
5 Dated: July 19, 2002

STEPHEN P. SWINTON  
JENNIFER L.W. RUMBERGER  
ANDREA S. HOFFMAN  
COOLEY GODWARD LLP

7 By: Andrea Hoffman  
8 Andrea S. Hoffman

9 Attorneys for Plaintiff  
10 MUSICMATCH, INC.