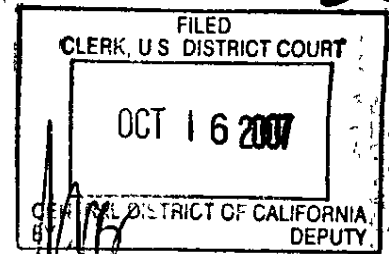


P-Send
ENT

THIS CONSTITUTES NOTICE OF ENTRY
AS REQUIRED BY FRCP, RULE 77(d).

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

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

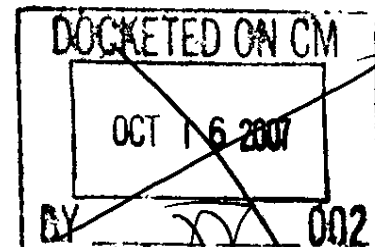
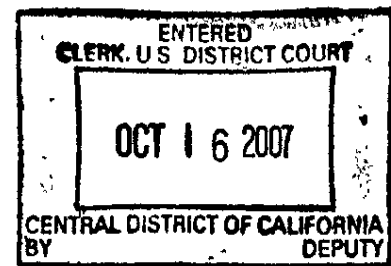
///

///

///

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]



1287

1 I. INTRODUCTION

2 On September 27, 2006, this Court granted Plaintiffs'¹ 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 ¹ The Plaintiffs are composed of numerous record companies,
movie studios, and music publishers.

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

II. BACKGROUND²

A. The Proposed Permanent Injunction

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

Until StreamCast is able to "exhaustively" stop all infringement, it would also be barred from displaying advertising on all Morpheus Software versions.³ StreamCast must give notice to all of StreamCast's

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

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

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

B. StreamCast's Claimed Initial Filtering Efforts

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

After receiving this Court's Order, StreamCast claims that it decided "to the best of its abilities, it should develop and integrate a robust filtering mechanism . . . so that copyrighted works that are 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.)⁴ 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.)⁵ 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

20
 21 ⁴ 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
 than October 20, 2006. (Kassis Decl. ¶ 6 & Ex. B.) Regardless,
 Weiss's declaration confirms that StreamCast did not consider the
 utilization of a filter until this Court issued its order holding
 StreamCast liable for inducement.

⁵ StreamCast has two versions of the Morpheus Software: a free
 version and one that must be purchased ("Morpheus Ultra"). (Id.
 ¶ 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.)
28

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.)

26 ///

27 ///

28 ///

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,

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 hash⁶ - 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.⁷ Audible Magic represents that its acoustical fingerprinting
20

21 ⁶ 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 ⁷ 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
28

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.⁸

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 ⁸ 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 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 1840.⁹

26 ⁹ StreamCast has argued that "whether the terms of an injunction
 27 fulfill the mandates of Rule 65(d) is a question of law" reviewed
 28 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. Vasilou, 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 Court notes that an order granting a permanent injunction, as
 22 well as the decision regarding which terms should be included or
 23 omitted, are reviewed for an abuse of discretion or application
 24 of erroneous legal principles. See High Sierra Hikers Ass'n v.
 25 Blackwell, 390 F.3d 630, 639 (9th Cir. 2004); Bates v. United
 26 Parcel Serv., Inc., 465 F.3d 1069, 1092 (9th Cir. 2006). Rule
 27 65(d) de novo review only applies to the specificity of the
 28 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,¹⁰ 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 ¹⁰ 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.¹¹ The eBay Court held that it is Plaintiffs who

22
23 ¹¹ 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.¹² See IMX, Inc. v. LendingTree, LLC, 469 F. Supp. 2d

27 ¹² 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

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

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

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

¹³ Therefore, this Court is not persuaded by the Eighth Circuit's pre-eBay conclusion in Taylor Corp. v. Four Seasons Greetings, LLC, 403 F.3d 958, 968 (8th Cir. 2005), that because "[a plaintiff] certainly has the right to control the use of its copyrighted materials, . . . irreparable harm inescapably flows from the denial of that right." In substance, such language is nothing more than a disguised presumption, particularly with the use of the word "inescapably." After eBay, Plaintiffs cannot rely on the pure fact of infringement in order to establish 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.¹⁴

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.")¹⁵; 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 | ¹⁴ 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.

¹⁵ 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).¹⁶ The law is muddled, and
 25 the Court is not aware of a post-eBay Ninth Circuit ruling on this

26
 27 ¹⁶ 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 1839.¹⁷

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,

25
26 ¹⁷ 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 Established¹⁸

16 | _____
17 | ¹⁸ 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
liability has been imposed, caused irreparable harm. Had the
Supreme Court wanted district courts to analyze the irreparable
harm that might flow from future infringements, it could have
easily said so.

