

# Daily Journal

www.dailyjournal.com

THURSDAY, SEPTEMBER 8, 2011

LITIGATION

## Copyright injunctions after *eBay*

By Steven B. Fabrizio and Andrew J. Thomas

As many intellectual property lawyers predicted, the U.S. Supreme Court's 2006 decision in *eBay Inc. v. MercExchange*, a patent case, upset a considerable swath of what used to pass for conventional wisdom in the fields of copyright and trademark law. It once was the rule in nearly every federal circuit that in copyright and trademark cases irreparable harm would

### Content Matters

This is a monthly column devoted to matters of interest to those who create content of all kinds (entertainment, news, software, advertising, etc.) and bring that content to market. Our hope is to shed light on key issues facing the creative content community. If you have questions, comments or topic ideas, let us know at ContentMatters@jenner.com. Because content matters.

be presumed — and an injunction would issue — upon proof of the defendant's infringing conduct.

In the wake of *eBay*, the 1st, 2nd, 4th, 9th, and 11th U.S. Circuit Courts of Appeals have now held that a showing of a likeli-

hood of success on the merits in a copyright action does not create a presumption of irreparable harm for purposes of a preliminary

injunction determination. Most recently, two panels of the 9th Circuit reached that conclusion within the past month.

It once was the rule in nearly every federal circuit that in copyright and trademark cases irreparable harm would be presumed — and an injunction would issue — upon proof of the defendant's infringing conduct.

injunction determination. Most recently, two panels of the 9th Circuit reached that conclusion within the past month.

In *eBay*, the holder of a business method patent for an electronic marketplace sued *eBay* for patent infringement. A jury found that the patent was valid and that *eBay* had infringed, but the district court declined to grant permanent injunctive relief. The Federal Circuit reversed, applying what it called the "general rule" that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.

The Supreme Court reversed again. It held that under "well-established principles of eq-

uity" a plaintiff seeking a permanent injunction must satisfy the traditional four-factor test for injunctive relief. This test requires the plaintiff to show "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." Although *eBay* concerned the issuance of a permanent injunction, subsequent decisions — including the 9th Circuit's recent rulings — generally have found it to govern in the preliminary injunction context as well.

On Aug. 3, the 9th Circuit affirmed a trial court decision not to issue a preliminary injunction against Google in the long-running copyright suit brought by adult website operator Perfect 10. The plaintiff had sought an injunction against the operation of Google's search engine and its hosting of blogs, because both provided access to Perfect 10's copyrighted images. The 9th Circuit confirmed that *eBay* applied to both preliminary and permanent injunctions in copyright cases and had "effectively overruled" the prior circuit rule that irreparable harm could be presumed on a showing of likely success on the merits. The court found that the district judge had not abused his discretion in denying an injunction because Perfect 10 failed to produce evidence of irreparable harm.

Three weeks later, in *Flexible Lifeline Systems v. Precision Lift*, a different 9th Circuit panel emphasized that *eBay* "applies with equal force" to both preliminary and permanent injunction cases, and has "effectively overruled" the presumption. Adding an exclamation point, the panel proclaimed that the "King is dead," a reference to the 9th Circuit's 2003 decision, *Elvis Presley Enterprises v. Passport Video*, which had

reaffirmed the circuit's long-standing presumption of irreparable harm.

As courts begin to measure copyright infringement claims against the four-part equitable test, it seems unlikely that simple, bright-line rules will quickly win the day. Certainly, *eBay* does not mean the end of injunctive relief in copyright cases. A number of courts have seized on Chief Justice John G. Roberts Jr.'s concurrence in *eBay* to suggest that many copyright plaintiffs will still be able to establish irreparable harm, in part because the harm to the plaintiff's intangible property interest will be difficult to quantify. For example, in *Salinger v. Colting*, the 2nd Circuit recently observed that "[a]s an empirical matter, [it] may well be the case" that most copyright plaintiffs who can show a likelihood of success on the merits also have been irreparably harmed.

*eBay* may well end up restricting the availability of injunctive relief in one area that benefits major content creators. Recent years have seen numerous lawsuits filed on the eve of (or immediately following) the nationwide release of motion pictures. Similar scenarios can threaten the release of other works, like software applications or videogames, which take years of effort and cost millions of dollars to develop.

