



1 (2005). Both Veoh Networks and Io Group cited *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster,*  
2 *Ltd.*, 545 U.S. 913 (2005) in their moving papers.

3 As explained in further detail *infra.*, Veoh relied on the Ninth Circuit’s treatment of the  
4 *Napster* injunction to support arguments it presented to the Court relevant to the pending motions  
5 for summary judgment. In the attached Order the *Grokster* district court structures an appropriate  
6 permanent injunction subsequent to its finding of liability, and in so doing further clarifies the  
7 effect of the Ninth Circuit’s decision limiting the scope of the *Napster* injunction. *A&M Records,*  
8 *Inc. v. Napster, Inc.*, 239 F.3d 1004 (9<sup>th</sup> Cir. 2001).

9 The Order provides a detailed analysis of the relationship between the terms of an  
10 injunction and the elements of the underlying substantive law within the specific context of online  
11 secondary copyright infringement. Specifically, the court makes clear why notice may be required  
12 for the purposes of an injunction even when notice is not required for an underlying claim, such as  
13 inducement to infringe, vicarious liability or safe harbor under 17 U.S.C. §512(c)(1)(B).  
14

15 A full and complete copy of the Order is attached hereto as Exhibit A.  
16

### 17 **Argument**

18 In *Grokster*, defendants distributed software that allowed individuals to search, locate and  
19 trade music files residing on the computers of other users. *Metro-Goldwyn-Mayer Studios, Inc. v.*  
20 *Grokster, Ltd.*, 243 F. Supp. 2d 1073 (C.D. Cal. 2003). The U.S. Supreme Court found that the  
21 software distributor could be liable if it induced its users to engage in copyright infringement and  
22 remanded the case to the district court. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545  
23 U.S. 913 (2005). On remand, the district court granted plaintiff’s motion for summary judgment,  
24 as the record supported a finding of inducement. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster,*  
25 *Ltd.*, 454 F. Supp. 2d 966 (C.D. Cal. 2006). Last week the court granted in part, plaintiff’s motion  
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1 for a permanent injunction. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd*, No. CV 01-  
2 8541, CV 01-9923, Doc. No. 1287 (C.D. Cal. October 16, 2007)(*Grokster Order*).

3 Although knowledge of specific acts of infringement is not required to establish  
4 inducement to infringe, the district court nonetheless structured the permanent injunction such that  
5 defendant is not required to filter for any particular copyrighted works until the plaintiffs provide  
6 certain information about the works, including the artist-title pair, a certification of ownership, and  
7 possibly some evidence that one or more files containing each work is available on the Morpheus  
8 System and Software. *Grokster Order* at p.78. The attached order may be helpful to the Court,  
9 because it explains in some detail exactly why an injunction must generally be more restrictive  
10 than the elements of the underlying substantive law.  
11

12  
13 In its moving papers, Io Group cited *Napster* for its holding that, “[t]he ability to block  
14 infringers’ access to a particular environment for any reason whatsoever is evidence of the right  
15 and ability to supervise.” *A&M Records v. Napster, Inc.* 239 F.3d 1004, 1023.

16 Arguing that it does not have the right and ability to control infringing activity, Veoh  
17 directed the attention of the Court to the Ninth Circuit’s stay of the district court’s injunction in  
18 *Napster*. Veoh noted that irrespective of the language relied upon by Io Group above, the Ninth  
19 Circuit placed the burden on the plaintiffs to identify works to Napster before Napster would be  
20 required to disable access to the offending content. Defendant’s Reply at 10:14-20. Veoh thus  
21 argued by implication that *Napster* requires copyright holders to provide notification to Veoh,  
22 before the copyright holder can establish Veoh’s right and ability to control the infringement of  
23 the works. This argument is fundamentally flawed in that it confuses the requirements of a case-  
24 specific injunction with the elements of the underlying substantive law. The recent *Grokster Order*  
25 exposes the fallacy of Veoh’s argument.

26 The attached Order specifically addresses the relevancy of the Ninth Circuit’s narrowing of  
27 the *Napster* injunction vis-à-vis the elements of the underlying claims of infringement. The court  
28 explains that blanket injunctions to obey the law are disfavored because courts are required to craft

1 permanent injunctions so that their scope is coterminous with the infringement. *Grokster Order* at  
2 p.53. Quoting earlier Supreme Court precedent, the court wrote, “[T]he mere fact that a court has  
3 found that a defendant has committed an act in violation of a statute does not justify an injunction  
4 broadly to obey the statute and thus subject the defendant to contempt proceedings if he shall at  
5 anytime in the future commit some new violation unlike and unrelated to that with which he was  
6 originally charged.” *Id.* at 54, *citing NLRB v. Express Pub. Co.*, 312 U.S. 426, 435-36 (1941).  
7

8         Thus businesses like Napster, Grokster or Veoh may chose to operate a business which  
9 relies on user submitted content, understanding and accepting the risk of liability for secondary  
10 copyright infringement. Even if these businesses cannot eliminate the risk of infringement  
11 entirely, they can take steps to reduce the amount of infringing material and can manage any  
12 remaining risk by seeking indemnification from direct infringers or purchasing business insurance.  
13 However, if a court issues an injunction which merely adopts the same elements as the underlying  
14 law, the online businesses may find themselves at risk of being held in contempt of court for a  
15 single act of infringement – a risk that cannot be managed away. Courts must narrow the scope of  
16 injunctions in order to avoid the risk of forcing a defendant to cease all operations, including those  
17 that may be legal.  
18  
19

20         The Order makes clear that both the Ninth Circuit in *Napster* and the district court in  
21 *Grokster* imposed a notification requirement not because it is an element of the underlying claim  
22 of infringement, but because the courts were concerned that the injunctions might proscribe  
23 otherwise legal activity – specifically the distribution of software that might have substantial non-  
24 infringing uses.  
25

26         The district court in *Grokster* notes that, “[a]lthough actual notice of specific infringing  
27 files (and the failure to remove them) is not a prerequisite to inducement liability in the first  
28

1 instance, like vicarious infringement, *Napster* informs this Court that notice is relevant to the  
2 injunction. While continued distribution of an ineffectively filtered Morpheus would violate the  
3 injunction, some precautions are necessary to ensure that StreamCast will not be unfairly  
4 penalized for the architecture of its staple commodity.” *Metro-Goldwyn-Mayer Studios, Inc. v.*  
5 *Grokster, Ltd*, No. CV 01-8541, CV 01-9923, slip op. at 77:10-22 (C.D. Cal. October 16, 2007).  
6

7 Thus, the Order for injunctive relief confirms that while the Ninth Circuit limited the scope  
8 of the injunction in *Napster* by requiring notice from the copyright holders, the limitation in no  
9 way effected the “ability to control” with regard to a vicarious liability analyses under the  
10 common law or (by extension) a 17 U.S.C. §512(c) safe harbor analysis.  
11

12 Thus the recently issued Order offers further support that Veoh’s reliance on *Napster* to  
13 support its argument that copyright holders must identify works to Veoh, before Veoh can be  
14 deemed to have the right and ability to prevent infringement is fundamentally flawed.  
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19 Dated: *October 22, 2007*

Respectfully Submitted,

20 /s/ *Gill Sperlein*

21 \_\_\_\_\_  
22 GILL SPERLEIN  
23 THE LAW OFFICE OF GILL SPERLEIN  
24 Attorney for Plaintiff Io Group, Inc.  
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**EXHIBIT A**

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CLERK, U.S. DISTRICT COURT  
OCT 16 2007  
CENTRAL DISTRICT OF CALIFORNIA  
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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

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METRO-GOLDWYN-MAYER STUDIOS,  
INC., et al.,

Plaintiffs,

v.

GROKSTER, LTD., et al.,

Defendants.

JERRY LEIBER, et al.,

Plaintiffs,

v.

CONSUMER EMPOWERMENT BV, et  
al.,

Defendants.

AND RELATED COUNTERCLAIMS

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CV 01-8541 SVW (FMOx) ✓  
CV 01-9923 SVW (FMOx)  
ORDER GRANTING IN PART  
PLAINTIFFS' MOTION FOR A  
PERMANENT INJUNCTION [01-8541:  
1215]; ORDER DENYING WITHOUT  
PREJUDICE STREAMCAST'S MOTION  
FOR A STAY OF THE PERMANENT  
INJUNCTION'S ENFORCEMENT  
PENDING APPEAL [01-8541: 1259]

ENTERED  
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1287

1 I. INTRODUCTION

2 On September 27, 2006, this Court granted Plaintiffs'<sup>1</sup> motion for  
3 summary judgment on the question of liability as against StreamCast  
4 Networks, Inc. ("StreamCast"). In that Order, the Court recounted  
5 this case's procedural history, and engaged in a detailed analysis of  
6 the factual record pertaining to StreamCast's inducement of copyright  
7 infringement. See Metro-Goldwyn-Mayer Studios, Inc. v. Grokster,  
8 Ltd., 454 F. Supp. 2d 966, 971, 975-92 (C.D. Cal. 2006). StreamCast  
9 is the only defendant remaining in this case. As the parties are well  
10 aware, StreamCast operates and distributes the Morpheus System and  
11 Software.

12 Presently before this Court is Plaintiffs' motion for a permanent  
13 injunction against StreamCast. StreamCast has vigorously opposed the  
14 imposition of a permanent injunction. StreamCast also asks for an  
15 evidentiary hearing, additional discovery, or at least a stay of the  
16 permanent injunction's enforcement pending appeal.

17 An initial hearing was held before this Court on February 12,  
18 2007. During the hearing, the Court espoused its concern regarding  
19 the specificity and scope of Plaintiffs' proposed permanent  
20 injunction. Subsequently, this Court issued an order requiring  
21 further briefing, in which it detailed specific questions for the  
22 parties to answer. [Docket No. 1234.] On the technology front, the  
23 parties were asked to expand on their discussion of filtering  
24 technology and StreamCast's ability to coax end-users away from legacy  
25 (non-filtered) versions of Morpheus Software. On the legal front, the  
26 parties were ordered to analyze exhaustively the history of permanent

27 \_\_\_\_\_  
28 <sup>1</sup> The Plaintiffs are composed of numerous record companies,  
movie studios, and music publishers.

1 injunctive relief in the context of patent inducement. This briefing  
2 has since been received, and the Court has evaluated the pertinent  
3 issues. The Court's analysis and conclusions are specified as  
4 follows.

5  
6 **II. BACKGROUND<sup>2</sup>**

7 **A. The Proposed Permanent Injunction**

8 Plaintiffs' proposed permanent injunction is composed of several  
9 parts. Under § 1(a)(I) and § 1(a)(ii), StreamCast would be enjoined  
10 from directly or indirectly infringing Plaintiffs' copyrighted works  
11 in any manner, which also includes StreamCast's "enabling,  
12 facilitating, permitting, assisting, soliciting, encouraging,  
13 authorizing, inducing, or knowingly materially contributing to" such  
14 infringement. Pursuant to § 1(b), StreamCast would be barred from  
15 operating the Morpheus System and Software, or any other similar peer-  
16 to-peer or file-trading system, until there is a "robust and secure  
17 means exhaustively to" stop infringement. According to § 1(c),  
18 StreamCast would be required to "use all technologically feasible  
19 means to prevent or inhibit" the infringement of Plaintiffs'  
20 copyrights by end-users through any version of the Morpheus Software  
21 in existence.

22 Until StreamCast is able to "exhaustively" stop all infringement,  
23 it would also be barred from displaying advertising on all Morpheus  
24 Software versions.<sup>3</sup> StreamCast must give notice to all of StreamCast's  
25

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26 <sup>2</sup> The Court notes that the parties have filed numerous  
27 evidentiary objections. As will be made clear below, the Court  
28 need not resolve these objections for purposes of this Order.

<sup>3</sup> In subsequent briefing, Plaintiffs limited this request to  
Morpheus software lacking an effective filter.

1 agents and employees, as well as to any entity interested in a  
2 transfer of StreamCast's ownership interest in the Morpheus System and  
3 Software, and all successors or those acting in concert with them.  
4 Any successor in interest to any part of StreamCast's business must  
5 also submit to this Court's jurisdiction and venue, and agree to be  
6 bound by the injunction. StreamCast could be held in contempt for any  
7 violation of the permanent injunction.

8 B. StreamCast's Claimed Initial Filtering Efforts

9 In the September 27, 2006 Order granting Plaintiffs' motion for  
10 summary judgment, this Court held that StreamCast distributed the  
11 Morpheus Software with the intent to induce copyright infringement.  
12 Grokster, 454 F. Supp. 2d at 992 ("[N]o reasonable factfinder can  
13 conclude that StreamCast provided OpenNap services and distributed  
14 Morpheus without the intent to induce infringement."). In support of  
15 this conclusion, the record revealed numerous undisputed facts: (1)  
16 StreamCast's software was used overwhelmingly for infringing purposes;  
17 (2) StreamCast targeted a known community of infringers - former  
18 Napster users; (3) StreamCast provided technical assistance to aid  
19 users in their enjoyment of illegally downloaded content; (4)  
20 StreamCast thwarted enforcement efforts by copyright holders; (5)  
21 StreamCast's business model depended on massive infringing use; and  
22 (6) StreamCast took no meaningful steps to prevent infringement. Id.  
23 at 985-92. The Court concluded that "evidence of StreamCast's  
24 objective of promoting infringement is overwhelming." Id. at 992.

25 After receiving this Court's Order, StreamCast claims that it  
26 decided "to the best of its abilities, it should develop and integrate  
27 a robust filtering mechanism . . . so that copyrighted works that are  
28 not authorized by copyright holders for free downloading or

1 | distribution utilizing Morpheus would not be able to be downloaded by  
2 | Morpheus users." (Weiss Decl. ¶ 4.)<sup>4</sup> Yet, despite taking steps to  
3 | implement a filter, "StreamCast . . . maintains that any requirement  
4 | to filter is improper and not required under the law. Accordingly,  
5 | StreamCast reserves the right to cease distribution of a filtered  
6 | version." (StreamCast Supp. Opp. at 18 n.2.)

7 | Plaintiffs have reportedly refused to turn over a list of artists  
8 | that they wish to have filtered. (Weiss Decl. ¶ 6.) Thus, in order  
9 | to meet its self-imposed deadline of implementing its filtering  
10 | mechanism by November 17, 2006, StreamCast's CEO (Weiss) instructed  
11 | its Director of Technology (Kassis) to copy the names of all artists  
12 | on the RIAA website. (Id.) StreamCast asserts that its homemade  
13 | filter would be even more effective if it were given the "hash values"  
14 | of files on Morpheus' network that contain Plaintiffs' copyrighted  
15 | material. (Id. ¶¶ 8-9.) Beginning on November 17 and 20, 2006,  
16 | StreamCast began distributing its new filtering software to Morpheus  
17 | users. (Id. ¶ 7.)<sup>5</sup> On December 15, 2006, StreamCast started sending  
18 | screenshots to users of "legacy versions" of the Morpheus software  
19 | stating that it was "strongly recommended" that they click "ok" to

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20 |  
21 | <sup>4</sup> Michael Weiss, StreamCast's CEO, does not specify the precise  
22 | date upon which StreamCast made this determination. There is no  
23 | dispute that the Plaintiffs held a Local Rule 7-3 conference for  
24 | the instant permanent injunction motion on November 13, 2006,  
25 | which was only four days before StreamCast first began  
26 | distributing a version of the Morpheus Software with a filter.  
27 | However, StreamCast has also submitted evidence indicating that  
28 | its plans for instituting a filter were in progress not later  
29 | than October 20, 2006. (Kassis Decl. ¶ 6 & Ex. B.) Regardless,  
30 | Weiss's declaration confirms that StreamCast did not consider the  
31 | utilization of a filter until this Court issued its order holding  
32 | StreamCast liable for inducement.

33 | <sup>5</sup> StreamCast has two versions of the Morpheus Software: a free  
34 | version and one that must be purchased ("Morpheus Ultra"). (Id.  
35 | ¶ 7.)

1 accept a software upgrade - this upgrade allegedly contained a filter.  
2 (Kassis Decl. ¶ 7.) StreamCast asserts that 92.5% of copyrighted  
3 audio and video files were blocked by the filtering versions of the  
4 Morpheus Software as of January 14, 2007. (Id. ¶ 11.) However, the  
5 new filtering software has not replaced all "legacy versions." In  
6 fact, StreamCast admits that only about one-third of the downloading  
7 sessions in December 2006 and January 2007 were from software that  
8 contained this new filter. (Id. ¶¶ 8-9.)

9 In order to develop a list of hash values known to contain  
10 infringing content, StreamCast initially ran a "batch process" four  
11 times per day. (Id. ¶ 16.) These values are derived from the search  
12 results generated by end-users. (Id.) "Using each artist name as a  
13 search term keyword, the batch process scan the P2P networks accessed  
14 by Morpheus users and saves all audio and video file hash values  
15 obtained from the search results. The hash values are then stored on  
16 a hash database server that StreamCast created and maintains." (Id. ¶  
17 19.) When an end-user attempts to download an audio or music video  
18 file containing a hash value found in StreamCast's database, the  
19 download is "blocked." (Id. ¶ 21.) This filtering mechanism is also  
20 performed during the uploading process for audio and music video  
21 files. (Id. ¶ 23.) For TV shows and motion pictures, StreamCast  
22 allows the download of any file with DRM protection. (Id. ¶ 26.) All  
23 other such files are blocked if they either exceed fifteen (15)  
24 minutes in running-time (if known) or the file exceeds 100 MB in size.  
25 (Id. ¶ 27.) All filtering versions of the Morpheus Software are  
26 capable of being automatically updated at the end of an individual  
27 user's session. (Id. ¶ 31.)

1 During this timeframe, StreamCast also contacted various  
2 companies regarding acoustical fingerprinting technology. SNOCAP  
3 informed StreamCast that it would be "difficult to determine" the  
4 total number of "artist-title pairs" in its collection. Audible Magic  
5 allegedly claimed that it could not identify the total number of  
6 artist-title pairs in its database. (Weiss Decl. ¶¶ 10-11.) Weiss  
7 believes that these two options would, regardless, be "cost-  
8 prohibitive." (Id. ¶ 12.) StreamCast has also contacted other  
9 companies, such as allmusic.com, NARM, MUZE, and Gracenote. (Id. ¶  
10 13.) It is not clear from these contacts whether such companies would  
11 either be willing to license their information to StreamCast, or if it  
12 would be comprehensive enough to cover all copyrighted works owned by  
13 Plaintiffs. (Id. ¶ 14.)

14 StreamCast also posts warnings on its websites and within the  
15 Morpheus System and Software that end-users should download the new  
16 filtering software; they are also warned about their potential legal  
17 liability for engaging in illegal file sharing. (Id. ¶¶ 18, 20.)  
18 "StreamCast urges users of non-filtering versions to upgrade to a  
19 filtering version each time a user uses a non-filtering version of  
20 Morpheus or Morpheus Ultra." (Id. ¶ 22.)

21 Plaintiffs submitted a declaration indicating that in December  
22 2006, after the institution of StreamCast's new filtering software, it  
23 was still possible to illegally download each of the Top 40 songs on  
24 the Billboard chart. (Zaman Decl. ¶ 4.) After learning of  
25 Plaintiffs' declaration, StreamCast claims to have researched the  
26 issue. It determined that the artists' names from the RIAA website  
27 only included gold and platinum artists. (Weiss Decl. ¶ 15.) "[I]t  
28 was possible that current Top 40 artists who did not reach gold and

1 | platinum standings would not be on the RIAA website." (Id.)  
2 | StreamCast has since taken steps to add all "Top 40" artist names to  
3 | its filtering database. (Id. ¶ 16.) Additionally, "StreamCast stands  
4 | ready to include in its filter any artist names, hash values, or file  
5 | names that the Plaintiffs provide us. Any information provided to  
6 | StreamCast by Plaintiffs increases the effectiveness of StreamCast's  
7 | filter." (Id. ¶ 17.)

