

**Glenn Holly Entertainment Inc. (Digital Images) v. Tektronix Inc.;**  
**Avid Technology, Inc.**

352 F.3d 367 (9th Cir. 2003)

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In the 1990s, the prevailing editing system for most filmed entertainment was the “non-linear editing system,” which was a digital system that allowed an editor to rearrange film images as well as audio tracks. Until September 1998, the only two competing manufacturers of non-linear editing systems in the United States were Tektronix Inc. (“Tektronix”) and Avid Technology, Inc. (“Avid”). Glenn Holly Entertainment Inc. (“Digital Images”) purchased equipment from its chosen manufacturer, Tektronix, to lease to clients and also performed professional editing services for customers using the purchased equipment. Between April and October 1996 representatives from Tektronix met with Digital Images representatives to ensure them that Tektronix would continue to improve its non-linear editing systems and, between 1996 and August 1998, representatives from the two groups discussed plans for future business together. On September 3, 1998, without warning, Avid and Tektronix entered into an alliance which required Tektronix to discontinue manufacturing its system and serve as a distributor for Avid. Tektronix was prohibited from selling Avid’s products to companies which rented the equipment in competition with Avid, including Digital Images. Digital Images filed this lawsuit, alleging that the Avid/Tektronix merger created a monopoly in violation of antitrust laws including the Sherman Act and the Clayton Act, as well as fraud, negligent misrepresentation, and promissory estoppel. The district court largely dismissed Digital Images’ amended complaints and granted summary judgment in favor of Tektronix on the remaining claims. The district court reasoned that although Tektronix’s conduct violated antitrust laws, the injury was not of the type that antitrust laws were intended to prevent.

Digital Images was permitted to sue Tektronix under the Clayton Act, which allows a person to sue if injured in business or property due to action forbidden by antitrust law. The moving party must prove an antitrust injury that the laws were intended to prevent, which must be proven through evidence of unlawful conduct that injured the plaintiff, flowed from the illegal nature of the conduct, and may be characterized as the type of injury that the antitrust laws were intended to prevent. The Ninth Circuit Court of Appeals added the requirement that the injured party must also participate in the same market as those against whom the antitrust suit has been brought.

The court of appeals ruled that Digital Images was both a consumer and a competitor in a related market and was injured due to the agreement by the manufacturers, in violation of the Sherman Act.

A party must prove justifiable reliance on misrepresentations in order to prevail on fraud and negligent misrepresentation claims. Furthermore, reliance may be evidenced with circumstantial evidence showing that the fraudulent misrepresentation substantially influenced the party to its detriment.

The court determined that summary judgment was inappropriate in this case and remanded as genuine issues of material facts existed concerning the alleged fraudulent misrepresentations.

The court reversed the dismissals of Digital Images' antitrust claims and remanded the case for decision on those claims. The court affirmed the dismissal of the promissory estoppel claims due to the vagueness of the claims and unjustifiable reliance. Finally, the court reversed the order granting summary judgment concerning the fraud and negligent misrepresentation claims based on some of Tektronix's statements concerning their future models and the issue was remanded back to the district court for further proceedings.