After *eBay*, content creators may be less likely to face the doomsday scenario of a preliminary injunction that prevents the release of a motion picture or other expressive



Steven B. Fabrizio is a partner at Jenner & Block LLP and co-chairs the firm's Creative Content practice group. His practice focuses on the intersection of new technology and content protection. He can be reached at (202) 639-6040 or ContentMatters@jenner.com.



Andrew J. Thomas is a partner in the Creative Content group in Jenner & Block LLP's Los Angeles office. He represents content owners in copyright, trademark and First Amendment matters. He can be reached at (213) 239-5155 or ajthomas@jenner.com.

work. Courts now must consider explicitly whether the plaintiff can be adequately compensated with money damages, and must weigh how the “public interest” will be affected by the grant or denial of injunctive relief. Where the material that allegedly has been infringed forms only a small part of the defendant’s creative work, or where the defendant can present a strong argument that its use of copyrighted material is protected by the fair use doctrine, or where innocent third parties will be harmed by the collateral damage of a sweeping injunction, the public interest favoring dissemination of the defendant’s work should be at its apex.

These implications of *eBay* were illustrated by the district court’s decision this summer to deny a preliminary injunction in *Whitmill v. Warner Bros. Entertainment*, a case that sought to prevent the nationwide release of the film “*The Hangover Part II*.” In that case, a tattoo artist who had registered a copyright in the tribal design he had drawn on the face of boxer Mike Tyson sued Warner Bros. over the alleged use of an identical tattoo on a different actor’s face in the movie. Despite finding that the tattoo artist had a “strong likelihood of prevailing on the merits for copyright infringement,” the court concluded that harm to the public interest weighed against injunctive relief, since an injunction on the eve of the film’s release would have caused thousands of distributors, theater operators and other non-parties across the country to suffer major losses.

In cases, particularly online infringement cases, where the defendant is accused of wholesale, literal copying of copyrighted works for commercial gain, the public interest is unlikely to stand in the way of preliminary or permanent injunctive relief. Two decisions in the Central District of California aptly illustrate this point.

In detailed opinions, one following remand from the Supreme Court in *Metro-Goldwyn-Mayer Studios v. Grokster*, and a second in *Columbia Pictures Industries v. Fung*, the district court granted permanent injunctions following findings of copyright liability against the operators of peer-to-peer file-trading services. In each case, the court held that *eBay* applied and that it effectively overruled the presumption of irreparable harm, yet went on to find that the plaintiff content owners would suffer irreparable harm in the absence of injunctive relief.

In both cases, the court considered that defendants could not remotely satisfy the massive statutory damages awards warranted by their infringement. Yet, what drove the courts’ decision was that the unfettered online distribution of plaintiffs’ works effectively eviscerated the “exclusive” distribution right granted by the Copyright Act. When (as both courts found) the copyright owners’ works would continue to be “virally” distributed throughout the internet, through the defendants’ systems and by users outside defendants’ systems, the copyright owners had no adequate remedy at law.

Finally, last year’s legal battle in the 2nd Circuit over an unauthorized “sequel” to J.D. Salinger’s “*The Catcher in the Rye*” suggests another factual scenario that may establish a different sort of irreparable harm. In *Salinger v. Colting*, the 2nd Circuit squarely held the presumption of irreparable harm in copyright cases had been “abrogated” by *eBay*. The fact pattern, however, stands in sharp contract to typical infringement cases: An unauthorized “sequel” to a classic novel by a reclusive author who famously and repeatedly had refused to give any further life — in sequels, stories, or films — to his iconic Holden Caulfield character. In apparent recognition of this situation, the 2nd Circuit noted that in applying the equitable test, a court should consider both the commercial interests of the copyright holder and also his “First Amendment interest in not speaking” — an interest that has been held to encompass the right not to have one’s speech associated with messages with which one emphatically disagrees.

In the end, while *eBay* requires copyright owners to give more thought to, and present evidence of, irreparable harm, as the 2nd Circuit observed, it remains true that in most cases copyright owners should be entitled to injunctions following findings of liability.

*Jenner & Block LLP was counsel for the copyright owners in the Grokster and Fung cases discussed in this article.*