8 | Furthermore, StreamCast claims in its supplemental briefing that  
9 | it has instituted various other improvements to its filter (e.g.,  
10 | eliminating "low host count files" from the Gnutella network,  
11 | Morpheus' "select all" downloading feature, and access to the "G2  
12 | Network"). (Kassis Supp. Decl. ¶¶ 4-6.) StreamCast also started  
13 | collecting information about the files passing through its filtering  
14 | system, and is now running its batch process twelve (12) times per day  
15 | as opposed to four (4). (Id. ¶¶ 7, 9.) StreamCast further asserts  
16 | that it has added "popular song titles, movies [sic] titles and  
17 | television titles" to its keyword filter, as well as common  
18 | misspellings made known to the company. (Id. ¶¶ 10, 23.) Finally,  
19 | StreamCast claims that it has disabled access to video files in excess  
20 | of 10 minutes in length as of January 18, 2007. (Id. ¶ 25.)

21 | C. The Purported Effectiveness of StreamCast's Filter

22 | A great deal of effort has been expended by the parties in  
23 | evaluating whether StreamCast's homemade filter is effective, and  
24 | whether it has been improved since this Court's Order requiring  
25 | further briefing. Plaintiffs have submitted several declarations in  
26 | which it is claimed that Morpheus end-users were able to download  
27 | numerous popular audio and/or video files during December 2006,  
28 | January 2007, February 2007, March 2007, and April 2007 - all after

1 StreamCast first instituted its filtering software. (See Zaman Decl.;  
2 Zaman Reply Decl.; Patel Decl.; Boyle Decl.; Patel Second Decl.;  
3 Bennett Decl.) Plaintiffs have also submitted the declaration of  
4 Ellis Horowitz, a computer science professor at the University of  
5 Southern California. (Horowitz Decl. Ex. 1.) Although some of his  
6 criticisms regarding StreamCast's filter may have since been partly  
7 remedied by StreamCast's efforts, he asserts the following  
8 implementation flaws: (1) StreamCast filters only by artist, not by  
9 title name; (2) StreamCast does not filter common misspellings or  
10 variations; (3) StreamCast only collects hashes for its database four  
11 times a day; (4) the size filter of 100 MB does not capture 30-minute  
12 television shows, especially when StreamCast cannot identify a file's  
13 "runtime"; (5) StreamCast does not filter all file types, including  
14 ".rar" files that "can break up large files into numerous pieces, send  
15 them in pieces, and then reassemble them on the other end." (Id. ¶  
16 27, 32-41.) Horowitz further argues that StreamCast's filter is  
17 technologically outdated, substantially because of its failure to  
18 incorporate "digital fingerprinting" technology such as acoustical  
19 fingerprinting. (Id. ¶¶ 42, 47.)

20 In response, StreamCast claims to have conducted its own in-house  
21 testing of the Morpheus filter compared to those utilized by other  
22 peer-to-peer networks (in particular, I-Mesh and Kazaa). (Deutscher  
23 Decl.; Frawley Decl.; Thompson Decl.) StreamCast has also submitted a  
24 statistical analysis of the results. (Mercurio Decl.; Mercurio Supp.  
25 Decl.)

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1        D. Plaintiffs' Proposals Regarding Filtering Technology and  
2                Legacy Software

3                1. Filtering Options

4                Plaintiffs maintain that StreamCast's "homemade filter" is  
5 hopelessly ineffective. They believe that StreamCast should be  
6 required to employ commercially available state-of-the-art filtering  
7 solutions to prevent infringement by end-users. Plaintiffs offer two  
8 related but distinct proposals for the filtering of: (1) audio/music  
9 video files, and (2) other video files.

10                a. Audio/Music Video Files

11                        i. File Hashes and Acoustical Fingerprinting

12                First and foremost, Plaintiffs state that StreamCast should be  
13 required to incorporate both "acoustical fingerprint" and "file hash"  
14 technology into a filter. According to evidence submitted by  
15 Plaintiffs, other companies claim to have employed this filtering duo  
16 successfully. (See generally Sorenson Decl.; Marco Decl.)

17                Acoustical fingerprinting is licensed by various companies,  
18 including Audible Magic. This technology analyzes the actual content  
19 of an audio file, as opposed to a written description of what is  
20 contained within it (e.g., "metadata"). (Ikezoye Decl. ¶ 3 ("Audible  
21 Magic's technology analyzes the shape of the spectrum represented by a  
22 digital audio file.")) This means that the filtering tool "listens"  
23 to the sound recording, and creates a twenty-second "fingerprint" that  
24 can then be compared against any other file that an end-user is  
25 attempting to upload or download. (Id. ¶ 8.) If the suspected file  
26 has that precise sequence (or spectrum) of sounds, the uploading or  
27 downloading of the song will be blocked. According to Plaintiffs,  
28

1 Audible Magic has a database of approximately 6 million acoustical  
2 fingerprints of musical sound recordings. (Id. ¶ 11.)

3 The second part of this filtering system is the "file hash."  
4 This represents a different type of "fingerprint." "A hash value" is a  
5 unique multi-character number that is associated with a computer file.  
6 Some computer scientists compare a hash value to an electronic  
7 fingerprint in that each file has a unique hash value." United States  
8 v. Cartier, 2007 WL 319648, at \*1 (D.N.D. Jan. 30, 2007). This  
9 fingerprint is not based on the actual sound/content of the recording,  
10 but constitutes a mixture of characters that allow the file to be  
11 easily identified, and remains the same for identical copies of that  
12 file (after they are uploaded or downloaded).

13 The file hash is a fairly limited tool. In order to explain its  
14 usefulness, the Court constructs the following hypothetical: assume  
15 that there is a two minute sixteen second version of Louis Armstrong  
16 singing "What a Wonderful World" available for download through the  
17 Morpheus System and Software, which has a hash value of 123456789. If  
18 any other individual downloads this precise file, and makes no  
19 alterations to it, his/her downloaded copy will contain the same file  
20 hash: 123456789. Companies such as Audible Magic claim to have a  
21 database of file hashes that are known to contain copyrighted content.  
22 Therefore, if file hash 123456789 is already contained in an Audible  
23 Magic database, and StreamCast purchases the right to license this  
24 information, a Morpheus end-user should be prevented from downloading  
25 this precise copy of the song. However, an end-user with this two  
26 minute sixteen second copy of "What a Wonderful World" could decide to  
27 recopy the song such that it only lasts for two minutes fifteen  
28 seconds. This one second alteration would automatically cause the

1 derivative file to be associated with a different file hash<sup>6</sup> - for  
2 example, 012345678. If StreamCast relied entirely on file hash  
3 filtering, then the derivative version of "What a Wonderful World"  
4 with hash value 012345678 would evade the filtering gatekeeper  
5 mechanism.

6 The file hash filter serves as a useful starting point according  
7 to Plaintiffs. It theoretically gives StreamCast the ability to start  
8 with a number of computer files that are known to contain infringing  
9 content. This is where the acoustical fingerprinting technology  
10 arrives at center stage.

11 In following from the original hypothetical, the Court presumes  
12 that Audible Magic has created a twenty-second audio fingerprint of  
13 "What a Wonderful World," which comes from the file containing hash  
14 value 123456789. Because this fingerprint is based on the spectrum of  
15 sounds contained in the sound recording, it can also be "matched up"  
16 with the file associated with hash value 012345678. Thus, the  
17 filtering tool would recognize all files, regardless of the hash  
18 value, that contain this "acoustical fingerprint" of What a Wonderful  
19 World.<sup>7</sup> Audible Magic represents that its acoustical fingerprinting  
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21 <sup>6</sup> The same would occur if a second copy of the song was  
22 precisely the same length as the original, but less memory (or a  
23 lower "bit rate") was devoted to creating the copy, meaning that  
24 the derivative file would be of a lesser quality. Any change  
would apparently cause the resulting file to be associated with a  
new hash.

25 <sup>7</sup> It is important to note that this technology would only work  
26 with respect to all file copies containing the same version of  
the song's recording. Thus, the acoustical fingerprint for a  
studio-recorded version of "What a Wonderful World" would  
27 seemingly be different from that of a live concert recording.  
(Ikezoye Decl. ¶ 5.) However, StreamCast claims that acoustical  
28 fingerprinting does not work for live recordings. (Kassis Supp.  
Decl. ¶ 26.)

1 | technology "would successfully block well over 99% of the files  
2 | unauthorized for peer-to-peer distribution." (Ikezoye Decl. ¶ 18)

3 | ii. Keyword Filtering

4 | Keyword filtering is merely a supplement to the acoustical  
5 | fingerprinting and hash value filtering tools, and would be  
6 | ineffective by itself. Every file has "metadata," which contains  
7 | certain information about itself (e.g., artist, song title, etc.). By  
8 | having a filter that matches files against certain keywords of known  
9 | artist/song titles found in the metadata, StreamCast would be better  
10 | positioned to identify infringing content. (Marco Decl. ¶¶ 11-12;  
11 | Sorenson Decl. ¶ 17.)

12 | This information can be easily altered. Unknown misspellings of  
13 | artist names and song titles could escape the filter. But according  
14 | to Plaintiffs, keyword filtering is sometimes the best method for  
15 | locating illegally "leaked" pre-release copies of sound recordings  
16 | that have yet to be added to the acoustical fingerprint database.

17 | iii. "Quality Improvement Process"

18 | Plaintiffs argue that filtering technologies evolve rapidly, and  
19 | are fine-tuned to incorporate state-of-the-art technology and to  
20 | overcome the efforts of would-be infringers to defeat the filtering  
21 | tools. Plaintiffs explain that StreamCast should be required to  
22 | update the lists of blocked files on a routine basis. This  
23 | information can be obtained from third-party sources such as Audible  
24 | Magic. It can also result from an agreement with StreamCast that  
25 | would allow the record companies to modify the block list, and require  
26 | StreamCast to implement it immediately. This would help ensure that  
27 | the list is not overinclusive or underinclusive.

28 | ///

1                    b. Video Files

2                    The motion picture Plaintiffs begin by noting that commercial  
3 vendors are rapidly developing filtering techniques for video  
4 downloads. Audible Magic uses the same kind of acoustical  
5 fingerprinting for such files. (Izekoye Decl. ¶ 24.) In a  
6 declaration, Audible Magic asserts that it has over 1000 acoustic  
7 fingerprints for motion pictures and television shows, and in the near  
8 future it will likely expand to a large number of Plaintiffs' "most  
9 popular" titles. (Id. ¶ 26.) Additionally, it appears that  
10 technology is developing that may allow for "video fingerprinting."  
11 This presumably means that the filter would have in its database a  
12 visual "snapshot" of the film, which could then be compared against  
13 other files end-users are attempting to upload and download. (See  
14 Winter Decl. ¶ 7.) Companies such as Philips, Vobile, and Gracenote  
15 are in the process of trying to use acoustical fingerprinting, video  
16 fingerprinting, or both in order to make filtering more successful.  
17 (Plaintiffs' Supp. Brief at 10.)

18                    The motion picture Plaintiffs suggest an injunction in two parts,  
19 which would be subject to reexamination after 180 days. First,  
20 StreamCast should be ordered to utilize commercially available  
21 acoustical fingerprinting technology for those video titles currently  
22 protected. To protect works not currently fingerprinted in this  
23 manner, Plaintiffs ask that StreamCast perform the following: (1) use  
24 commercially available solutions for creating and supplementing a  
25 database of hashes that have been verified as infringing or likely to  
26 contain infringing content, (2) block files that are longer than 10  
27 minutes in length or larger than 40 megabytes in size, and (3) use a

1 supplemental keyword search based on terms submitted by the  
2 Plaintiffs.

3 Second, Plaintiffs ask that this Court order the parties to  
4 submit briefing in 180 days after the injunction is entered in order  
5 to determine whether a status conference is necessary in light of  
6 technological advances.<sup>8</sup>

7 c. What Happens if the Filter Fails?

8 Plaintiffs' proposed injunction previously required StreamCast to  
9 "exhaustively" stop all infringement. However, this Court questioned  
10 whether such language would leave StreamCast liable for infringement  
11 even if it accepts a third-party filtering system approved by  
12 Plaintiffs, but is not itself "perfect." Plaintiffs assert that they  
13 would not hold StreamCast liable in such circumstances, but only if  
14 StreamCast: (1) properly installs, implements, and maintains the  
15 third-party filter and available updates/upgrades, (2) takes into  
16 account reasonably foreseeable deficiencies with a filtering solution,  
17 and (3) implements technological improvements as they become  
18 available.

19 If Plaintiffs believe that StreamCast has not acted in good  
20 faith, then Plaintiffs vaguely suggest that the Court's injunction  
21 include a "mandated notice-and-cure procedure pursuant to which  
22 Plaintiffs would give StreamCast written notice of such problems and  
23 StreamCast would have a certain amount of time to cure the problems or  
24 otherwise respond." (Plaintiffs' Supp. Brief at 15.) It is not clear

25 <sup>8</sup> Given the time this Court has expended considering the motion,  
26 the Court recognizes that: (1) Audible Magic's database of  
27 acoustical fingerprints for video files may be more  
28 comprehensive; (2) other companies may have had success with  
video/acoustical fingerprints; and (3) the movie studio  
Plaintiffs' position with regard to the injunction and video  
files may generally be different.

1 | to the Court how exactly this procedure would work. Lastly,  
2 | Plaintiffs do not believe that they should bear the burden of  
3 | providing artist-title pairs or hash values to StreamCast for a  
4 | "homemade filter."

5 |           2. Legacy Software

6 |           a. Encouraging Morpheus Users to Upgrade

7 |           StreamCast states that it cannot require users to upgrade their  
8 | software to versions containing a filter. Similarly, declarations  
9 | submitted by Plaintiffs reveal that some of StreamCast's apparent  
10 | competitors, I-Mesh and Kazaa, are unable to do so as well. (Sorenson  
11 | Decl. ¶ 20 ("Sharman did not have a technical means to force users to  
12 | upgrade."); Marco Decl. ¶ 19 ("As a result of these efforts, our sense  
13 | is that there are at most hundreds or thousands of customers still  
14 | using the legacy software and that small number becomes smaller still  
15 | over time.")). Plaintiffs do not currently seek such relief. (See  
16 | Plaintiffs' Supp. Brief at 17 n.7.) Instead, Plaintiffs ask this  
17 | Court to include three conditions in its forthcoming injunction Order.  
18 | First, StreamCast should insert aggressive "pop-ups" that would make  
19 | it difficult (or at least very annoying) for users to continue with  
20 | the unfiltered versions of the Morpheus software. Second, Plaintiffs  
21 | ask that StreamCast copiously remove all postings in the "Morpheus  
22 | Forum" that help users to download non-filtering versions of Morpheus.  
23 | Third, StreamCast should be forced to distribute do-not-infringe  
24 | messages as search results, so that users who continue to search for  
25 | copyrighted material are given a warning not to infringe.

26 |           b. Advertising

27 |           Plaintiffs ask that StreamCast be denied the right to sell  
28 | advertising on the legacy versions of the Morpheus software.

1 | **III. ANALYSIS**

2 |     A. Legal Standard

3 |     Under 17 U.S.C. § 502(a), this Court is empowered to grant a  
4 | permanent injunction "as it may deem reasonable to prevent or restrain  
5 | infringement of a copyright." "It goes without saying that an  
6 | injunction is an equitable remedy." Weinberger v. Romero-Barcelo, 456  
7 | U.S. 305, 311 (1982). "An injunction should issue only where the  
8 | intervention of a court of equity 'is essential in order effectually  
9 | to protect property rights against injuries otherwise irreparable.'" Id.  
10 | Id. at 312 (quoting Cavanaugh v. Looney, 248 U.S. 453, 456 (1919)).

11 |     As recently confirmed by the Supreme Court, Plaintiffs must meet  
12 | their burden with respect to the traditional four-part test.  
13 | Plaintiffs "must demonstrate: (1) that it has suffered an irreparable  
14 | injury; (2) that remedies available at law, such as monetary damages,  
15 | are inadequate to compensate for that injury; (3) that, considering  
16 | the balance of hardships between the plaintiff and defendant, a remedy  
17 | in equity is warranted; and (4) that the public interest would not be  
18 | disserved by a permanent injunction." eBay Inc. v. MercExchange,  
19 | L.L.C., 126 S. Ct. 1837, 1839 (2006). "[T]he decision whether to  
20 | grant or deny injunctive relief rests within the equitable discretion  
21 | of the district courts." Id. at 1841. Further, the Supreme Court  
22 | "has consistently rejected invitations to replace traditional  
23 | equitable considerations with a rule that an injunction automatically  
24 | follows a determination that a copyright has been infringed." Id. at  
25 | 1840.<sup>9</sup>

26 | \_\_\_\_\_  
27 | <sup>9</sup> StreamCast has argued that "whether the terms of an injunction  
28 | fulfill the mandates of Rule 65(d) is a question of law" reviewed  
de novo. Int'l Rectifier Corp. v. IXYS Corp., 383 F.3d 1312,  
1315 (Fed. Cir. 2004). This standard is irrelevant, however,  
because it is a matter for appellate review. Furthermore, the

1        B. Application of the Four-Part Test

2        Before applying eBay, it must be noted that Plaintiffs also ask  
3 this Court first to apply an arguably different (and perhaps more  
4 permissive) permanent injunction test. Prior to eBay, in MAI Sys.  
5 Corp. v. Peak Computer, Inc., 991 F.2d 511, 520 (9th Cir. 1993), the  
6 Ninth Circuit stated that "[a]s a general rule, a permanent injunction  
7 will be granted when liability has been established and there is a  
8 threat of continuing violations." Consistent with the Ninth Circuit,  
9 Nimmer writes, "[i]t is uncontroversial that a 'showing of past  
10 infringement and a substantial likelihood of future infringement'  
11 justifies issuance of a permanent injunction." 4 Melville B. Nimmer &  
12 David Nimmer, Nimmer on Copyright, § 14.06[B] & n.76.1 (quoting  
13 Superhype Pub., Inc. v. Vasiliou, 838 F. Supp. 1220, 1226 (S.D. Ohio  
14 1993)); see also id. § 14.06[B] ("Because a permanent injunction is  
15 issued only after liability is established, its issuance probably does  
16 not require a showing of irreparable injury.").

17        In light of this two-part rule (past infringement + likelihood of  
18 future infringements), Plaintiffs have asked for a permanent  
19 injunction. However, this Court has doubts that MAI's "general rule"  
20 regarding permanent injunctions survives eBay. In eBay, the Supreme

21 \_\_\_\_\_  
22 Court notes that an order granting a permanent injunction, as  
23 well as the decision regarding which terms should be included or  
24 omitted, are reviewed for an abuse of discretion or application  
25 of erroneous legal principles. See High Sierra Hikers Ass'n v.  
26 Blackwell, 390 F.3d 630, 639 (9th Cir. 2004); Bates v. United  
27 Parcel Serv., Inc., 465 F.3d 1069, 1092 (9th Cir. 2006). Rule  
28 65(d) de novo review only applies to the specificity of the  
injunction's terms. Premier Communications Network, Inc. v.  
Fuentes, 880 F.2d 1096, 1100 (9th Cir. 1989). Finally, the Ninth  
Circuit "will not set aside injunctions under Rule 65(d) 'unless  
they are so vague that they have no reasonably specific  
meaning.'" United States v. V-1 Oil Co., 63 F.3d 909, 913 (9th  
Cir. 1995) (quoting E. & J. Gallo Winery v. Gallo Cattle Co., 967  
F.2d 1280, 1297 (9th Cir. 1992)).