22 | This reading of eBay has some advantages, since harm
23 | suffered in the past may frequently be the best method for
24 | determining how future harm would impact Plaintiffs. But a
25 | consideration of future events may in some instances be the only
26 | way of determining whether irreparable harm will be suffered.
27 | And regardless of any irreparable harm suffered in the past, it
28 | seems that a permanent injunction should not issue unless there
is reason to believe that future infringements would constitute
irreparable harm. See 6 William F. Patry, Patry on Copyrights,
§22:78 ("[M]onetary damages are awarded for past harm, while
injunctive relief is intended to prevent future harm."); 4 Nimmer
& Nimmer, supra, § 14.06[B] ("Under Section 502(a) of the
Copyright Act, the prevailing plaintiff in a copyright
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 defendant¹⁹ 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

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.

¹⁹ 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:
28

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

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

In light of this authority, the Court concludes that certain qualities pertaining to the nature of StreamCast's inducement of infringement are relevant to a finding of irreparable harm. As stated before, the Court disagrees with the Eighth Circuit's categorical pronouncement in Taylor that "irreparable harm inescapably flows from the denial" of "the right to control the use of its copyrighted materials." See supra note 13 (quoting Taylor, 403 F.3d at 968). After eBay, the word "inescapably" simply goes too far. However, infringement may still occur in such a manner that it has the actual effect of irreparably harming a plaintiff's right to control the use 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 unstoppably 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 .").²⁰ Indeed, the very need to file multiple lawsuits as a

25
26 ²⁰ 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 ///

1 3. Balance of Hardships

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

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

18 In relation to this argument, StreamCast cites to Abend v. MCA,
19 Inc., 863 F.2d 1465 (9th Cir. 1988), where the Ninth Circuit denied an
20 injunction as to further showings of the Alfred Hitchcock film "Rear
21 Window." The Court held that "[i]t would cause a great injustice for
22 the owners of the film" because the "success of the movie resulted in
23 large part from factors completely unrelated to the underlying story."
24 Id. at 1479. No such special circumstances are present in this case.
25 StreamCast's inducement of infringement has no separate legitimate
26 business purpose whatsoever. The injunction will be limited to
27 restraining future infringement resulting from StreamCast's
28 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.²¹ 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 ²¹ 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).²² 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 | ²² 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.²³
22 The Court is also unaware of any "true facts" of which StreamCast was

23 ²³ StreamCast's only apparent estoppel argument is based on
24 Nimmer's statement that estoppel can result from Plaintiff's
25 "silence and inaction." 4 Nimmer & Nimmer, supra, § 13.07.
26 However, Nimmer followed this point immediately by writing that
27 "[i]t would seem, however, that such passive holding out can
28 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.

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

3. Implied License

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

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

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

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

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

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

D. The Permanent Injunction's Scope and Specificity

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

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

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

1. Non-Inducement Theories of Liability

Plaintiffs' proposed permanent injunction would prohibit StreamCast from engaging in certain infringing activities that are far beyond the bounds of this lawsuit. In this case, StreamCast has been 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.").²⁴ Due to the procedural posture of this

13 ²⁴ 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

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

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

2. Non-Federal Law

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

3. Valid and Subsisting Copyrights

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

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).²⁵ 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 936-37.²⁶ StreamCast fully intends to continue its distribution of

²⁵ 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.

²⁶ 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").)²⁷

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 premised on a fundamental misreading of Grokster" 494
 20 F.3d at 800-01.

21 One could view Amazon.com and Visa as premising inducement
 22 liability upon distribution plus some other outward action (at
 23 some point) that either promoted or encouraged the infringement
 24 via the product in question. To the extent Amazon.com and Visa
 25 represent a narrower vision of the rule described by this Court
 26 in its September 27, 2006, it would certainly not disturb this
 27 Court's summary judgment holding based on StreamCast's undisputed
 28 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."

²⁷ 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)²⁸).

26 ²⁸ "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.²⁹

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

23 ²⁹ 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
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.³⁰

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"

22
23 ³⁰ 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.³¹

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.³² Furthermore, this Court

21 ³¹ 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.

³² 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,³³ as effectively as possible.³⁴ 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.

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

34 Thus, if it is ultimately possible to filter Plaintiffs'
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 (9th
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.³⁵

24 ///

25 _____
26 ³⁵ 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