1 Court rejected the Federal Circuit's "general rule" in patent cases  
2 that "courts will issue permanent injunctions against patent  
3 infringement absent exceptional circumstances." 126 S. Ct. at 1839-40  
4 (citation omitted). As stated in Chief Justice Roberts's concurrence,  
5 the "historical practice" of granting permanent injunctive relief in  
6 most instances after the establishment of infringement "does not  
7 entitle a patentee to a permanent injunction or justify a general rule  
8 that such injunctions should issue." Id. at 1841 (Roberts, C.J.,  
9 concurring).

10 The Supreme Court also stated that permanent injunctions issued  
11 under the Patent Act should be treated as they are under the Copyright  
12 Act,<sup>10</sup> and that the traditional four-part test must be applied.  
13 Additionally, the Ninth Circuit has applied eBay to the Lanham Act.  
14 See Reno Air Racing Ass'n, Inc. v. McCord, 452 F.3d 1126, 1137-38 (9th  
15 Cir. 2006). By implication, the four eBay factors are the only  
16 relevant considerations for purposes of Plaintiffs' instant motion  
17 under the Copyright Act. This Court can identify no place for a  
18 separate and distinct two-part MAI test or "general rule" that could  
19 circumvent eBay. See Christopher Phelps & Assocs., LLC v. Galloway,  
20 492 F.3d 532, 543 (4th Cir. 2007) (applying eBay and rejecting  
21 plaintiff's assertion that "when copyright infringement has been  
22 proved and there is a threat of continuing infringement, the copyright  
23 holder is 'entitled to an injunction'") (citations omitted). See also  
24 Nat'l League of Junior Cotillions, Inc. v. Porter, 2007 WL 2316823, at  
25 \*5 (W.D.N.C. Aug. 9, 2007) ("The Fourth Circuit more recently

26 \_\_\_\_\_  
27 <sup>10</sup> This is because both the Patent Act and the Copyright Act  
28 similarly grant district courts the discretion to impose  
permanent injunctions. See id. at 1839-40 (citing 35 U.S.C. §  
283; 17 U.S.C. § 502(a)).

1 reaffirmed [in Phelps] the traditional showing that a plaintiff must  
2 make to obtain a permanent injunction in copyright cases." MAI  
3 should only be relevant to the extent it informs the eBay analysis.

4 1. Irreparable Harm

5 The first question to address is whether Plaintiffs "ha[ve]  
6 suffered an irreparable injury." eBay, 126 S. Ct. at 1839. "The  
7 concept of irreparable harm, unfortunately, 'does not readily lend  
8 itself to definition.'" Prairie Band of Potawatomi Indians v. Pierce,  
9 253 F.3d 1234, 1250 (10th Cir. 2001) (citation omitted). According to  
10 the Fifth Circuit, "[b]y definition, 'irreparable injury' is that for  
11 which compensatory damages are unsuitable." Wildmon v. Berwick  
12 Universal Pictures, 983 F.2d 21, 24 (5th Cir. 1992). Or, as  
13 alternatively stated by the Seventh Circuit, "[o]nly harm that the  
14 district court cannot remedy following a final determination on the  
15 merits may constitute irreparable harm." Am. Hosp. Ass'n v. Harris,  
16 625 F.2d 1328, 1331 (7th Cir. 1980). In perhaps combining these two  
17 statements, the Tenth Circuit has observed that "irreparable harm is  
18 often suffered when the injury can[not] be adequately atoned for in  
19 money, or when the district court cannot remedy [the injury] following  
20 a final determination on the merits." Prairie Band, 253 F.3d at 1250  
21 (internal quotation marks and citations omitted). One district court  
22 has also recently stated that "the irreparable harm requirement  
23 contemplates the inadequacy of alternate remedies available to the  
24 plaintiff." Smith & Nephew, Inc. v. Synthes (U.S.A.), 466 F. Supp. 2d  
25 978, 982-83 (W.D. Tenn. 2006), thereby linking the first eBay factor  
26 with the second. Based on these varying definitions, the Court now  
27 proceeds to its irreparable harm analysis.

28 ///

1                   a.     There is no Presumption of Irreparable Harm

2             The parties dispute whether, in light of eBay, irreparable harm  
3 can be presumed.

4             Pre-eBay and Post-eBay Permanent Injunction cases: Other courts  
5 have in the past presumed the existence of irreparable injury upon the  
6 establishment of liability in copyright cases. See, e.g., Twentieth  
7 Century Fox Film Corp. v. Streeter, 438 F. Supp. 2d 1065, 1072 (D.  
8 Ariz. 2006) ("Accordingly, when seeking a permanent injunction in  
9 copyright cases, irreparable harm is presumed on a showing of success  
10 on the merits."); Elektra Entertainment Group, Inc. v. Bryant, 2004 WL  
11 783123, at \*6 (C.D. Cal. Feb. 13, 2004) ("Copyright infringement is  
12 presumed to give rise to irreparable injury. Accordingly, when  
13 seeking a permanent injunction in copyright cases, irreparable harm is  
14 presumed on a showing of success on the merits.") (internal citation  
15 omitted). As pointed out by Plaintiffs, this Court once essentially  
16 agreed with this analysis. See Warner Bros. Entertainment Inc. v.  
17 Caridi, 346 F. Supp. 2d 1068, 1073 (C.D. Cal. 2004) (Wilson, J.)  
18 (entering a permanent injunction after a default judgment in a  
19 copyright action).

20             Yet, these cases were all decided prior to the Supreme Court's  
21 decision in eBay.<sup>11</sup> The eBay Court held that it is Plaintiffs who

22  
23 <sup>11</sup> Streeter, Elektra, and Caridi were all cases in which a  
24 permanent injunction was granted after default judgment. The  
25 Seventh Circuit has criticized, after eBay, the sometimes-  
26 automatic practice of granting permanent injunctions after  
27 default judgment. See e360 Insight v. The Spamhaus Project, \_\_\_  
28 F.3d \_\_\_, 2007 WL 2445016, at \*9 (7th Cir. Aug. 30, 2007) ("The  
district court concluded that e360's success by default and the  
failure of Spamhaus to interpose objections to relief simply  
entitled e360 to a permanent injunction. We conclude that a more  
substantial inquiry by the district court was necessary prior to  
the entry of equitable relief.").

1 "must demonstrate" (meaning, have the burden of proof) that the  
2 traditional factors favor a permanent injunction. 126 S. Ct. at 1839.  
3 The Supreme Court also highlighted that it has "consistently rejected"  
4 the rule that "an injunction automatically follows" an infringement  
5 holding. Id. at 1840. Given Plaintiffs' burden of proof and the  
6 inability of a district court to "automatically" issue injunctions, it  
7 is perhaps unclear in eBay's wake whether a permanent injunction can  
8 be granted based on a rebuttable presumption of irreparable harm. On  
9 remand from the Supreme Court, the eBay district court highlighted  
10 this uncertainty by initially expressing the following concerns:

11 [T]he legal standard for issuing an injunction was in flux  
12 throughout the appeal of this matter and appears to remain  
13 uncertain today in that the Supreme Court did not expressly  
14 address whether the presumption of irreparable harm upon a  
15 showing of validity and infringement survives the Supreme Court's  
16 decision.

17 Mercexchange, L.L.C. v. eBay, Inc., 467 F. Supp. 2d 608, 615 n.7 (E.D.  
18 Va. 2006).

19 However, the eBay district court has subsequently decided that  
20 there can be no presumption of irreparable harm in the permanent  
21 injunction context. See MercExchange, L.L.C. v. eBay, Inc., 500 F.  
22 Supp. 2d 556, 568 (E.D. Va. 2007) ("[A] review of relevant caselaw, as  
23 well as the language of the Supreme Court's decision, supports  
24 defendants' position that such presumption no longer exists."). This  
25 view appears to have been followed by perhaps every court expressly  
26 considering eBay.<sup>12</sup> See IMX, Inc. v. LendingTree, LLC, 469 F. Supp. 2d

27 <sup>12</sup> The Court has identified Capitol Records, Inc. v. Zahn, 2007  
28 WL 542816, at \*4 (M.D. Tenn. Feb. 16, 2007), as a possible  
aberration. However, Capitol Records made no express or implied

1 | 203, 224 (D. Del. 2007) (describing the "now-overturned presumption  
2 | that a patent holder is irreparably harmed upon a finding of  
3 | infringement"); Paice, LLC v. Toyota Motor Corp., 2006 WL 2385139, at  
4 | \*4 (E.D. Tex. Aug. 16, 2006) ("The eBay decision demonstrates that no  
5 | presumption of irreparable harm should automatically follow from a  
6 | finding of infringement."); z4 Technologies, Inc. v. Microsoft  
7 | Corp., 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006) ("This language does  
8 | not imply a presumption, but places the burden of proving irreparable  
9 | injury on the plaintiff.").

10 | This Court agrees with StreamCast, and these district courts,  
11 | that the presumption of irreparable harm no longer inures to the  
12 | benefit of Plaintiffs. The eBay Court plainly stated that Plaintiffs  
13 | "must demonstrate" the presence of the traditional factors, and  
14 | therefore have the burden of proof with regard to irreparable harm.  
15 | If this Court adopted a presumption of irreparable harm in favor of  
16 | Plaintiffs, then StreamCast would effectively have the burden of  
17 | proving the contrary. Such a rule would contravene the Supreme  
18 | Court's intent that Plaintiffs establish not merely that infringement  
19 | causes "harm," but how it amounts to irreparable harm.<sup>13</sup>

20 | \_\_\_\_\_  
21 | reference to eBay in its analysis. Additionally, the district  
22 | court in UMG Recordings, Inc. v. Blake, 2007 WL 1853956, at \*2-3  
23 | (E.D.N.C. June 26, 2007), applied a presumption of irreparable  
24 | harm. While noting eBay's existence, the UMG Court failed to  
25 | offer any reason why a presumption could still be utilized.

26 | <sup>13</sup> Therefore, this Court is not persuaded by the Eighth Circuit's  
27 | pre-eBay conclusion in Taylor Corp. v. Four Seasons Greetings,  
28 | LLC, 403 F.3d 958, 968 (8th Cir. 2005), that because "[a  
29 | plaintiff] certainly has the right to control the use of its  
30 | copyrighted materials, . . . irreparable harm inescapably flows  
31 | from the denial of that right." In substance, such language is  
32 | nothing more than a disguised presumption, particularly with the  
33 | use of the word "inescapably." After eBay, Plaintiffs cannot  
34 | rely on the pure fact of infringement in order to establish  
35 | irreparable harm.

1           *Analogy to Preliminary Injunction Cases:* In arguing for a  
2 presumption, Plaintiffs also cite to various preliminary injunction  
3 cases within the Ninth Circuit that predate eBay. In these cases, the  
4 Ninth Circuit held that "a showing of a reasonable likelihood of  
5 success on the merits raises a presumption of irreparable harm."  
6 Johnson Controls, Inc. v. Phoenix Control Systems, Inc., 886 F.2d  
7 1173, 1174 (9th Cir. 1989); see also LGS Architects, Inc. v. Concordia  
8 Homes of Nev., 434 F.3d 1150, 1155-56 (9th Cir. 2006) (same); Micro  
9 Star v. Formgen Inc., 154 F.3d 1107, 1109 (9th Cir. 1998) (same).  
10 Plaintiffs' citations are unpersuasive. First, prior preliminary  
11 injunction cases issued by the Ninth Circuit are of no moment when  
12 this Court is faced with a more recent Supreme Court decision that is  
13 directly on point, and which requires a different holding.

14           Second, one might reasonably argue that there is a sensible  
15 policy rationale for permitting a presumption of irreparable harm in  
16 preliminary injunction, but not permanent injunction, motions. As  
17 stated by the Fourth Circuit:

18           Unlike a permanent injunction, which resolves the merits of a  
19 claim and imposes an equitable remedy because a legal one is  
20 inadequate, a preliminary injunction maintains a particular  
21 relationship between the parties in anticipation of a decision on  
22 the merits, pending completion of the litigation.

23 United States Dep't of Labor v. Wolf Run Mining Co., 452 F.3d 275, 280  
24 (4th Cir. 2006) (internal citation omitted). Preliminary injunctions  
25 are typically requested when a lawsuit's factual development is  
26 limited and are designed to preserve the status quo pending trial.  
27 Relatedly, preliminary injunctions are also temporary in the sense  
28 that they will expire once the case's merits are decided. Given these

1 | considerations, one could legitimately conclude that a plaintiff  
2 | should be absolved of proving irreparable harm at such an early  
3 | stage.<sup>14</sup>

4 | Third, the longstanding rule that irreparable harm can be  
5 | presumed after a showing of likelihood of success for purposes of a  
6 | copyright preliminary injunction motion may itself have to be  
7 | reevaluated in light of eBay. It is true that post-eBay, the Federal  
8 | Circuit assumed the continued existence of a presumption of  
9 | irreparable harm for preliminary injunctions. See Abbott Labs. v.  
10 | Andrx Pharms., Inc., 452 F.3d 1331, 1347 (Fed. Cir. 2006) ("First, as  
11 | noted above, we conclude that Abbott has not established a likelihood  
12 | of success on the merits. As a result, Abbott is no longer entitled  
13 | to a presumption of irreparable harm.")<sup>15</sup>; see also DocuSign, Inc. v.  
14 | Sertifi, Inc., 468 F. Supp. 2d 1305, 1309 n.6 (W.D. Wash. 2006)  
15 | ("Abbott, which came after eBay, assumed (without deciding) that such  
16 | a presumption was still appropriate in the preliminary injunction  
17 | context, where a strong showing of likely infringement was made.").  
18 | And some district courts have also rejected eBay's application to  
19 | preliminary injunctions. E.g., Christiana Industries v. Empire  
20 | Electronics, Inc., 443 F. Supp. 2d 870, 884 (E.D. Mich. 2006)  
21 | ("Defendant asserts that in [eBay], the Supreme Court eliminated the  
22 | presumption of irreparable harm for preliminary injunctions upon a  
23 |

24 | \_\_\_\_\_  
25 | <sup>14</sup> There are of course arguments to the contrary, such as the  
26 | fact that a defendant could be enjoined from engaging in a  
27 | certain activity even though he/she is ultimately vindicated at  
28 | trial. The Court's discussion is not meant to be exhaustive, but  
merely offers possible reasons for why some might treat  
preliminary and permanent injunctions differently.

<sup>15</sup> Since the Federal Circuit can only bind this Court in patent  
cases, Abbott is only relevant to the extent it is persuasive.

1 showing of validity and infringement. Plaintiff argues, and this  
2 Court agrees, that eBay did not invalidate the presumption.").

3 However, a significant number of lower court cases are reaching  
4 precisely the contrary conclusion. See, e.g., Sun Optics, Inc. v. FGX  
5 Int'l, Inc., 2007 WL 2228569, at \*1 (D. Del. Aug. 2, 2007) ("Even if  
6 the moving party succeeds in demonstrating a likelihood of success on  
7 the merits, the notion that there follows a presumption of irreparable  
8 harm seems inconsistent with the Supreme Court's holding in [eBay].");  
9 Torspo Hockey Int'l, Inc. v. Kor Hockey Ltd., 491 F. Supp. 2d 871, 881  
10 (D. Minn. 2007) ("[T]he Court finds that it may not presume that a  
11 patentee who is likely to succeed on the merits at trial will suffer  
12 irreparable harm in the absence of a preliminary injunction.");  
13 Allora, LLC v. Brownstone, Inc., 2007 WL 1246448, at \*5 (W.D.N.C. Apr.  
14 27, 2007) ("Until this issue is clarified by the Fourth Circuit or the  
15 Supreme Court, this Court will not presume irreparable harm and  
16 likelihood of success on the merits following a prima facie showing of  
17 copyright infringement, but will instead treat copyright cases in the  
18 same manner as any other civil action requesting a preliminary  
19 injunction."); Chamberlain Group, Inc. v. Lear Corp., 2007 WL 1017751,  
20 at \*5 (N.D. Ill. Mar. 30, 2007) ("While eBay has yet to be completely  
21 fleshed out in the lower courts, it has been applied to preliminary,  
22 as well as permanent, injunctions, and has been read to limit the  
23 presumption of irreparable harm solely upon the finding of  
24 infringement.") (internal citation omitted).<sup>16</sup> The law is muddled, and  
25 the Court is not aware of a post-eBay Ninth Circuit ruling on this

26  
27 <sup>16</sup> See also Porter, 2007 WL 2316823, at \*5 n.14 (cataloguing  
28 these and other cases in which eBay has or has not been applied  
to bar a presumption of irreparable harm on motions for  
preliminary injunctions).

1 point. Certainly, the post-eBay legal landscape has created some  
2 question as to the viability of these Ninth Circuit preliminary  
3 injunction decisions.

4 Amoco and eBay: The argument that eBay bars a presumption of  
5 irreparable harm with regard to permanent or preliminary injunction  
6 motions is strengthened when considered in conjunction with the  
7 Supreme Court's prior opinion in Amoco Production Co. v. Village of  
8 Gambell, 480 U.S. 531 (1987). In Amoco, the Ninth Circuit entered a  
9 preliminary injunction after determining that the Secretary of the  
10 Interior likely violated Section 810 of the Alaska National Interest  
11 Lands Conservation Act ("ANILCA"). Id. at 534. In reaching this  
12 conclusion, the Ninth Circuit applied a presumption of irreparable  
13 harm. The Supreme Court reversed and held that "[t]his presumption is  
14 contrary to traditional equitable principles and has no basis in  
15 ANILCA." Id. at 545.

16 Prior to eBay, Amoco appears to have had little impact. In  
17 Sierra Club v. United States Forest Service, 843 F.2d 1190 (9th Cir.  
18 1988), the Ninth Circuit signaled that Amoco might be limited to  
19 ANILCA and should not be extended even to National Environmental  
20 Policy Act ("NEPA") cases. Id. at 1195; see also Pub. Serv. Co. of  
21 Colo. v. Andrus, 825 F. Supp. 1483, 1505 (D. Idaho 1993) ("The Ninth  
22 Circuit has questioned the applicability of the Amoco decision in NEPA  
23 cases."). There was perhaps little reason to think that Amoco would  
24 be relevant to intellectual property cases.

25 But in eBay, the Supreme Court cited to Amoco twice. Amoco was  
26 cited first, as support for the four factors that a plaintiff must  
27 demonstrate before district courts can grant a permanent injunction,  
28 and second, to help justify the proposition that a departure from

1 | traditional equity practice should not be "lightly implied." eBay,  
2 | 126 S. Ct. at 1839 (citing Amoco, 480 U.S. at 542). The eBay Court  
3 | relied on Amoco in this manner even though it was a preliminary  
4 | injunction case. eBay's invocation of Amoco suggests that permanent  
5 | and preliminary injunctions should generally be treated alike.

6 | eBay and Amoco also have important parallels. Amoco held that a  
7 | presumption of irreparable harm for a preliminary injunction is  
8 | "contrary to traditional equitable principles." 480 U.S. at 545.  
9 | eBay does not speak in the language of presumptions and only expressly  
10 | states that "traditional equitable considerations" militate against  
11 | the "automatic" issuance of permanent injunctions. 126 S. Ct. at  
12 | 1840. But as already discussed, eBay is in implicit agreement with  
13 | Amoco on the presumption question (in the permanent injunction  
14 | context) because it clearly places the burden of proof on the  
15 | plaintiff. Id. at 1839.<sup>17</sup>

16 | Furthermore, these cases stand together for the principle that a  
17 | district court should not depart from a traditional analysis of the  
18 | relevant equitable factors, whether for a preliminary or a permanent  
19 | injunction, unless directed to do so by statute. See eBay, 126 S. Ct.  
20 | at 1839 ("[A] major departure from the long tradition of equity  
21 | practice should not be lightly implied") (quoting Weinberger, 456 U.S.  
22 | at 320); Amoco, 480 U.S. at 542 ("[W]e do not lightly assume that  
23 | Congress has intended to depart from established principles.")  
24 | (quoting Weinberger, 456 U.S. at 313). Policy considerations aside,

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25 |  
26 | <sup>17</sup> Quite recently, the Ninth Circuit also issued an opinion in  
27 | which eBay and Amoco were analyzed together for what appeared to  
28 | be a permanent injunction. See N. Cheyenne Tribe v. Norton, \_\_\_  
F.3d \_\_\_, 2007 WL 2595476 (9th Cir. Sept. 11, 2007). The  
opinion favorably quotes Amoco's anti-presumption language. Id.  
at \*4-5.

1 | there is nothing in the text of Section 502 evidencing a departure  
2 | from traditional equitable practices for either a preliminary or a  
3 | permanent injunction. Section 502(a) merely states that a district  
4 | court "may . . . grant temporary and final injunctions on such terms  
5 | as it may deem reasonable to prevent or restrain infringement of a  
6 | copyright." 17 U.S.C. § 502(a). Based on eBay and Amoco, there is no  
7 | language in the text of the Copyright Act that would permit a  
8 | departure from traditional equitable principles such that a  
9 | presumption of irreparable harm would be allowed in any injunctive  
10 | context.

11 | Thus, Amoco provides additional doctrinal support for rejecting a  
12 | presumption of irreparable harm in permanent injunction cases, and  
13 | further reduces the import of Plaintiffs' pre-eBay preliminary  
14 | injunction citations.

15 |           **b. Irreparable Harm has been Established**<sup>18</sup>

16 | \_\_\_\_\_  
17 | <sup>18</sup> It should be noted that the eBay Court compelled district  
18 | courts to evaluate whether a given plaintiff "has suffered  
19 | irreparable injury." 126 S. Ct. at 1839. The phrase "has  
20 | suffered" suggests that this Court should consider whether past  
21 | infringement resulting from StreamCast's inducement, for which  
22 | liability has been imposed, caused irreparable harm. Had the  
23 | Supreme Court wanted district courts to analyze the irreparable  
24 | harm that might flow from future infringements, it could have  
25 | easily said so.

26 | This reading of eBay has some advantages, since harm  
27 | suffered in the past may frequently be the best method for  
28 | determining how future harm would impact Plaintiffs. But a  
29 | consideration of future events may in some instances be the only  
30 | way of determining whether irreparable harm will be suffered.  
31 | And regardless of any irreparable harm suffered in the past, it  
32 | seems that a permanent injunction should not issue unless there  
33 | is reason to believe that future infringements would constitute  
34 | irreparable harm. See 6 William F. Patry, Patry on Copyrights,  
35 | §22:78 ("[M]onetary damages are awarded for past harm, while  
36 | injunctive relief is intended to prevent future harm."); 4 Nimmer  
37 | & Nimmer, supra, § 14.06[B] ("Under Section 502(a) of the  
38 | Copyright Act, the prevailing plaintiff in a copyright  
39 | infringement action may obtain, in addition to a monetary

Irreparable harm cannot be established solely on the fact of past infringement. Additionally, it must also be true that the mere likelihood of future infringement by a defendant<sup>19</sup> does not by itself allow for an inference of irreparable harm. As to the latter, future copyright infringement can always be redressed via damages, whether actual or statutory. See 17 U.S.C. § 504. To the extent that future infringement is relevant to the analysis, the onus is on Plaintiffs to explain why future infringements resulting from StreamCast's inducement would cause irreparable harm. It cannot be presumed. For example, in a recent patent infringement case in the Eastern District

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recovery, a permanent injunction restraining further infringement."); cf. Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc., 750 F.2d 1552, 1565 (Fed. Cir. 1984) ("Ordinarily an injunction is designed to prevent future infringement, and damages are awarded as compensation for past infringement.").

Not surprisingly, there are examples of courts examining irreparable harm from the perspective of past infringement, future infringement, or both. See Smith & Nephew, Inc., 466 F. Supp. 2d at 983 ("The loss of market share and the resulting lost profits and loss of brand name recognition which Smith & Nephew suffered because of Synthes' continued sale of the infringing products constitute injuries that are both incalculable and irreparable.") (emphasis added); TiVo Inc. v. EchoStar Communications Corp., 446 F. Supp. 2d 664, 669 (E.D. Tex. 2006) ("Plaintiff has demonstrated . . . that it continues to suffer irreparable harm in the absence of an injunction . . . .") (emphasis added); Muniauction, Inc. v. Thomson Corp., 2007 WL 2225847, at \*2 (W.D. Pa. July 31, 2007) ("[W]e find that plaintiff has suffered, and will continue to suffer, harm to its reputation for innovation as a result of defendants' infringement.") (emphasis added); Audi AG v. D'Amato, 469 F.3d 534, 550 (6th Cir. 2006) ("So long as www.audisport.com stayed online, there was potential for future harm, and therefore, there was no adequate remedy at law.") (emphasis added).

In the end, the Court need not resolve this nicety. As explained immediately below, Plaintiffs have established that they: (1) have suffered irreparable harm from past infringements resulting from StreamCast's inducement; and (2) would suffer further irreparable harm from future infringements caused by StreamCast's inducement.

<sup>19</sup> As explained in Part III.B.3, infra, the Court finds that further infringements are likely to be induced by StreamCast.

1 of Texas, the district court held that the defendant's continued  
2 infringement of plaintiff's patent would cause irreparable harm due to  
3 the "[l]oss of market share in this nascent market" for digital video  
4 recorders. TiVo Inc., 446 F. Supp. 2d at 669. Importantly, the TiVo  
5 Court did not make a finding of irreparable harm based on the simple  
6 fact of continued infringement, which could be compensated for with an  
7 award of damages.

8 "[I]rreparable harm may not be presumed[, but] [i]n  
9 run-of-the-mill copyright litigation, such proof should not be  
10 difficult to establish . . . ." 6 Patry, supra, § 22:74. Thus,  
11 Plaintiffs may establish an irreparable harm stemming from the  
12 infringement (e.g., loss of market share, reputational harm). It is  
13 also possible that some qualitative feature about the infringement  
14 itself, such as its peculiar nature, could elevate its status into the  
15 realm of "irreparable harm."

16 StreamCast accepts that certain harms caused by infringement,  
17 such as loss of brand recognition and market share, can amount to  
18 irreparable harm. (StreamCast Opp. at 10.) However, StreamCast  
19 rejects the argument that copyright infringement can itself ever  
20 represent irreparable harm. StreamCast asserts that "[i]f damages can  
21 be calculated, the injury is **not** irreparable . . . - the Copyright Act  
22 specifically provides for statutory damages, which are calculable  
23 assuming Plaintiffs can prove direct infringement of their works, and  
24 a basis for the range requested." (Id.) This Court has doubts  
25 regarding StreamCast's position. In eBay, Chief Justice Roberts  
26 indicated that irreparable harm can result from the infringement  
27 itself, depending upon the circumstances of the case:

1 From at least the early 19th century, courts have granted  
2 injunctive relief upon a finding of infringement in the vast  
3 majority of patent cases. This "long tradition of equity  
4 practice" is not surprising, given the difficulty of protecting a  
5 right to exclude through monetary remedies that allow an  
6 infringer to use an invention against the patentee's wishes - a  
7 difficulty that often implicates the first two factors of the  
8 traditional four-factor test.

9 126 S. Ct. at 1841 (Roberts, C.J., concurring); see also MercExchange,  
10 500 F. Supp. 2d at 568 ("[T]he court is not blind to the reality that  
11 the nature of the right protected by a patent, the right to exclude,  
12 will frequently result in a plaintiff successfully establishing  
13 irreparable harm in the wake of establishing validity and  
14 infringement."); cf. Muniauction, Inc., 2007 WL 2225847, at \*2 ("Even  
15 though we may not categorically enter an injunction solely because  
16 plaintiff's patent has been infringed, we may still consider this to  
17 be a relevant factor in our analysis under the four-factor test.").  
18 And "[l]ike a patent owner, a copyright holder possesses 'the right to  
19 exclude others from using his property.'" eBay, 126 S. Ct. at 1840  
20 (citation omitted); see also Grokster, 454 F. Supp. 2d at 997 ("The  
21 right to exclude is inherent in the grant of a copyright.").

22 This Court also recognizes that a competing eBay concurrence took  
23 issue with Chief Justice Roberts's "right to exclude" language.  
24 Justice Kennedy explained his view that "the existence of a right to  
25 exclude does not dictate the remedy for a violation of that right."  
26 eBay, 126 S. Ct. at 1842 (Kennedy, J., concurring). This Court  
27 agrees, since a contrary conclusion would come close to permitting a  
28 presumption of irreparable harm. This Court also observes that

1 Justice Kennedy's statement was made primarily in the context of  
2 certain recent developments in the patent field that are wholly  
3 inapplicable to this lawsuit. For example, this is simply not a case  
4 in which the copyright infringement represents "but a small component  
5 of the product the companies seek to produce," such that "legal  
6 damages may well be sufficient to compensate for the infringement."  
7 Id. As this Court previously held, StreamCast's entire business was  
8 built around the fundamental premise that Morpheus would be utilized  
9 to infringe copyrights, including those owned by Plaintiffs.  
10 Furthermore, Justice Kennedy emphasized that "[t]he equitable  
11 discretion over injunctions . . . is well suited to allow courts to  
12 adapt to the rapid technological and legal developments . . . ." Id.  
13 Given the technological aspects of the infringement induced by  
14 StreamCast, and the flexibility conferred by the Copyright Act, this  
15 Court is persuaded that its bases for finding irreparable harm, infra,  
16 are supported by both Chief Justice Roberts's and Justice Kennedy's  
17 concurrences.

18 In light of this authority, the Court concludes that certain  
19 qualities pertaining to the nature of StreamCast's inducement of  
20 infringement are relevant to a finding of irreparable harm. As stated  
21 before, the Court disagrees with the Eighth Circuit's categorical  
22 pronouncement in Taylor that "irreparable harm inescapably flows from  
23 the denial" of "the right to control the use of its copyrighted  
24 materials." See supra note 13 (quoting Taylor, 403 F.3d at 968).  
25 After eBay, the word "inescapably" simply goes too far. However,  
26 infringement may still occur in such a manner that it has the actual  
27 effect of irreparably harming a plaintiff's right to control the use  
28 of his/her copyrighted material.

1 The irreparable harm analysis centers on two basic themes: (1)  
2 StreamCast has and will continue to induce far more infringement than  
3 it could ever possibly redress with damages; and (2) Plaintiffs'  
4 copyrights (especially those of popular works) have and will be  
5 rendered particularly vulnerable to continuing infringement on an  
6 enormous scale due to StreamCast's inducement. The Court agrees with  
7 both arguments, and each is independently sufficient to support of  
8 finding of irreparable harm in this case.

9 First, the Court must ask whether a particular defendant's  
10 probable inability to pay damage constitutes irreparable harm. In the  
11 ordinary case, "merely alleging an opponent's inability to pay damages  
12 does not constitute irreparable harm." Rosewood Apartments Corp. v.  
13 Perpignano, 200 F. Supp. 2d 269, 278 (S.D.N.Y. 2002). But "[i]n some  
14 limited circumstances, parties have demonstrated such a strong  
15 likelihood that their opponent will be unable to pay that courts have  
16 awarded them equitable relief." Id. For example, in another  
17 copyright infringement case, the district court found that the harm  
18 from infringement "will not be remedied by a damage award that may or  
19 may not be collectible." See Lava Records LLC v. Ates, 2006 WL  
20 1914166, at \*3 (W.D. La. July 11, 2006). The rationale in such cases  
21 must be that an award of monetary damages will be meaningless, and the  
22 plaintiff will have no substantive relief, where it will be impossible  
23 to collect an award for past and/or future infringements perpetrated  
24 by a defendant.

25 Plaintiffs have not yet sought an award of statutory damages.  
26 Additionally, Plaintiffs have not provided this Court with specific  
27 evidence as part of this motion demonstrating that StreamCast would be  
28 unable to pay damages for the infringements it has induced in the

1 | past, and could continue to induce in the future. But such evidence  
2 | is not necessary here. Based on the undisputed evidence at summary  
3 | judgment of massive end-user infringement, it is highly likely that  
4 | the award of statutory damages that ultimately befalls StreamCast in  
5 | this case will be enormous (especially considering the potential  
6 | relationship between inducement and a finding of willfulness), and  
7 | would far outstrip the amount of revenue the company has garnered in  
8 | recent years. See Grokster, 454 F. Supp. 2d at 982-83. This Court's  
9 | conclusion would also be the same even if Plaintiffs chose to forgo a  
10 | damages award as part of this lawsuit. This is because the amount of  
11 | infringement that StreamCast could induce in the future is so  
12 | staggering that the recoverable statutory damages would very probably  
13 | be well beyond StreamCast's anticipated resources. Because it is  
14 | extremely unlikely that StreamCast will be able to compensate  
15 | Plaintiffs monetarily for the infringements it has induced in the  
16 | past, or the infringements it could induce in the future through  
17 | Morpheus, Plaintiffs have and will continue to suffer irreparable  
18 | harm.

19 | Second, the Court agrees with Plaintiffs' claim that a  
20 | substantial number of their copyrighted works have and would continue  
21 | to become irreparably exposed to infringement on a tremendous scale  
22 | due to StreamCast's inducement. This inducement greatly erodes  
23 | Plaintiffs' ability to enforce their exclusive rights. See A&M  
24 | Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1029 (9th Cir. 2001)  
25 | (rejecting Napster's request for compulsory royalties as opposed to  
26 | injunctive relief because "Plaintiffs would lose the power to control  
27 | their intellectual property"). It also promises no realistic  
28 | mechanism through which statutory damages can be collected for all of

1 | the inevitable subsequent infringements occurring outside of the  
2 | Morpheus System and Software.

3 |       In our constitutional system, Congress has been empowered "[t]o  
4 | promote the progress of science and useful arts, by securing for  
5 | limited times to authors and inventors the exclusive right to their  
6 | respective writings and discoveries." U.S. Const. art. I, § 8, cl. 8.  
7 | Pursuant to this authority, the Copyright Act confers certain  
8 | exclusive rights to Plaintiffs in their works, such as the rights of  
9 | reproduction and distribution. 17 U.S.C. §§ 106(1), (3). The  
10 | exclusive right to engage in such actions also provides the copyright  
11 | owner the concurrent power, through the legal system, to exclude  
12 | others from engaging in such activities without authorization. See  
13 | Taylor, 403 F.3d at 968 (copyright owner has right to "control the use  
14 | of its copyrighted materials").

15 |       Importantly, the inducement of infringement via the internet and  
16 | other digital pathways represents no ordinary infringement:

17 |       When digital works are distributed via the internet, . . . every  
18 | downloader who receives one of the copyrighted works . . . is in  
19 | turn capable of also transmitting perfect copies of the works.  
20 | Accordingly, the process is potentially exponential rather than  
21 | linear, threatening virtually unstoppable infringement of the  
22 | copyright.

23 | Elektra, 2004 WL 783123, at \*7 n.5 (internal citation omitted); see  
24 | also Streeter, 438 F. Supp. 2d at 1073 n.2 (same). StreamCast's  
25 | inducement through the Morpheus Software has "left Plaintiffs' sound  
26 | recordings vulnerable to massive, repeated, near-instantaneous, and  
27 | worldwide infringement." Elektra, 2004 WL 783123, at \*7; Streeter,  
28 | 438 F. Supp. 2d at 1073 (same); see also A&M Records, Inc. v. Napster,

1 | Inc., 114 F. Supp. 2d 896, 901-02 (N.D. Cal. 2001), aff'd in part,  
2 | rev'd in part, 239 F.3d 1004 (9th Cir. 2002) (noting that "the Napster  
3 | service gives its users the unprecedented ability" to infringe).

4 |       When StreamCast induces infringement, Morpheus end-users obtain  
5 | "perfect copies" of Plaintiffs' work that can be inexpensively  
6 | reproduced and distributed ad nauseam. In fact, through StreamCast's  
7 | inducement, an entire universe of copyrighted content has been, and  
8 | can continue to be, made available for unending infringement outside  
9 | of the Morpheus System and Software. And given the volume of  
10 | infringement caused by StreamCast's inducement in this particular  
11 | case, the assault on Plaintiffs' intellectual property rights through  
12 | further digital transfers by members of the public - Plaintiffs'  
13 | customer base - is difficult to overstate. StreamCast's inducement  
14 | has eviscerated Plaintiffs' ability to protect and enforce their  
15 | statutorily-created property rights.

16 |       StreamCast has submitted to this Court an article in which it is  
17 | claimed that internet file sharing has had a "statistically  
18 | indistinguishable" effect on music sales. (Baker Decl. Ex. B at 68.)  
19 | However, this argument misses the mark because it does not matter  
20 | whether file sharing affects record company sales or not. It would  
21 | also make no difference if StreamCast's inducement was demonstrated to  
22 | increase Plaintiffs' sales. The Court is not concerned with whether  
23 | end-users are now less likely, or more likely, to buy Plaintiffs's  
24 | music or movies as a result of their infringement. This is a policy  
25 | rationale for a legislature to consider, if it should choose to do so.

26 |       As copyright owners, Plaintiffs have the exclusive right to  
27 | decide when and how their material should be reproduced and/or  
28 | distributed, regardless of whether their decisions make good business

1 sense. When StreamCast induces infringement, Plaintiffs' copyrighted  
2 works can be unstopably and near-instantaneously infringed throughout  
3 the computer-literate world with the files obtained by Morpheus end-  
4 users. Plaintiffs' power to control their rights has been so  
5 compromised by the means through which StreamCast encouraged end-users  
6 to infringe (digital files plus the internet) that the inducement  
7 amounts to irreparable harm. This is especially true considering the  
8 amount of infringement that occurs on the Morpheus System and  
9 Software. Morpheus users have the continued ability to pillage a  
10 tremendous quantity of Plaintiffs' intellectual property, and to  
11 spread this capacity elsewhere with additional file sharing.

12 The Court is aware that Plaintiffs can seek an award of statutory  
13 damages from StreamCast for infringements occurring through the  
14 Morpheus System and Software (ignoring for now the likely reality  
15 regarding StreamCast's ability to pay). However, Plaintiffs cannot  
16 recover damages from StreamCast for the inevitable derivative  
17 infringements that will occur outside of Morpheus, with copyrighted  
18 content originally acquired within it, as a consequence StreamCast's  
19 inducement. Even numerous lawsuits against direct infringers will  
20 necessarily prove to be insufficient under these conditions. Cf.  
21 Grokster, 545 U.S. at 929-30 ("When a widely shared service or product  
22 is used to commit infringement, it may be impossible to enforce rights  
23 in the protected work effectively against all direct infringers. . .  
24 .").<sup>20</sup> Indeed, the very need to file multiple lawsuits as a

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25  
26 <sup>20</sup> Through this statement, the Supreme Court evidenced its  
27 agreement with Plaintiffs' position that "digital distribution of  
28 copyrighted material threatens copyright holders as never before,  
because every copy is identical to the original, copying is easy,  
and many people (especially the young) use file-sharing software  
to download copyrighted works." Id. at 928-29.

1 consequence of StreamCast's inducement is itself supportive of an  
2 irreparable harm finding.

3 In sum, Plaintiffs' have offered two independently sufficient  
4 grounds for a finding of irreparable harm. Plaintiffs will suffer  
5 irreparable harm because of StreamCast's likely inability to pay for  
6 the past and/or future infringements that it has induced.  
7 Additionally, StreamCast's inducement has and will continue to  
8 irreparably harm Plaintiffs' very ability to enforce its exclusive  
9 rights. Relatedly, Plaintiffs cannot possibly recover all damages for  
10 the infringements that will occur in the future outside of Morpheus,  
11 with files obtained within Morpheus, as a consequence of the  
12 inducement.

## 13 2. Adequate Remedy at Law

14 The Court must now consider whether there is an adequate remedy  
15 at law for the harm that has or could be caused by StreamCast's  
16 inducement. "[T]he requisite analysis for the second factor of the  
17 four-factor test inevitably overlaps with that of the first . . . ."  
18 MercExchange, 500 F. Supp. 2d at 582; see also 800 Adept, Inc. v.  
19 Murex Securities, Ltd., 2007 WL 1101238, at \*6 (M.D. Fla. Apr. 12,  
20 2007) (quoting Lewis v. S.S. Baune, 534 F.2d 115, 1124 (5th Cir. 1976  
21 ("'[o]ften times the concepts of 'irreparable injury' and 'no adequate  
22 remedy at law' are indistinguishable' in the context of a permanent  
23 injunction.")). As should be expected, this Court's adequate remedy at  
24 law analysis parallels that performed for irreparable harm.

25 First, as discussed above, there is a substantial possibility  
26 that StreamCast will be unable to pay a statutory damages award for  
27 the infringement it has induced (or will continue to induce).

28 "Damages are no remedy at all if they cannot be collected, and most

1 courts sensibly conclude that a damage judgment against an insolvent  
2 defendant is an inadequate remedy." Douglas Laycock, The Death of the  
3 Irreparable Injury Rule, 103 Harv. L. Rev. 687, 716 (1990). For this  
4 reason, Plaintiffs lack an adequate remedy at law.

5 Second, "[a] legal remedy is inadequate if it would require a  
6 'multiplicity of suits.'" Id. at 714. In this case, Plaintiffs will  
7 only be entitled to a statutory recovery of those infringements  
8 induced through the Morpheus System. However, this award will not  
9 compensate Plaintiffs when these same files are subsequently shared  
10 outside Morpheus. Cf. Blake, 2007 WL 1853956, at \*3 ("The remedy  
11 available at law for this injury, monetary damages, will only  
12 compensate for Defendant's one-time infringement of each recording,  
13 and not for inevitable future transfers."). And it would simply be  
14 untenable for Plaintiffs to track and proceed against every infringer  
15 who continues to illegally reproduce and distribute elsewhere the  
16 files originally obtained through StreamCast's inducement. See Disney  
17 Enterprises, Inc. v. Delane, 446 F. Supp. 2d 402, 408 (D. Md. 2006)  
18 ("[T]here is no way to know how many times this content has been  
19 accessed and downloaded . . . . [B]ecause of the nature of his Web  
20 site and trackers, further infringements are a continuing threat,  
21 making remedies at law insufficient to compensate for Plaintiffs'  
22 injuries."). The only realistic method for remedying such future harm  
23 resulting from StreamCast's inducement is by way of a permanent  
24 injunction.

25 Therefore, the second equitable factor weighs in Plaintiffs'  
26 favor.

27 ///

28 ///

3. Balance of Hardships

As to the third factor, the Court must consider the hardships that might afflict the parties by the grant or denial of Plaintiffs' motion for a permanent injunction. The Court has already described in detail the substantial costs exacted by StreamCast's inducement, whether in the past or in the future, and need not recapitulate them here in detail. Obviously, "the fact that Plaintiffs' recordings can be replicated into infinity, for free, establishes that a distinct hardship rests with Plaintiffs." Blake, 2007 WL 1853956, at \*3.

StreamCast has its own claims of hardship. First, StreamCast complains that it will suffer undue harm because Plaintiffs' proposed injunction would "wipe[] out" the non-infringing aspects of the Morpheus System and Software. (StreamCast Opp. at 15.) Essentially, StreamCast is concerned that Plaintiffs' proposed injunction would be technologically impossible to comply with and would result in the shutdown of the company. However, as discussed infra Part III.D.5, the injunction imagined by this Court alleviates such concerns.

In relation to this argument, StreamCast cites to Abend v. MCA, Inc., 863 F.2d 1465 (9th Cir. 1988), where the Ninth Circuit denied an injunction as to further showings of the Alfred Hitchcock film "Rear Window." The Court held that "[i]t would cause a great injustice for the owners of the film" because the "success of the movie resulted in large part from factors completely unrelated to the underlying story." Id. at 1479. No such special circumstances are present in this case. StreamCast's inducement of infringement has no separate legitimate business purpose whatsoever. The injunction will be limited to restraining future infringement resulting from StreamCast's inducement, rendering Abend inapplicable.

1 Second, StreamCast argues that it no longer has the intent to  
2 induce infringement through its distribution of Morpheus, and that  
3 there is no risk that such intent will return:

4 There is no evidence of current or potential future inducement by  
5 StreamCast. StreamCast lacks the requisite specific intent to  
6 induce infringement, evidenced by its efforts to discourage  
7 infringement, including its development of an effective filter,  
8 its messages to users to upgrade to a filtered version, and its  
9 testing and license negotiations with . . . companies that  
10 distribute and license acoustic finger-printing  
11 technology/filters."

12 (StreamCast Opp. at 8.). StreamCast concludes that its "many changes  
13 in . . . technology, business models, and overall conduct" weigh  
14 strongly against issuance of a permanent injunction. (Id. at 16.)

15 StreamCast's self-serving statements, and its actions taken post-  
16 September 27, 2006, do not change this Court's conclusion. As  
17 discussed infra Part III.D.5, distribution can itself amount to an act  
18 of inducement.<sup>21</sup> StreamCast unquestionably desires to continue its  
19 distribution of Morpheus. However, StreamCast now asserts that its  
20 "intent" has changed and that its further distribution would not be  
21 based on a will to induce. The Court is inherently suspicious of  
22 StreamCast's statements, as it is entirely too easy for an adjudicated  
23 infringer to claim a reformation once the specter of a permanent  
24 injunction looms near. Cf. LGS Architects, 434 F.3d at 1154  
25 (rejecting the argument that "any defendant could moot a preliminary  
26 injunction appeal by simply representing to the court that it will

27  
28 <sup>21</sup> And as also explained in Part III.D.5, StreamCast is still inducing infringements based on its past acts.

1 | cease its wrongdoing"). "[C]ourts must be particularly skeptical  
2 | about attaching any significance to contrition under protest." SEC v.  
3 | Koracorp Industries, Inc., 575 F.2d 692, 698 (9th Cir. 1978); cf.  
4 | United States v. Parke, Davis & Co., 362 U.S. 29, 48 (1960) ("A trial  
5 | court's wide discretion in fashioning remedies is not to be exercised  
6 | to deny relief altogether by lightly inferring an abandonment of the  
7 | unlawful activities from a cessation which seems timed to anticipate  
8 | suit.").

9 |       The Court is persuaded that StreamCast would likely engage in  
10 | further inducement of infringement in the absence of a permanent  
11 | injunction. As has been stated by the Ninth Circuit in the securities  
12 | context, "[t]he existence of past violations may give rise to an  
13 | inference that there will be future violations. SEC v. Murphy, 626  
14 | F.2d 633, 655 (9th Cir. 1980).<sup>22</sup> And in this case, such an inference  
15 | is warranted based upon various undisputed facts, including: (1)  
16 | "overwhelming" evidence of StreamCast's illegal objective, which  
17 | resulted in a "staggering" amount of infringement, Grokster, 454 F.  
18 | Supp. 2d at 985, 992; (2) StreamCast's business model has depended on  
19 | inducement, id. at 988-89, and the company would financially benefit  
20 | from further infringement based on its continued desire to advertise,  
21 | (See StreamCast Supp. Opp. at 25); (3) StreamCast's recent efforts to  
22 | filter admittedly did not commence until after this Court's September  
23 | 27, 2006 Order granting Plaintiffs' motion for summary judgment, (See  
24 | Weiss Decl. ¶ 4.); and (4) StreamCast has hinted that it may stop

25 |  
26 |  
27 | <sup>22</sup> Murphy's invocation does not involve the application of a  
28 | forbidden eBay presumption because this Court's inference is  
drawn from the evidence that has been submitted throughout this  
case.

1 filtering its software unless otherwise ordered by this Court.

2 (StreamCast Supp. Opp. at 18 n.2.)

3 Even if this Court gave some credence to StreamCast's alleged  
4 reform, it could immediately return to its prior ways after the motion  
5 for a permanent injunction is denied. See LGS Architects, 434 F.3d at  
6 1153. In a relatively recent case decided by the Seventh Circuit, the  
7 defendant was a direct infringer who appealed the district court's  
8 grant of a permanent injunction. See generally BMG Music v. Gonzalez,  
9 430 F.3d 888 (7th Cir. 2005). The Seventh Circuit rejected the  
10 defendant's argument with the following analysis:

11 As for the injunction: [Defendant] contends that this should be  
12 vacated because she has learned her lesson, has dropped her  
13 broadband access to the Internet, and is unlikely to download  
14 copyrighted material again. A private party's discontinuation of  
15 unlawful conduct does not make the dispute moot, however. An  
16 injunction remains appropriate to ensure that the misconduct does  
17 not recur as soon as the case ends.

18 Id. at 893; see also Smith & Nephew, Inc., 466 F. Supp. 2d at 984  
19 ("Even if Synthes were to terminate its sales of the infringing  
20 products voluntarily, it would be free to return to its offending  
21 conduct, thereby further imposing monetary and intangible losses on  
22 Smith & Nephew."). "Indeed, the entire purpose of an injunction is to  
23 take away defendant's discretion not to obey the law." Canadian  
24 Lumber Trade Alliance v. United States, 441 F. Supp. 2d 1259, 1266  
25 (CIT 2006).

26 Because StreamCast is likely to induce further infringements  
27 without an injunction, the balance of hardships necessarily shifts  
28

1 further in Plaintiffs' favor. The Court therefore holds that the  
2 third equitable factor strongly supports a permanent injunction.

3 4. The Public Interest

4 The Court finally agrees that the public interest will be served  
5 with a permanent injunction, since it will protect Plaintiffs'  
6 copyrights against increased infringement. See Perfect 10 v. Google,  
7 Inc., 416 F. Supp. 2d 828, 859 (C.D. Cal. 2006), overruled on other  
8 grounds, Perfect 10 v. Amazon.com, Inc., 487 F.3d 701 (9th Cir. 2007)  
9 ("[T]he public interest is also served when the rights of copyright  
10 holders are protected against acts likely constituting  
11 infringement."). The public interest in receiving copyrighted content  
12 for free is outweighed by the need to incentivize the creation of  
13 original works. See Delane, 446 F. Supp. 2d at 408 ("[T]he public  
14 interest would not be disserved by a permanent injunction, as there is  
15 greater public benefit in securing the integrity of Plaintiffs'  
16 copyrights than in allowing Delane to make Plaintiffs' copyrighted  
17 material available to the public."); Blake, 2007 WL 1853956, at \*3  
18 ("[N]o public interest will be disserved by enjoining Defendant from  
19 continuing this activity."). Certainly, the public does not benefit  
20 from StreamCast's inducement of infringement.

21 StreamCast claims the public will be harmed because Plaintiffs'  
22 proposed permanent injunction is so broad that: (1) StreamCast will be  
23 forced to discontinue the Morpheus System and Software (including all  
24 non-infringing aspects); and (2) StreamCast will not be able to update  
25 the non-filtering legacy versions of its software, which are still  
26 apparently used by a large number of end-users. However, as discussed  
27 infra, the injunction in this case will not require StreamCast to  
28 immediately shut down. StreamCast will be empowered to update legacy

1 | versions of its software as far as it is technologically feasible to  
2 | do so.

3 | Thus, the Court finds that the four-factor test favors the  
4 | imposition of an injunction to restrain StreamCast's inducement of  
5 | infringement. In its discretion, the Court deems it appropriate for a  
6 | permanent injunction to issue.

7 | C. StreamCast's Other Defenses

8 | StreamCast offers several defenses in an effort to argue that  
9 | Plaintiffs are not entitled to an injunction in any form. None of  
10 | these defenses are meritorious.

11 | 1. Unclean Hands

12 | StreamCast asserts that Plaintiffs are not entitled to a  
13 | permanent injunction as a result of their unclean hands. "To  
14 | establish unclean hands, a defendant must demonstrate (1) inequitable  
15 | conduct by the plaintiff; (2) that the plaintiff's conduct directly  
16 | relates to the claim which it has asserted against the defendant; and  
17 | (3) plaintiff's conduct injured the defendant." Survivor Productions  
18 | LLC v. Fox Broadcasting Co., 2001 WL 35829270, at \*3 (C.D. Cal. June  
19 | 12, 2001); see also Fuddruckers, Inc. v. Doc's B.R. Others, Inc., 826  
20 | F.2d 837, 847 (9th Cir. 1987) ("[T]he defendant must demonstrate that  
21 | the plaintiff's conduct is inequitable and that the conduct relates to  
22 | the subject matter of its claims.").

23 | StreamCast claims that Plaintiffs have acted inequitably by  
24 | refusing to share the hash values or artist-title pairs of their  
25 | copyrighted material. Plaintiffs' conduct was not inequitable.  
26 | Plaintiffs have taken the legal position, since this Court's summary  
27 | judgment holding in their favor, that StreamCast has the burden of  
28 | effectively stopping infringement via Morpheus and that Plaintiffs are

1 | not required to assist in this process. This is not "hav[ing] it both  
2 | ways" (StreamCast Opp. at 19), let alone an act of contributing to, or  
3 | condoning the inducement of infringement. As explained infra Part  
4 | III.D.6, the Court ultimately agrees with StreamCast that some form of  
5 | notice from Plaintiffs is required. In particular, Plaintiffs will be  
6 | required to provide StreamCast with artist-title pairs before  
7 | StreamCast's filtering responsibilities will be triggered for each  
8 | copyrighted work. Nonetheless, the law on this question is not fully  
9 | clear, meaning that Plaintiffs' legal position was objectively  
10 | reasonable. As this Court similarly stated in its September 27, 2006  
11 | Order, "the Court rejects StreamCast's position that a copyright  
12 | holder's assertion of what it plausibly believes to be its rights  
13 | under an ambiguous statute" can amount to an inequitable act. See  
14 | Grokster, 454 F. Supp. 2d at 998. The refusal to disclose artist-  
15 | title pairs to date does not allow StreamCast to succeed on an unclean  
16 | hands defense.

17 | StreamCast's reliance on In re Circuit Breakers Litigation, 860  
18 | F. Supp. 1453 (C.D. Cal. 1994), is misplaced. In Circuit Breakers, a  
19 | Lanham Act case, defendants were held liable for reconditioning and  
20 | reselling circuit breakers made by Westinghouse without having  
21 | labeling them as "reconditioned." The district court noted that: (1)  
22 | Westinghouse knew or should have known for years of this practice; (2)  
23 | the defendants offered to change their labeling practices as soon as  
24 | an objection was lodged; and (3) the defendants' labeling practices  
25 | were corrected by the time a permanent injunction was sought. Id. at  
26 | 1454. However, Westinghouse did not simply fail to object to the  
27 | defendants' practices, but also itself resold some of defendants'  
28 | products without altering the label. Id.; see also In re Circuit

1 | Breaker Litig., 852 F. Supp. 883, 886 (C.D. Cal. 1994) ("[D]efendants  
 2 | demonstrated that after purchasing reconditioned breakers from  
 3 | defendants, Westinghouse itself re-sold them directly without  
 4 | relabelling them as reconditioned."). It was Westinghouse's  
 5 | involvement in the selling of improperly labeled circuit breakers that  
 6 | undoubtedly was central to the jury's verdict. In stark contrast, not  
 7 | only have the Plaintiffs in this case attempted to change StreamCast's  
 8 | behavior for years through the instant lawsuit, they have not in any  
 9 | way aided StreamCast's inducement. Plaintiffs have simply refused to  
 10 | help StreamCast to comply with the law after summary judgment was  
 11 | granted in their favor.

12 |       The Court also fails to understand how StreamCast has suffered  
 13 | any actual harm. StreamCast has only generally argued that due to  
 14 | Plaintiffs' "refusal to share either hash values or Artist-Title  
 15 | information, StreamCast gathered the facts of Artist-Title pair names,  
 16 | even though this process was time-consuming and difficult to track."  
 17 | (StreamCast Opp. at 19.) StreamCast vaguely claims with some  
 18 | uncertainty that this refusal may cause StreamCast's filter to be  
 19 | "more burdensome . . . to update." (Id.) The fact that a task was  
 20 | possibly made harder by Plaintiffs' refusal to offer assistance does  
 21 | not mean that StreamCast suffered any form of discernible damages.  
 22 | StreamCast's speculative claims of personal injury are totally  
 23 | insufficient. Furthermore, StreamCast has likely benefitted from  
 24 | Plaintiffs' unwillingness to cooperate. See Broderbund Software, Inc.  
 25 | v. Unison World, Inc., 648 F.Supp. 1127, 1138 (N.D. Cal. 1986) ("Far  
 26 | from being injured by the alleged infringement of Letraset's  
 27 | copyright, defendant may have profited from it."). If direct  
 28 | infringement has been easier to commit to date without an effective

1 filter, StreamCast has undoubtedly profited in the form of increased  
2 advertising revenue. After all, this Court has previously held that  
3 StreamCast's business model depended upon massive infringement.

4 Given its inability to allege a plausible harm to its own  
5 interest, StreamCast argues that the public will be harmed if it is  
6 forced to shut down. First, StreamCast's argument was made in light  
7 of Plaintiffs' proposed injunction that would require the company to  
8 stop its operations unless direct infringement could be prevented  
9 exhaustively. From this premise, StreamCast complained that it would  
10 lose the opportunity to update all legacy versions of the Morpheus  
11 software, which lack a filtering mechanism at this time. But  
12 StreamCast will not have to close its doors for failing to introduce a  
13 perfect filter at this time. Additionally, the unclean hands "defense  
14 will not apply if the defendant merely establishes harm to the public  
15 interest." McCormick v. Cohn, 1992 WL 687291, at \*4 (S.D. Cal. July  
16 31, 1992); see also Broderbund, 648 F.Supp. at 1138 (N.D. Cal. 1986)  
17 ("[A] defense of unclean hands may be asserted in a copyright  
18 infringement action only where the defendant can show that he has  
19 personally been injured by the plaintiff's conduct.") (citing Mitchell  
20 Brothers Film Group v. Cinema Adult Theater, 604 F.2d 852, 863 (5th  
21 Cir. 1979)).

22 StreamCast's unclean hands defense fails because Plaintiffs have  
23 not acted inequitably and StreamCast has suffered no personal harm to  
24 date.

## 25 2. Waiver and Estoppel

26 StreamCast raises the defenses of waiver and estoppel. "Waiver  
27 is the intentional relinquishment of a known right with knowledge of  
28 its existence and the intent to relinquish it." United States v. King

1 | Features Entm't, Inc., 843 F.2d 394, 399 (9th Cir. 1988). "In  
2 | copyright, waiver or abandonment of copyright 'occurs only if there is  
3 | an intent by the copyright proprietor to surrender rights in his  
4 | work.'" Napster, 239 F.3d at 1026 (quoting 4 Nimmer & Nimmer, supra,  
5 | ¶ 13.06). StreamCast argues that Plaintiffs waived their right to a  
6 | permanent injunction by: (1) refusing to provide hash values and  
7 | artist-title pairs to StreamCast, and (2) allowing other peer-to-peer  
8 | networks such as iMesh to offer unfiltered software. This argument is  
9 | wrongheaded. First, Plaintiffs' failure to divulge the requested  
10 | information to StreamCast provides no evidence whatsoever of an  
11 | "intent" to waive a permanent injunction. This lawsuit has been  
12 | litigated for numerous years, and the Court even noted in its 2003  
13 | Order granting defendants' motion for summary judgment that  
14 | "Plaintiffs principally seek prospective injunctive relief." Metro-  
15 | Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029,  
16 | 1033 (C.D. Cal. 2003). Plaintiffs' refusal to assist StreamCast in  
17 | their filtering efforts, after years of protracted litigation, cannot  
18 | plausibly be viewed as a waiver.

19 | Furthermore, Plaintiffs' actions with respect to other companies  
20 | operating peer-to-peer networks are irrelevant. The Court knows of no  
21 | rule in copyright, and StreamCast has cited no authority for the  
22 | proposition, that a copyright holder is bound to pursue either all  
23 | infringers or none at all. The waiver analysis should ordinarily be  
24 | limited to evaluating the conduct and/or communications that occur  
25 | between a plaintiff and a defendant claiming the waiver defense.  
26 | StreamCast's position would create a rule whereby Plaintiffs would be  
27 | barred from suing any of the millions upon millions of direct  
28 | infringers utilizing peer-to-peer networks unless all were sued. Even

1 assuming that StreamCast correctly describes Plaintiffs' arrangement  
2 with other file sharing companies, it is of no moment.

3 StreamCast further raises the estoppel argument, based again upon  
4 the same two grounds discussed immediately above: (1) Plaintiffs'  
5 refusal to assist StreamCast, and (2) Plaintiffs' dealings with iMesh  
6 and others. The elements of estoppel in copyright cases were  
7 established by the Ninth Circuit in Hampton v. Paramount Pictures  
8 Corp., 279 F.2d 100 (9th Cir. 1960):

9 Four elements must be present to establish the defense of  
10 estoppel: (1) The party to be estopped must know the facts; (2)  
11 he must intend that his conduct shall be acted on or must so act  
12 that the party asserting the estoppel has a right to believe it  
13 is so intended; (3) the latter must be ignorant of the true  
14 facts; and (4) he must rely on the former's conduct to his  
15 injury.

16 Id. at 105. StreamCast has failed to even identify this test, let  
17 alone demonstrate that it has evidence supporting each factor. While  
18 Plaintiffs are undisputedly aware of StreamCast's infringing conduct,  
19 the remaining elements find no support in the record. There is no  
20 evidence suggesting that Plaintiffs intended or acted in a manner that  
21 would allow StreamCast to believe that it could induce infringement.<sup>23</sup>  
22 The Court is also unaware of any "true facts" of which StreamCast was

23 \_\_\_\_\_  
24 <sup>23</sup> StreamCast's only apparent estoppel argument is based on  
25 Nimmer's statement that estoppel can result from Plaintiff's  
26 "silence and inaction." 4 Nimmer & Nimmer, supra, § 13.07.  
27 However, Nimmer followed this point immediately by writing that  
28 "[i]t would seem, however, that such passive holding out can  
rarely be established in statutory infringement actions." Id.  
Additionally, StreamCast could not have reasonably interpreted  
Plaintiffs' refusal to provide hash values and artist-title  
pairs, or the alleged actions related to iMesh, as a basis for  
inferring Plaintiffs' intent to permit inducement.

1 ignorant, or how StreamCast was injured through detrimental reliance  
2 on Plaintiffs' conduct. Thus, the estoppel argument is rejected.

3 3. Implied License

4 StreamCast finally argues that it has been granted an implied  
5 license to distribute Plaintiffs' copyrighted materials. The general  
6 doctrine behind the theory of implied licenses was detailed recently  
7 in Field v. Google Inc., 412 F. Supp. 2d 1106 (D. Nev. 2006):

8 A license is a defense to a claim of copyright infringement. A  
9 copyright owner may grant a nonexclusive license expressly or  
10 impliedly through conduct. An implied license can be found where  
11 the copyright holder engages in conduct from which [the] other  
12 [party] may properly infer that the owner consents to his use.  
13 Consent to use the copyrighted work need not be manifested  
14 verbally and may be inferred based on silence where the copyright  
15 holder knows of the use and encourages it.

16 Id. at 1115-16 (internal citations and quotation marks omitted).

17 Similar to its failed waiver argument, StreamCast argues that  
18 Plaintiffs' alleged decision to allow other peer-to-peer networks to  
19 distribute its copyrights gives StreamCast the right to do so as well.  
20 This Court cannot agree that Plaintiffs' decision (assuming it is  
21 true) to allow other networks to distribute their copyrighted works  
22 permits StreamCast, along with the rest of the world, to do so as  
23 well. There is simply no evidentiary basis that would allow the Court  
24 to reach this conclusion.

25 Finally, though not seemingly acknowledged by the district court  
26 in Field, the Ninth Circuit has explained that the implied license  
27 doctrine in copyright cases is to be very narrowly construed. In  
28 Napster, the Ninth Circuit stated that "[c]ourts have found implied

1 licenses only in 'narrow' circumstances where one party 'created a  
2 work at [the other's] request and handed it over, intending that [the  
3 other] copy and distribute it.'" 239 F.3d at 1026 (quoting SmithKline  
4 Beecham Consumer Healthcare, L.P. v. Watson Pharms., Inc., 211. F.3d  
5 21, 25 (2d Cir. 2000)). Obviously, Plaintiffs did not create their  
6 copyrighted works at StreamCast's request or for StreamCast's benefit.  
7 StreamCast therefore does not have an implied license to infringe, or  
8 to induce the infringement of, Plaintiffs' exclusive rights.

9 D. The Permanent Injunction's Scope and Specificity

10 A permanent injunction must be carefully crafted. "[T]he scope  
11 of the injunction should be coterminous with the infringement." 4  
12 Nimmer & Nimmer, supra, § 14.06[C]. This is perhaps partly why  
13 "blanket injunctions to obey the law are disfavored." Mulcahy v.  
14 Cheetah Learning LLC, 386 F.3d 849, 852 n.1 (8th Cir. 2004). Rule  
15 65(d) also requires that injunctions be specific:

16 Every order granting an injunction and every restraining order  
17 shall set forth the reasons for its issuance; shall be specific  
18 in terms; shall describe in reasonable detail, and not by  
19 reference to the complaint or other document, the act or acts  
20 sought to be restrained.

21 Fed. R. Civ. P. 65(d). "Injunctive relief should be narrowly tailored  
22 to fit specific legal violations." Waldman Pub. Corp. v. Landoll,  
23 Inc., 43 F.3d 775, 785 (2d Cir. 1994). The devil is in the details.

24 1. Non-Inducement Theories of Liability

25 Plaintiffs' proposed permanent injunction would prohibit  
26 StreamCast from engaging in certain infringing activities that are far  
27 beyond the bounds of this lawsuit. In this case, StreamCast has been  
28 held liable for the inducement of infringement only. However, §

1 | 1(a)(i) of the proposed permanent injunction appears to be entirely  
2 | devoted to StreamCast's direct infringement of Plaintiffs' copyrighted  
3 | works.

4 | From a broad perspective, the eBay Court informed district courts  
5 | that they must meaningfully engage their discretionary function when  
6 | examining a request for a permanent injunction. The equitable  
7 | decision whether to grant a permanent injunction cannot be short  
8 | circuited with automatic issuances or rebuttable presumptions.  
9 | Similarly, a district court should only include injunctive terms that  
10 | have a common sense relationship to the needs of the specific case,  
11 | and the conduct for which a defendant has been held liable. In this  
12 | vein, the following words from the Supreme Court are instructive:

13 | A federal court has broad power to restrain acts which are of the  
14 | same type or class as unlawful acts which the court has found to  
15 | have been committed or whose commission in the future unless  
16 | enjoined, may fairly be anticipated from the defendant's conduct  
17 | in the past. But the mere fact that a court has found that a  
18 | defendant has committed an act in violation of a statute does not  
19 | justify an injunction broadly to obey the statute and thus  
20 | subject the defendant to contempt proceedings if he shall at any  
21 | time in the future commit some new violation unlike and unrelated  
22 | to that with which he was originally charged. This Court will  
23 | strike from an injunction decree restraints upon the commission  
24 | of unlawful acts which are thus dissociated from those which a  
25 | defendant has committed.

26 | NLRB v. Express Pub. Co., 312 U.S. 426, 435-36 (1941).

27 | This basic rule of thumb was utilized in a Seventh Circuit  
28 | decision authored by Judge Posner. See Chicago Bd. of Educ. v.

1 | Substance, Inc., 354 F.3d 624 (7th Cir. 2003). In Substance, a  
2 | Chicago public school teacher was sued and held liable for  
3 | distributing and publishing certain "secure tests" in which the public  
4 | school system held copyrights. This determination was upheld in the  
5 | face of several defenses, including fair use. See generally id.  
6 | Although the defendants "[r]emarkably" failed to question the  
7 | injunction's "scope or application," Judge Posner explained that  
8 | courts have an "independent duty" regardless to ensure that  
9 | injunctions meet Rule 65(d). Id. at 631-32. The injunction enjoined  
10 | the defendants from "copying distribution of copies, making derivative  
11 | copies, displaying copies an[d] performing copies of the Board's  
12 | examinations . . . ." Id. at 632. Among other refinements to the  
13 | injunction, Judge Posner held that the defendants could only be  
14 | enjoined from "copying or publishing or otherwise distributing copies  
15 | of secure Chicago public school tests" because "[n]o evidentiary basis  
16 | has been laid for a broader injunction." Id. Thus, Judge Posner  
17 | excised the "display" and "performance" language from the injunction  
18 | because they were irrelevant to the lawsuit.

19 | Plaintiffs offer no persuasive reasons why StreamCast should be  
20 | subject to an injunction that extends beyond inducement. Plaintiffs  
21 | only argue that they are either entitled to an injunction of this  
22 | scope, or that it is somehow necessary "to ensure [the] effectiveness"  
23 | of the permanent injunction itself. (Plaintiffs' Reply at 10.) As to  
24 | the entitlement argument, Plaintiffs cite to two copyright cases in  
25 | which an injunction broadly issued prohibiting any infringement  
26 | whatsoever under the Copyright Act. See Rohauer v. Friedman, 306 F.2d  
27 | 933, 934 (9th Cir. 1962); Sega Enters. Ltd. v. MAPHIA, 1997 WL 337558,  
28 | at \*1 (N.D. Cal. June 9, 1997). However, Rohauer did not address the

1 | injunction's scope, and Sega provides no explanation for why such a  
2 | broadly worded injunction was issued. Plaintiffs' alternative  
3 | argument that a prohibition against direct infringement is necessary  
4 | to ensure the injunction's effectiveness is also without any  
5 | evidentiary or legal support. For example, there is no reason to  
6 | believe that StreamCast's business model in the future would be  
7 | dependent upon direct infringement as opposed to inducement.

8 |       Additionally, § 1(a)(ii) of Plaintiffs' proposed permanent  
9 | injunction, which centers on secondary liability issues, requires  
10 | revision. As currently drafted, StreamCast would be permanently  
11 | enjoined from "directly or indirectly enabling, facilitating,  
12 | permitting, assisting, soliciting, encouraging, authorizing, inducing,  
13 | or knowingly materially contributing to" another's infringement  
14 | through the Morpheus System and Software or some other similar system.  
15 | This language is unacceptable. Some of the words utilized indicate  
16 | that the injunction would include acts that are apparently irrelevant  
17 | to an inducement analysis. For example, "knowingly materially  
18 | contributing" applies to a test for contributory infringement for  
19 | which StreamCast was never held liable. Under the rubric recently  
20 | described by the Ninth Circuit, material contribution and inducement  
21 | 'are the two doctrinal subsets of the contributory infringement theory  
22 | of liability.' See Perfect 10 v. Visa Int'l Serv. Ass'n, 494 F.3d 788  
23 | (9th Cir. 2007). Because inducement is distinct from material  
24 | contribution, there is simply no reason for such language in the  
25 | injunction.

26 |       The words "enabling" and "permitting" are also potentially  
27 | troublesome because they suggest that StreamCast might implement  
28 | technology not capable of substantial noninfringing uses under Sony

1 | Corp. v. Universal City Studios, Inc., 464 U.S. 417 (1984), or that  
2 | StreamCast could be held liable under a vicarious infringement theory  
3 | for its distribution of Morpheus. Given the Court's 2003 Order, the  
4 | Ninth Circuit's affirmance, and the Supreme Court's limited rationale  
5 | for reversal, there is no reason to issue an injunction that would  
6 | cover such areas (assuming this was Plaintiffs' intent). See  
7 | generally Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd., 380 F.3d  
8 | 1154 (9th Cir. 2004); Grokster, 545 U.S. at 934 (leaving "further  
9 | consideration of the Sony rule for a day when that may be required");  
10 | see also id. at 930 n.9 ("Because we resolve the case based on an  
11 | inducement theory, there is no need to analyze separately MGM's  
12 | vicarious liability theory.").<sup>24</sup> Due to the procedural posture of this

13 | <sup>24</sup> Moreover, § 1(a)(ii) is vague and unclear as written.  
14 | Plaintiffs simply rattle off a list of buzzwords ("enabling,"  
15 | "assisting," "soliciting," etc.). It must be remembered that  
16 | third parties may one day be bound by the terms of this  
17 | injunction. "The drafting standard established by Rule 65(d) is  
18 | that an ordinary person reading the court's order should be able  
19 | to ascertain from the document itself exactly what conduct is  
20 | proscribed." 11A Charles A. Wright et al., Federal Practice &  
21 | Procedure, § 2955. The mere fact that the Court used certain of  
22 | these terms in its September 27, 2006 Order does not necessarily  
23 | mean that each has a separate legal sphere of existence in the  
24 | inducement calculus. Some of the listed terms appear to  
25 | encapsulate or overlap with others, or at least could be  
26 | construed in such a manner. Adding to the problem is the fact  
27 | that Plaintiffs have included the word "inducing" within this  
28 | list of prohibitions. This choice creates chaos because terms  
such as "encouraging" and "soliciting" are presumably actions  
fitting within the overall "inducement" doctrine.

When Plaintiffs (and StreamCast) resubmit a proposed  
permanent injunction to the Court, they should: (1) begin by  
broadly prohibiting StreamCast from inducing the infringement of  
Plaintiffs' copyrighted works, which is then (2) followed by a  
subset of sufficiently specific actions that qualify as relevant  
to a finding of inducement, and (3) include the specific  
filtering regimen ultimately adopted by this Court. The  
remainder of § 1(a)(ii) should also be reexamined. Unnecessary  
verbiage is to be avoided, but terms should be defined such that  
the various subsets of inducing acts can be readily recognized.  
The parties should focus on specific actions that were relevant

1 case, and the rulings that have been issued, the injunction should not  
2 include acts (or descriptive words) that do not pertain to the  
3 inducement analysis.

4 For these reasons, inducement is the only form of liability that  
5 is relevant to the permanent injunction. Under the circumstances of  
6 this case, it would be inappropriate to issue an injunction in which  
7 StreamCast would be barred from violating the Copyright Act in any  
8 other manner. See Express Pub. Co., 312 U.S. at 435-36.

9 2. Non-Federal Law

10 Plaintiffs' proposed permanent injunction would apply not only to  
11 copyrighted works in which any Plaintiff "owns or controls an  
12 exclusive right under" the Copyright Act, but also to exclusive rights  
13 granted by "state or common law." Through this provision, Plaintiffs  
14 ask not only that StreamCast be enjoined from violating the Copyright  
15 Act, but any copyright law in existence nationwide. This request is  
16 overly broad. The "state or common law" clause must be struck, based  
17 again on the principle enunciated in Express Publishing. For this  
18 reason, "[t]he injunction may not include sound recordings for which  
19 plaintiffs do not own or control federal copyrights." BMG Music v.  
20 Pena, 2007 WL 2089367, at \*5 n.2 (E.D.N.Y. July 19, 2007).

21 3. Valid and Subsisting Copyrights

22 The Court also favors Judge Posner's language in Substance, where  
23 the Seventh Circuit limited the injunction's application to those  
24 secure tests in which the school board had a "valid and subsisting  
25 copyright." 354 F.3d at 632. While Plaintiffs' "owns or controls an  
26 exclusive right under Section 106" clause may necessarily include an

27 \_\_\_\_\_  
28 to this Court's summary judgment analysis, as well as others that  
would likely be relevant to an inducement analysis in the future.

1 implied limitation of this nature, the "valid and subsisting  
2 copyright" clause adds specificity. The injunction should clearly  
3 articulate that it only enjoins the inducement of copyrights, covered  
4 by Section 106 of the Copyright Act, in which the Plaintiffs own or  
5 control rights, and that were ultimately infringed by end-users during  
6 the time in which the copyright was valid and subsisting.  
7 Subsequently submitted proposed permanent injunctions by either party  
8 should encompass this limitation.

9 4. Plaintiffs' Universe of Copyrights

10 Plaintiffs' proposed injunction also extends to all of  
11 Plaintiffs' copyrighted works "whether now in existence or later  
12 created." This provision is entirely proper, as confirmed by recent  
13 Ninth Circuit law. See Amazon.com, Inc., 487 F.3d at 710 n.1 ("Once a  
14 court has jurisdiction over an action for copyright infringement under  
15 section 411, the court may grant injunctive relief to restrain  
16 infringement of any copyright, whether registered or unregistered.").  
17 The clause also comports with the Copyright Act's express terms. See  
18 17 U.S.C. § 408 ("[R]egistration is not a condition of copyright  
19 protection."). Because the permanent injunction may extend to "any  
20 copyright," this includes: (1) all valid and subsisting copyrights in  
21 existence at the time the injunction is issued (not simply those a  
22 defendant has been held liable for infringement), and (2) any valid  
23 and subsisting copyright not yet created. See Olan Mills, Inc. v.  
24 Linn Photo Co., 23 F.3d 1345, 1349 (8th Cir. 1994) ("The power to  
25 grant injunctive relief is not limited to registered copyrights, or  
26 even to those copyrights which give rise to an infringement action. .  
27 . . Injunctions have even prohibited infringement of works not yet in  
28 existence."); Pac. & Southern Co., Inc. v. Duncan, 744 F.2d 1490, 1499

n.17 (11th Cir. 1984) (holding that district court had power to enjoin the infringement of future works not yet created by the injunction's proponent).<sup>25</sup> In light of the facts of this case, and that future popular works created by Plaintiffs would undoubtedly financially benefit StreamCast's inducement of infringement, the clause will be included.

##### 5. Filtering and Updating Legacy Software

The purpose of a permanent injunction in this case is to restrain StreamCast's inducement of infringement, as well as future end-user infringements arising from the inducement. As stated by the Supreme Court, "one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties." Grokster, 545 U.S. at 936-37.<sup>26</sup> StreamCast fully intends to continue its distribution of

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<sup>25</sup> Olan Mills and Duncan were the two cases cited by the Ninth Circuit in support of the above-quoted proposition taken from Amazon.com, Inc., 487 F.3d at 710 n.1.

<sup>26</sup> Upon remand, in this Court's September 27, 2006, the Court interpreted the Supreme Court's inducement rule as follows:

Plaintiffs need not prove that StreamCast undertook specific actions, beyond product distribution, that caused specific acts of infringement. Instead, Plaintiffs need prove only that StreamCast distributed the product with the intent to encourage infringement. Since there is no dispute that StreamCast did distribute an infringement-enabling technology, the inquiry focuses on the defendant's intent, which can be shown by evidence of the defendant's expression or conduct.

Grokster, 454 F. Supp. 2d at 985. More recently, in Amazon.com, the Ninth Circuit stated briefly in a footnote that "Google's activities do not meet the 'inducement' test explained in Grokster because Google has not promoted the use of its search engine specifically to infringe copyrights." 487 F.3d at 727 n.11. And in Visa, the Ninth Circuit also stated that "[b]ecause Perfect 10 alleges no 'affirmative steps taken to foster infringement' and no facts suggesting that Defendants promoted their payment system as a means to infringe, its claim is

1 | the Morpheus System and Software. While reserving its right to  
2 | contest the injunction's issuance in the first place, StreamCast  
3 | concedes that non-distribution acts promoting and encouraging  
4 | infringement via Morpheus can be enjoined. (See StreamCast Supp. Opp.  
5 | at 9-10 ("[T]he Court must narrowly tailor any injunction to address  
6 | only the specific acts of inducement for which StreamCast was found to  
7 | liable . . . .").)<sup>27</sup>

8 |       The fundamental dispute between Plaintiffs and StreamCast is  
9 | whether this Court has the power to regulate StreamCast's distribution  
10 | of the Morpheus System and Software to end-users. In particular,  
11 | Plaintiffs request that StreamCast filter the Morpheus System and  
12 | Software to reduce its infringing capacities as far as possible.

13 |       *Background:* The Court is guided generally by the principle that  
14 | it should only restrain or prohibit actions that violate the law. As  
15 | stated by the Ninth Circuit:

16 |       [A]lthough federal courts have the equitable power to enjoin  
17 | otherwise lawful activity if they have jurisdiction over the  
18 | general subject matter and if the injunction is necessary and

19 | \_\_\_\_\_  
20 | premised on a fundamental misreading of Grokster . . . ." 494  
21 | F.3d at 800-01.

22 |       One could view Amazon.com and Visa as premising inducement  
23 | liability upon distribution plus some other outward action (at  
24 | some point) that either promoted or encouraged the infringement  
25 | via the product in question. To the extent Amazon.com and Visa  
26 | represent a narrower vision of the rule described by this Court  
27 | in its September 27, 2006, it would certainly not disturb this  
28 | Court's summary judgment holding based on StreamCast's undisputed  
acts of promotion/encouragement of infringement. Importantly,  
there is still no legal requirement, as StreamCast previously  
argued, that a copyright owner must show "specific actions,  
beyond product distribution, that caused specific acts of  
infringement."

<sup>27</sup> The injunction need not necessarily be limited to the specific  
inducing acts for which StreamCast was held liable. Other acts  
might be included if they would also likely assist StreamCast's  
inducement through Morpheus's distribution.

1 appropriate in the public interest to correct or dissipate the  
2 evil effects of past unlawful conduct, this power is not often  
3 necessary or appropriate, and is therefore infrequently  
4 exercised. Courts commonly have exercised this extraordinary  
5 power only in antitrust cases, although we see no reason why it  
6 would not be available when necessary and appropriate in cases  
7 involving other areas of substantive law. Even in the antitrust  
8 area, however, a necessary and appropriate injunction against  
9 otherwise lawful conduct must be carefully limited in time and  
10 scope to avoid an unreasonably punitive or nonremedial effect.

11 United States v. Holtzman, 762 F.2d 720, 726 (9th Cir. 1985)

12 (citations omitted). The Court is not aware of any Copyright Act case  
13 in which lawful conduct has been proscribed. And as stated in another  
14 district court opinion, "injunctive relief should avoid prohibiting  
15 legitimate conduct." Fonovisa v. Napster, Inc., 2002 WL 398676, at \*9  
16 (N.D. Cal. Jan 28, 2002).

17 StreamCast asserts that its continued distribution of the  
18 Morpheus System and Software is legal, even though it fails to  
19 implement any filtering technology to limit Morpheus's infringing  
20 capabilities, as long as it does not engage in any additional actions  
21 or statements promoting or encouraging end-user infringement.  
22 StreamCast concludes that its mere distribution of a product capable  
23 of substantial noninfringing uses, going forward, is legal under Sony  
24 and cannot be regulated with filtering.

25 The Court recognizes that in the first instance one cannot be  
26 held liable for contributory infringement under Sony merely for  
27 distributing a product capable of substantial noninfringing uses, even  
28 with knowledge that the product is used to infringe. See Grokster,

1 545 U.S. at 931-32. Of note, this Court's 2003 Order ruling that  
2 Morpheus met the Sony standard has never been disturbed. However,  
3 Sony provides no immunity where a staple's distribution is  
4 sufficiently connected to the promotion/encouragement of infringement.  
5 See id. at 935.

6 The Supreme Court's decision in this case did not address the  
7 question of remedies. Consequently, analogies must be made with  
8 reference to the law of patent inducement and elsewhere. As codified  
9 by the Patent Act, "[w]hoever actively induces infringement of a  
10 patent shall be liable as an infringer." 35 U.S.C. § 271(b). One  
11 leading patent treatise has argued that "the patent owner's remedies  
12 under Section 271(b) for active inducement cannot be expanded so as to  
13 establish exclusive control over the staple commodity." 5 Donald J.  
14 Chisum, Chisum on Patents, § 17.04[3]. In patent law, the staple  
15 article "is one that was not specifically designed for use with a  
16 patented process [or combination] and has substantial, efficient, and  
17 feasible uses outside of the patent. If the practice of the patented  
18 method [or combination] is incidental and necessary to the practice of  
19 the unpatented methods, the device is a staple and there can be no  
20 contributory infringement." McKesson Info. Solutions, Inc. v. Bridge  
21 Med., Inc., 2005 WL 2346919, at \*9 (E.D. Cal. Sept. 23, 2005) (quoting  
22 4 Patent Law Fundamentals § 20:7). The "staple commodity" is  
23 equivalent to a product in the copyright genre that meets Sony's test  
24 - it is "capable of substantial noninfringing use." 464 U.S. at 440-  
25 42 & n.20 (citing 35 U.S.C. § 271(c)<sup>28</sup>).

26 <sup>28</sup> "Whoever sells a component of a patented machine,  
27 manufacture, combination or composition, or a material or  
28 apparatus for use in practicing a patented process, constituting  
a material part of the invention, knowing the same to be  
especially made or especially adapted for use in an infringement

1 In support of his limiting principle, Chisum quotes a footnote in  
2 a Fifth Circuit opinion from 1979, where the Court there noted that  
3 under Section 271(b):

4 The patentee's relief, however, would not be an injunction  
5 forbidding the defendants' [s]ale of staples, since mere sale is  
6 not wrongful under either (b) or (c). Appropriate relief might  
7 extend to an injunction against continuing to 'actively induce'  
8 infringement, conduct forbidden by (b).

9 Rohm & Haas Co. v. Dawson Chem. Co., 599 F.2d 685, 703 n.24 (5th Cir.  
10 1979). This analysis was put into action by the district court in  
11 Mickowski v. Visi-Trak Corp., 36 F. Supp. 2d 171 (S.D.N.Y. 1999),  
12 where the defendant had been held liable for inducement under Section  
13 271(b). As part of a request for a permanent injunction, the  
14 plaintiff sought "an injunction against further manufacture or sale by  
15 defendants of any die casting monitoring system capable of practicing  
16 the methods claimed by the patents in suit." Id. at 182. The  
17 district court rejected this ban on distribution because it "would  
18 impermissibly expand the scope of [plaintiff]'s patent monopoly by  
19 effectively granting [plaintiff] a monopoly over a product capable of  
20 noninfringing uses." Id. See also Allergan Sales, Inc. v. Pharmacia  
21 & Upjohn, Inc., 41 U.S.P.Q.2d 1283, 1290 (S.D. Cal. 1996) ("[T]he  
22 court does not at this time enjoin Pharmacia from selling the Model  
23 920 IOL itself, as Pharmacia has made a showing that this lens can be,  
24 and is used in actual practice, in a way that does not infringe upon  
25 the method patent of claim 7."). According to StreamCast, this

26 \_\_\_\_\_  
27 of such patent, and not a staple article or commodity of commerce  
28 suitable for substantial noninfringing use, shall be liable as a  
contributory infringer." 35 U.S.C. § 271(c) (emphasis added).

1 authority demonstrates that an injunction requiring filtering would  
2 improperly allow Plaintiffs monopoly power over its staple article,  
3 the Morpheus System and Software.<sup>29</sup>

4       Application: These cases are of limited assistance to StreamCast,  
5 however, because they speak specifically of a proposed total ban on  
6 the distribution or sale of a staple. Were this Court to hold that  
7 StreamCast could no longer distribute Morpheus in light of its  
8 inducement, such a ruling might grant rights to Plaintiffs beyond the  
9 limited monopoly permitted under the Copyright Act. But a filtering  
10 solution is different. There is a distinction between forbidding  
11 distribution of a technology capable of substantial noninfringing uses  
12 and simply requiring sufficient efforts to minimize the prospective  
13 infringement that would otherwise be induced through the staple's  
14 distribution. StreamCast would still be allowed to distribute  
15 Morpheus so long as it undertook sufficient measures to mitigate  
16 end-user capacity for infringement.

17       StreamCast argues still that Plaintiffs should not be permitted  
18 any "right to control the distribution" of products capable of  
19 substantial noninfringing use. See Sony, 464 U.S. at 441 (citing  
20 Dawson Chem. Co. v. Rohm & Hass Co., 448 U.S. 176, 198 (1980)).  
21 However, Sony does not create a general rule of immunity against all  
22 forms of secondary liability, but provides only a limited safe harbor

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23 <sup>29</sup> Plaintiffs have cited to two patent cases, which they claim  
24 reveal that an injunction can issue to enjoin a product's  
25 distribution based on a violation of Section 271(b). See Smith &  
26 Nephew, Inc., 466 F. Supp. 2d 978; Nat'l Instruments Corp. v.  
27 Mathworks, Inc., 2003 WL 24049230, at \*5 (E.D. Tex. June 23,  
28 2003). These citations are not helpful because these lawsuits  
apparently also involved the defendant's direct infringement of a  
patent. Under the Patent Act, a product capable of infringing  
use can still be held liable for direct (not merely secondary)  
infringement. See 5 Chisum, supra, § 16.02[3][C] & n.27.

1 as to "imputed intent." See Grokster, 545 U.S. at 934. Distributors  
2 of products capable of substantial noninfringing uses are often  
3 vulnerable to lawsuits for contributory infringement, and injunctions  
4 regulating how such products may be subsequently distributed (as  
5 opposed to a total ban) have been upheld. StreamCast need only look  
6 to its predecessor - Napster - for such confirmation.

7 On its first appeal to the Ninth Circuit, Napster argued that it  
8 could not be held liable for material contribution or vicarious  
9 infringement based on the fact that its system was capable of  
10 substantial noninfringing uses. In affirming the district court's  
11 determination that a preliminary injunction was proper, the Court held  
12 that Sony was not a bar to liability on either theory. See Napster,  
13 239 F.3d at 1020, 1022-23. On remand, the district court ordered  
14 Napster to institute "audio fingerprinting" technology (presumably a  
15 different term for acoustical fingerprinting) in order to effectuate  
16 the terms of the modified preliminary injunction. The Ninth Circuit  
17 affirmed this action as a "proper exercise of the district court's  
18 supervisory authority." A&M Records, Inc. v. Napster, Inc., 284 F.3d  
19 1091, 1098 (9th Cir. 2002). Importantly, Napster was never enjoined  
20 from distributing its software to the public. The injunction was  
21 solely aimed at stopping the infringement that was effectuated through  
22 Napster, and court-ordered filtering was deemed an appropriate  
23 mechanism for achieving this task. While the plaintiffs were not  
24 given exclusive control over Napster's product, Sony was no obstacle  
25 to an injunction designed to reduce the infringing capabilities of a  
26 product capable of substantial noninfringing use.

27 Based on the Ninth Circuit's Napster decisions, products capable  
28 of substantial noninfringing use can be filtered if the failure to do

1 | so would constitute either continued contributory infringement (in the  
2 | form of material contribution) or vicarious infringement. It would  
3 | therefore be anomalous if such filtering were always unavailable where  
4 | a defendant has only been held liable for inducement. Thus, there  
5 | should not be an a priori rule as to whether or not the continued  
6 | distribution of a product capable of substantial noninfringing uses,  
7 | in the absence of any further acts promoting its use for infringement,  
8 | amounts to inducement. Rather, a court should consider the facts of  
9 | each case before rendering such a determination.

10 |       In this Court's view, StreamCast's argument against filtering  
11 | reflects an overly restrictive vision of inducement. The Court is  
12 | mindful of the following critical passage from the Supreme Court's  
13 | opinion in this case:

14 |       It is not only that encouraging a particular consumer to infringe  
15 | a copyright can give rise to secondary liability for the  
16 | infringement that results. Inducement liability goes beyond  
17 | that, and the distribution of a product can itself give rise to  
18 | liability where evidence shows that the distributor intended and  
19 | encouraged the product to be used to infringe. In such a case,  
20 | the culpable act is not merely the encouragement of infringement  
21 | but also the distribution of the tool intended for infringing  
22 | use.

23 | Grokster, 545 U.S. at 940 n.13. In effect, the "culpable act," which  
24 | induces third parties to infringement, certainly manifests itself once  
25 | two components are present - distribution and promotion/encouragement.  
26 | See Amazon.com, 487 F.3d at 727 n.11; Visa, 494 F.3d at 800-01. It is  
27 | important to recognize that the Supreme Court did not impose any  
28 | strict timing relationship between specific acts promoting

1 | infringements, distribution, and the direct infringements themselves.  
2 | For a party to be liable for inducement, distribution may begin prior  
3 | to any promotion of infringement, distribution and promotion can occur  
4 | at the same time, and most critically, distribution can follow past  
5 | promotion. This highlighted portion of the above sentence is crucial.  
6 | As a matter of common sense, a successful inducer will sometimes have  
7 | no need to repeat the infringing message ad infinitum. This is  
8 | especially likely to be the case where the product in question is  
9 | overwhelmingly used for infringing purposes, and requires little or no  
10 | specialized training to operate. At a certain point, the inducer can  
11 | simply continue to distribute the product without any additional  
12 | active encouragement, recognizing that the marketplace will respond in  
13 | turn.

14 |       Thus, once the market has internalized the inducer's promotion of  
15 | infringement, the resulting infringements should be attributable to  
16 | that defendant even though he/she no longer chooses to actively  
17 | promote that message. There is no difference between these  
18 | infringements and those that are consummated while the defendant is  
19 | still engaging in the active promotion of infringement. Critically,  
20 | Justice Souter recognized the importance of this relationship between  
21 | past promotion and future distribution during the Supreme Court's oral  
22 | argument in this case:

23 |       But I don't . . . understand how you can separate the past from  
24 | the present in that fashion. One, I suppose, could say, "Well,  
25 | I'm going to make inducing remarks Monday through Thursday, and  
26 | I'm going to stop, Thursday night." The sales of the product on  
27 | Friday are still going to be sales which are the result of the  
28 |

1 inducing remarks Monday through Wednesday. And you're asking, in  
2 effect -- you're asking us -- to ignore Monday through Thursday.  
3 Metro-Goldwyn-Mayer Studios, Inc., v. Grokster, Ltd., No. 04-480, Mar.  
4 29, 2005 ("Oral Argument Transcript"), at 30, available at  
5 [http://www.supremecourtus.gov/oral\\_arguments/argument\\_transcripts/04-4](http://www.supremecourtus.gov/oral_arguments/argument_transcripts/04-4)  
6 80.pdf. Thus, distribution of a product capable of substantial  
7 noninfringing uses, even after the promotion/encouragement of  
8 infringement ceases, can by itself constitute inducement.

9 StreamCast's future distribution is undoubtedly connected to past  
10 promotional efforts. In its September 27, 2006 Order, this Court  
11 recounted in detail, among other undisputed facts, StreamCast's  
12 efforts to promote its software to the Napster market as a mechanism  
13 for infringing Plaintiffs' copyrighted works. Grokster, 454 F. Supp.  
14 2d at 985-86. These promotional efforts proved to be wildly  
15 successful, especially because StreamCast marketed itself to Napster  
16 users at a particularly important juncture - while Napster was in  
17 imminent legal jeopardy. End-user infringement exponentially  
18 increased, evidencing that StreamCast's express and implied messages  
19 of promotion were received, absorbed, and responded to by the market.  
20 Or as more recently stated by the Ninth Circuit:

21 The software systems in . . . Grokster were engineered,  
22 disseminated, and promoted explicitly for the purpose of  
23 facilitating piracy of copyrighted music and reducing legitimate  
24 sales of such music to that extent. Most . . . users understood  
25 this and primarily used those systems to purloin copyrighted  
26 music. Further, the . . . operators explicitly targeted  
27 then-current users of the Napster program by sending them ads for  
28 its OpenNap program.

1 Visa Int'l Serv. Ass'n, 494 F. 3d at 801. StreamCast's revenues  
2 skyrocketed as a result. Furthermore, StreamCast could not reasonably  
3 claim ignorance of the infringements perpetrated by Morpheus end-  
4 users. Grokster, 454 F. Supp. 2d at 992.

5 StreamCast has etched its niche in the market for infringement.  
6 Under the facts of this case, and the doctrinal point raised by  
7 Justice Souter, neither the simple passage of time nor the entry of  
8 judgment in this case can remedy StreamCast's past promotion as the  
9 "next Napster." The fact that a permanent injunction is imposed also  
10 does not leave Morpheus magically reborn as a product safe for  
11 unfiltered distribution under Sony. As stated by Justice Scalia to  
12 StreamCast's counsel at oral argument, "the point is that those past  
13 acts [of encouragement] are what have developed your client's current  
14 clientele." Oral Argument Transcript at 29.

15 It is also of no moment that Morpheus's mere distribution, had  
16 there never been any promotion of infringement by StreamCast, would  
17 have been legal under this Court's prior interpretations of Sony. The  
18 Sony rule is at its height when analyzed in the vacuum of a product's  
19 architecture. But once other evidence is in fact considered (e.g.,  
20 past promotion), mere distribution of a staple can "itself" become the  
21 "culpable act" lacking protection under the Copyright Act. Grokster,  
22 545 U.S. at 940 n.13. StreamCast is not being "punished" for its past  
23 actions; rather, StreamCast's past activity is relevant to what future  
24 actions constitute inducement going forward.

25 An unfiltered Morpheus, which StreamCast intends to distribute if  
26 provided the opportunity, necessarily capitalizes on and remains  
27 inexorably linked to its historical efforts to promote infringement.  
28 The bell simply cannot be unrung. Accordingly, Morpheus's connection

1 | to the past promotion of infringement means that StreamCast's  
2 | continued distribution of Morpheus alone constitutes inducement. This  
3 | Court is empowered to regulate Morpheus under 17 U.S.C. § 502(a) in  
4 | order to prevent this distribution from causing future harm to  
5 | Plaintiffs' rights.<sup>30</sup>

6 |       *Remedy:* Given the Court's determination regarding the status of  
7 | Morpheus's further distribution, the Court must analyze the proper  
8 | scope of injunctive relief. First, because StreamCast's distribution  
9 | of Morpheus will induce the infringement of Plaintiffs' copyrights,  
10 | the Court could potentially bar Morpheus's distribution in its  
11 | entirety. However, as previously discussed, this remedy could  
12 | constitute an inappropriate extension of Plaintiffs' copyrights.  
13 | Plaintiffs should not lightly be given total control over a product  
14 | capable of substantial noninfringing uses.

15 |       Second, Plaintiffs' proposed permanent injunction would bar  
16 | StreamCast from distributing Morpheus or another peer-to-peer network  
17 | "unless and until it has demonstrated to the Court's satisfaction that  
18 | it contains a robust and secure means exhaustively to prevent users  
19 | from using the applicable system . . ." to infringe Plaintiffs'  
20 | copyrights. As interpreted by the Court, this language would require  
21 | StreamCast to shut down until it was capable of installing a "perfect"

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22 |  
23 | <sup>30</sup> Even if StreamCast ceased distributing any software in the  
24 | future, and chose instead to collect advertising revenue for  
25 | unfiltered software currently in the market, its past promotion  
26 | and past distribution could still constitute an inducement of  
27 | infringements executed by end-users in the future. The fruits of  
28 | StreamCast's past inducing activity are likely being realized to  
this day. Therefore, the Court may have still required  
StreamCast to implement and distribute a filtering mechanism and  
encourage end-user upgrades, discussed *infra*, to prevent its  
inducement from being further actualized (as feasible) in the  
form of end-user infringements.

1 filter that could prevent any infringement from occurring. Yet, the  
2 undisputed evidence currently indicates that there is no filtering  
3 mechanism that can "exhaustively" stop every single potential  
4 infringement on a peer-to-peer network similar to Morpheus.  
5 Plaintiffs' declarations, even if accepted, do not claim a 100%  
6 success rate with a regimen of filtering that includes acoustical  
7 fingerprinting. (See Marco Decl. § 17; Ikezoye Decl. ¶ 18.)  
8 Additionally, Plaintiffs' own briefing indicates that the highly  
9 imperfect keyword filter "may be the only way to prevent unauthorized  
10 access to 'leaked' pre-release copies of sound recordings that have  
11 yet to be added to the acoustical-fingerprint database." (Plaintiffs'  
12 Supp. Brief at 7.) This statement strongly suggests that audio and/or  
13 video files containing such leaked works cannot be "exhaustively"  
14 filtered by any known method at this time. Based on the current  
15 record, a permanent injunction requiring StreamCast to institute a  
16 perfect filter is not technologically feasible, and would be  
17 equivalent to a ban on Morpheus's distribution.<sup>31</sup>

18 An injunction in this form will not issue. Plaintiffs'  
19 copyrights generally do not afford them the right to decide whether a  
20 staple should or should not be distributed.<sup>32</sup> Furthermore, this Court

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21 <sup>31</sup> StreamCast has also complained that a perfect filter is  
22 impossible because it cannot force end-users to upgrade from  
23 their legacy software. Plaintiffs claim in response that the  
24 proposed language regarding the exhaustive prevention of  
25 infringement does not apply to legacy software; StreamCast need  
26 only use "all technologically feasible means" to prevent  
27 infringement on legacy software. (Plaintiffs' Reply at 11.)  
28 Because § 1(b)'s scope is ambiguous, the Court does not fault  
StreamCast's interpretation.

<sup>32</sup> While there is no question that filtering can be employed in  
conjunction with Morpheus, and Plaintiffs strongly assert that  
this can be done in a manner that effectively protects their  
rights, future inducement lawsuits may involve products capable  
of substantial noninfringing uses that are intentionally designed

1 also has doubts that an immediate shutdown order would most  
2 effectively stop further infringement. In its 2003 Order, the Court  
3 discussed the undisputed nature of StreamCast's peer-to-peer network:  
4 "If . . . [StreamCast] closed [its] doors and deactivated all  
5 computers within [its] control, users of their products could continue  
6 sharing files with little or no interruption." Grokster, 259 F. Supp.  
7 2d at 1041. If StreamCast were prohibited from distributing or  
8 operating Morpheus, including a version with a filtering mechanism,  
9 end-users will continue to infringe. It is likely more beneficial to  
10 Plaintiffs' rights if StreamCast were allowed to distribute filtering  
11 software and to take steps to encourage end-users into accepting an  
12 upgrade.

13 In any event, the Court will follow a third path. A permanent  
14 injunction will issue requiring StreamCast to reduce Morpheus's  
15 infringing capabilities, while preserving its core noninfringing  
16 functionality,<sup>33</sup> as effectively as possible.<sup>34</sup> StreamCast's duties will  
17 include, but not necessarily be limited to: (1) a filter as part of  
18 future Morpheus software distributed to the public; and (2) steps to

19 to make filtering impossible. An injunctive remedy for  
20 inducement in such a case could be difficult to craft due to  
21 conflicting tensions. A copyright owner has not been granted the  
22 exclusive right to distribute a product capable of substantial  
23 noninfringing uses, which courts have cited as a concern in the  
24 remedies context. Yet, under the Supreme Court's Grokster  
25 opinion, mere continued distribution represents inducement when  
26 sufficiently connected to past promotional efforts. It is not  
27 clear whether a complete ban on further distribution, potentially  
28 the only effective injunctive remedy, could be allowed in such a  
case.

25 <sup>33</sup> Some usability/functionality harm to Morpheus may be  
26 inevitable, but considering the quantum of inducement that would  
27 otherwise be effectuated, such effects would have minimal costs  
28 to society in this case.

27 <sup>34</sup> Thus, if it is ultimately possible to filter Plaintiffs'  
28 copyrighted works with 100% effectiveness, the Court can consider  
modifying the injunction to reflect this new development.

1 encourage end-user upgrades from non-filtered legacy software. Such  
2 duties represent the proper balance between competing interests.  
3 Plaintiffs' copyrights can be protected to the extent feasible, but  
4 Morpheus's noninfringing uses will not be completely enjoined. Cf.  
5 Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.,  
6 2006 WL 3813778, at \*10 (S.D. Tex. Dec. 27, 2006) (issuing permanent  
7 injunction in patent case ordering defendant "to implement the  
8 structural modifications . . . that both parties agree would prevent  
9 future infringement" while preserving defendant's ability to "practice  
10 the prior art").

11 In defining "effectiveness," StreamCast would likely argue that  
12 cost is relevant to the calculus. The Court is aware that Plaintiffs  
13 want StreamCast to apply a "state of the art" commercial filter that  
14 includes acoustical fingerprinting, which StreamCast has termed "cost-  
15 prohibitive." (Weiss Decl. ¶ 12.) The Court is tentatively of the  
16 view that affordability is a minor, but potentially relevant,  
17 consideration at the fringes. For example, if two competing filtering  
18 regimens had identical success rates for purposes of reducing  
19 infringement, but the cost of the first option was inordinate compared  
20 to the second, the Court might be more inclined to opt for the latter.  
21 Cost is not likely to be a controlling factor, as the injunction will  
22 be designed primarily to protect Plaintiffs' copyrights. The mere  
23 fact that an adjudicated infringer may have to expend substantial  
24 resources to prevent the consummation of further induced infringements  
25 is not a central concern. See Triad Sys. Corp. v. Southeastern Exp.  
26 Co., 64 F.3d 1330, 1338 (9th Cir. 1995) (holding that a defendant  
27 "cannot complain of the harm that will befall it when properly forced  
28 to desist from its infringing activities").

1 As explained infra Part III.F, the Court intends to appoint a  
2 special master. The special master will assist this Court in  
3 selecting a filtering regimen that reduces Morpheus's infringing  
4 capacity, preserves its noninfringing functionality as feasible, and  
5 analyzes any potential cost concerns.

6 6. Notice of Copyrighted Works

7 StreamCast also argues, as part of a permanent injunction, that  
8 it should have no duty to filter Plaintiffs' copyrighted works until  
9 it has been provided sufficient notice. The Court agrees.

10 In Napster, the district court enjoined Napster from "engaging  
11 in, or facilitating others in copying, downloading, uploading,  
12 transmitting, or distributing plaintiffs' copyrighted musical  
13 compositions and sound recordings . . . ." 114 F. Supp. 2d at 927.  
14 The district court determined that "[b]ecause defendant has  
15 contributed to illegal copying on a scale that is without precedent,  
16 it bears the burden of developing a means to comply with the  
17 injunction." Id.

18 While the Ninth Circuit affirmed the injunction generally, its  
19 scope was too broad. The Ninth Circuit held:

20 [W]e place the burden on plaintiffs to provide notice to Napster  
21 of copyrighted works and files containing such works available on  
22 the Napster system before Napster has the duty to disable access  
23 to the offending content. Napster, however, also bears the  
24 burden of policing the system within the limits of the system.  
25 Napster, 239 F.3d at 1027. On remand, the plaintiffs were ordered to  
26 provide Napster with certain information regarding their copyrighted  
27 works: (1) title; (2) artist; (3) the name(s) of one or more files on  
28 Napster's system containing the work; and (4) certification of

1 ownership. See, e.g., A&M Records, Inc. v. Napster, Inc., 2001 WL  
2 227083, at \*1 (N.D. Cal. Mar. 5, 2001), aff'd, 284 F.3d 1091, 1096, 97  
3 (2002). "The Ninth Circuit was clearly concerned with the overbreadth  
4 of the injunction and believed that any liability based solely on the  
5 architecture of Napster's system implicated Sony." Fonovisa, 2002 WL  
6 398676, at \*9. In this way, Napster would not be "penalized simply  
7 because of its peer-to-peer file sharing system." Id.

8 Doctrinally, the notice requirement is of particular interest  
9 considering the fact that the district court and Ninth Circuit agreed  
10 that Napster would likely be held liable as both a contributory and  
11 vicarious infringer. The Ninth Circuit's modification is eminently  
12 clear when examined solely from a contributory liability perspective,  
13 since the Ninth Circuit's affirmance on this theory was based  
14 substantially on Napster's actual notice. 239 F.3d at 1027 ("The mere  
15 existence of the Napster system, absent actual notice and Napster's  
16 demonstrated failure to remove the offending material, is insufficient  
17 to impose contributory liability."). However, Napster was also likely  
18 to be found liable at trial as a vicarious infringer, which is based  
19 on a defendant's financial benefit and its right and ability to  
20 supervise. See id. at 1023-24. Sony's knowledge prong is completely  
21 irrelevant to whether one can be held liable as a vicarious infringer.  
22 Id. at 1022 ("Sony's 'staple article of commerce' analysis has no  
23 application to Napster's potential liability for vicarious copyright  
24 infringement."). By imposing the notice requirement on the  
25 plaintiffs, the Ninth Circuit essentially allowed Sony notice concerns  
26 to creep back into the vicarious infringement analysis for purposes of  
27 an injunction.

1 Similarly, Sony represents no bar to inducement liability.  
2 According to the Supreme Court, "where evidence goes beyond a  
3 product's characteristics or the knowledge that it may be put to  
4 infringing uses, and shows statements or actions directed to promoting  
5 infringement, Sony's staple-article rule will not preclude liability."  
6 Grokster, 545 U.S. at 935. And due to its relationship to  
7 StreamCast's past promotion of infringement, the mere continued  
8 distribution of Morpheus now by itself amounts to inducement. See  
9 supra Part III.D.5.

10 Although actual notice of specific infringing files (and the  
11 failure to remove them) is not a prerequisite to inducement liability  
12 in the first instance, like vicarious infringement, Napster informs  
13 this Court that notice is relevant to the injunction. While the  
14 continued distribution of an ineffectively filtered Morpheus would  
15 violate the injunction, some precautions are necessary to ensure that  
16 StreamCast will not be unfairly penalized for the architecture of its  
17 staple commodity. For example, by requiring Plaintiffs to provide  
18 StreamCast with some notice before the latter's filtering  
19 responsibilities for a given copyright are triggered, there will be no  
20 threat of contempt proceedings simply because StreamCast failed for a  
21 time to filter certain files containing recently released (e.g.,  
22 illegally "leaked" works) or hardly known copyrighted material.

23 One might argue that Napster's notice requirement should not be  
24 followed in light of the Supreme Court's Grokster opinion. At one  
25 point, the Supreme Court stated that "Sony did not displace other  
26 theories of secondary liability," and is confined to cases involving  
27 "imputed intent." Grokster, 545 U.S. at 934. It could reasonably be  
28 argued, as a result, that Sony occupies a much less central position

1 | in the copyright field than was previously understood. Since Sony  
2 | cannot preclude vicarious and inducement liability, the doctrine could  
3 | now be viewed as irrelevant to injunctions aimed at preventing such  
4 | violations. However, this Court will not read this implication into  
5 | the Supreme Court's ruling, nor hold that Napster has been overruled  
6 | sub silentio on this question. It must be recognized that the Supreme  
7 | Court did not reach, or even comment on, the proper scope of an  
8 | injunctive remedy.

9 |       On the other hand, while some form of notice is appropriate, the  
10 | Court will not require Plaintiffs to provide hash values to  
11 | StreamCast. As in Napster, once Plaintiffs have provided certain  
12 | basic information sufficient to constitute "notice," the burden of  
13 | implementing an effective filtering solution rests on StreamCast. 239  
14 | F.3d at 1027. Napster does not require a copyright owner to disclose  
15 | to an adjudicated infringer all specialized information in his/her  
16 | possession that might be helpful to the prevention of further  
17 | infringement, such as hash values.

18 |       Therefore, StreamCast's duty to filter any particular copyrighted  
19 | work will commence upon Plaintiffs' provision of notice. For each  
20 | work, Plaintiffs will be required to provide the artist-title pair, a  
21 | certification of ownership, and some evidence that one or more files  
22 | containing each work is available on the Morpheus System and  
23 | Software.<sup>35</sup>

24 | ///

25 | \_\_\_\_\_  
26 | <sup>35</sup> This last requirement may potentially be limited to a list of  
27 | file "names," as approved in Napster. The Court has not decided  
28 | on the precise form of evidence at this time. The special master  
will first make a recommendation regarding the type of  
information that Plaintiffs can obtain about these files from the  
Morpheus System and Software.

1           7.    Advertising to Users of Legacy Software

2           Plaintiffs argue that "[i]f StreamCast can earn no profits from  
3 users of legacy versions of Morpheus that lack filtering technology,  
4 it will have a powerful reason promptly to move those users to new  
5 versions of Morpheus with filtering technology." (Plaintiffs' Supp.  
6 Brief at 18.) The Court tentatively agreed at first. But upon  
7 further consideration, the Court will not prohibit StreamCast from  
8 displaying advertising through Morpheus to users of legacy software.  
9 The Court agrees with StreamCast that this restriction will not have  
10 any effect on the quantum of induced infringement. At this point in  
11 time, the Court has no reason to believe that StreamCast will  
12 disregard the terms of a permanent injunction, including those  
13 provisions designed to encourage and/or coax end-user upgrades to  
14 Morpheus versions containing a filter.

15           Of course, if StreamCast fails to comply with its  
16 responsibilities under the permanent injunction, the Court has the  
17 power to respond. Should the Court later determine that StreamCast  
18 has violated the terms of the permanent injunction, the Court can  
19 consider what remedies should be imposed in order to coerce compliance  
20 and compensate Plaintiffs for the harm caused. See Shuffler v.  
21 Heritage Bank, 720 F.2d 1141, 1147 (9th Cir. 1983) (citations omitted)  
22 ("Sanctions for civil contempt can be imposed for one or both of two  
23 distinct purposes: (1) to compel or coerce obedience to a court order;  
24 and (2) to compensate the contemnor's adversary for injuries resulting  
25 from the contemnor's noncompliance."). In order to coerce compliance  
26 with the other terms of the permanent injunction, as part of a  
27 contempt sanction, this Court could then potentially prohibit  
28 StreamCast from collecting advertising revenue on legacy software or

1 even issue a shut down order. But in the meantime, Plaintiffs'  
2 requested ban on advertising to legacy software is premature.

3 8. Reservation of Court's Power to Alter Terms

4 The Court also recognizes that filtering technology is evolving.  
5 New products may emerge over time that will be vastly more effective  
6 than their predecessors. Consequently, the permanent injunction shall  
7 retain a clause that expressly: (1) permits this Court to amend the  
8 permanent injunction in light of such new developments; and (2)  
9 provides a procedure by which either party may petition the Court for  
10 such an adjustment to the permanent injunction's terms. See, e.g.,  
11 United States v. Swift & Co., 286 U.S. 106, 114 (1932) ("A continuing  
12 decree of injunction directed to events to come is subject always to  
13 adaptation as events may shape the need."); Mariscal-Sandoval v.  
14 Ashcroft, 370 F.3d 851, 859 (9th Cir. 2004) ("The proposition that a  
15 court has the authority to alter the effect of an injunction in light  
16 of changes in the law or the circumstances is well established.");  
17 Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1030  
18 ("When dealing with its equitable powers, a court possesses the  
19 intrinsic power to adapt the injunction to meet the needs of a 'new  
20 day.'"); cf. Napster, 284 F.3d at 1098 ("A district court has inherent  
21 authority to modify a preliminary injunction in consideration of new  
22 facts.").

23 E. Request for an Evidentiary Hearing and Discovery

24 In addition to opposing the motion for a permanent injunction,  
25 StreamCast seeks an evidentiary hearing with live testimony and the  
26 opportunity to conduct limited discovery pursuant to Fed. R. Civ. P.  
27 65(a). "Normally, an evidentiary hearing is required before an  
28 injunction may be granted." United States v. McGee, 714 F.2d 607, 613

1 (6th Cir. 1983). But as explained by the Sixth Circuit, a hearing is  
2 not needed "unless disputed questions of material fact exist." Deja  
3 vu of Nashville, Inc. v. Metro. Gov't of Nashville County, 466 F.3d  
4 391, 398 (6th Cir. 2006). The Ninth Circuit is in agreement with this  
5 rule. See Charlton v. Estate of Charlton, 841 F.2d 988, 989 (9th Cir.  
6 1988). Additionally, a district court's decision to permit or deny  
7 further discovery before a permanent injunction is issued is reviewed  
8 for an abuse of discretion. See United States v. Miami University,  
9 294 F.3d 797, 815 (6th Cir. 2002).

10 In various filings, StreamCast has asked for discovery and an  
11 evidentiary hearing before this Court determines whether it is  
12 appropriate to issue a permanent injunction in the first place. This  
13 request is denied. For example, StreamCast has not demonstrated that  
14 there is any dispute regarding the threat of continuing violations or  
15 that the public's interest will be harmed by the injunction fashioned  
16 by this Court. (StreamCast Request for Evid. Hearing.) StreamCast  
17 seeks discovery related to the meaning of the term "robust and  
18 secure," which has apparently been used in settlement agreements  
19 between Plaintiffs and other peer-to-peer networks to describe the  
20 type of filtering mechanism that must be implemented. However, such  
21 information is irrelevant to whether an injunction should issue in  
22 this case. The same is true regarding claims that Plaintiffs do not  
23 always enforce their rights with regard to other peer-to-peer  
24 networks. Additionally, the Court observes no merit in StreamCast  
25 counsel's rank speculation that Plaintiffs' refusal to disclose their  
26 artist-title pairs and hash values are connected to a covert plan to  
27 force StreamCast out of business. (Baker Supp. Decl. ¶ 5.) In any  
28

1 | event, Plaintiffs' legal position with respect to an ambiguous statute  
2 | cannot be the basis of an unclean hands defense.

3 |       Finally, StreamCast seeks discovery (and perhaps an evidentiary  
4 | hearing) on the technological effectiveness of various measures that  
5 | could be utilized to reduce Morpheus's infringing capabilities. The  
6 | Court considers this request to be moot. The special master will be  
7 | conferred with the power necessary to fully investigate all available  
8 | filtering tools, as well as the options for updating legacy software.

9 |       F. Appointment of a Special Master

10 |       As filtering and the updating of legacy software are highly  
11 | technical in nature, and because they are likely to be litigated  
12 | repeatedly through the injunction's lifespan, the Court intends to  
13 | appoint a permanent special master to assist in the decree's  
14 | implementation and supervision. In the near term, the special master  
15 | will aid this Court's determination of what constitutes the most  
16 | "effective" filtering regimen, and how StreamCast can implement it.

17 |       Shortly, the Court will separately issue a proposed order  
18 | defining the special master's powers and responsibilities. The  
19 | parties will be ordered to meet and confer regarding the selection of  
20 | a special master.

21 |       G. StreamCast's Motion for a Stay Pending Appeal

22 |       The Court agrees with Plaintiffs that StreamCast's motion for a  
23 | stay pending appeal pursuant to Rule 62(c) is premature. See, e.g.,  
24 | Nikon, Inc. v. Ikon Corp., 1992 WL 398440, at \*3 (S.D.N.Y. Dec. 18,  
25 | 1992) ("In the absence of a pending appeal, a request for relief under  
26 | Rule 62(c) is premature."). Once the Court finalizes the terms of a  
27 | permanent injunction, and an appeal is taken, StreamCast can renew its  
28 | request. StreamCast's motion is therefore DENIED WITHOUT PREJUDICE.

1 IV. CONCLUSION

2 For the foregoing reasons, this Court GRANTS IN PART Plaintiffs'  
3 motion for a permanent injunction. Importantly, StreamCast will be  
4 required to use the most effective means available to reduce the  
5 infringing capabilities of the Morpheus System and Software, while  
6 preserving its noninfringing uses as feasible. StreamCast's motion  
7 for a stay of the permanent injunction pending appeal is DENIED  
8 WITHOUT PREJUDICE. A special master will be appointed to assist the  
9 Court with further proceedings.

10  
11 IT IS SO ORDERED.

12  
13  
14 DATED: October 16, 2007

  
STEPHEN V. WILSON  
UNITED STATES DISTRICT JUDGE