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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

DISNEY ENTERPRISES, INC.;)	Case No. CV 17-08655 DDP (AGRx)
BUENA VISTA HOME)	
ENTERTAINMENT, INC.;)	
LUCASFILM LTD., LLC, MVL)	
FILM FINANCE LLC,)	ORDER GRANTING PLAINTIFFS' MOTION
)	FOR PRELIMINARY INJUNCTION
Plaintiff,)	
)	
v.)	
)	
REDBOX AUTOMATED RETAIL,)	[Dkt. 86, 116]
LLC,)	
)	
Defendants.)	
)	
_____)	

Presently before the court is Plaintiffs Disney Enterprises, Inc., Buena Vista Home Entertainment, Inc., Lucasfilm Ltd., LLC, and MVL Film Finance LLC (collectively, "Disney")'s Motion for Preliminary Injunction. Having considered the submissions of the parties and heard oral argument, the court grants the motion and adopts the following Order.

I. Background

As explained in further detail in this Court's prior Order (Dkt. 74), Disney owns the copyrights to several well-known movies, including *Coco*, *Beauty and the Beast*, *Star Wars: The Last Jedi*, and

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1 *Black Panther*. Disney distributes its films in physical formats,
2 such as DVD and Blu-ray discs, as well as via streaming and digital
3 download services. Among Disney's product offerings are "Combo
4 Packs," which contain a DVD and/or Blu-ray disc version of a
5 particular Disney movie and a piece of paper containing an
6 alphanumeric code (a "download Code" or "Code"). The Code can be
7 inputted or redeemed at RedeemDigitalMovies.com or
8 DisneyMoviesAnywhere.com ("Movies Anywhere") (collectively, the
9 "redemption sites" or "download sites") to allow a user to stream
10 and/or download the same Disney movie contained on the physical
11 discs.

12 Defendant Redbox Automated Retail, LLC ("Redbox") rents and
13 sells movies to consumers via automated kiosks that dispense DVD
14 and Blu-ray discs. Redbox has, for many years, purchased and
15 disassembled Combo Packs, then rented or sold the physical discs
16 therein to Redbox customers. In late 2017, Redbox also began
17 offering Combo Pack download Codes for individual sale at Redbox
18 kiosks.

19 Soon after, Disney filed this suit and sought a preliminary
20 injunction enjoining Redbox from offering standalone Disney Codes
21 for sale. Disney's Complaint alleged that Redbox's resale of Combo
22 Pack Codes (1) constituted contributory copyright infringement (2)
23 breached a contract Redbox enters into when it purchases Combo
24 Packs, (3) interfered with Disney's contractual relations, and (4)
25 violated California false advertising and unfair competition laws.
26 This court denied Disney's motion for a preliminary injunction,
27 concluding that, in light of the specific language printed upon
28 Combo Pack boxes and used within the redemption sites' Terms of

1 Use, Disney could not show a likelihood of success on the merits of
2 its breach of contract or contributory copyright infringement
3 claims.

4 Disney subsequently changed the language on its Combo Pack
5 boxes, changed the download sites' Terms of Use, and amended its
6 Complaint.¹ Disney's Combo Pack packaging for the movie *Black*
7 *Panther* is the first to reflect changes implemented after this
8 Court's denial of Disney's first motion for a preliminary
9 injunction. The front of *Black Panther* Combo Pack boxes indicates
10 that the Combo Packs include a "Digital Code." The back of the
11 boxes state, in some of the largest print displayed, "Digital Code
12 Included*[" The asterisk directs the reader to a discrete text
13 box at the bottom of the package, which states, in smaller, all-
14 capitalized text, "Digital code redemption requires prior
15 acceptance of licence terms and conditions. Codes only for
16 personal use by recipient of this combination package or family
17 member. Digital movie code . . . subject to expiration after May
18 15, 2023." Smaller type in a more central, fine print-type
19 section of the packaging reads, "The digital code contained in this
20 package may not be sold separately and may be redeemed only by the
21 recipient of this combination package or a family member. Visit
22 MoviesAnywhere.com, RedeemDigitalMovie.com, and
23 disneytermsofuse.com for code redemption and other applicable terms
24 and conditions." The paper Code insert within the Combo Pack
25 contains a similar statement and also reads, "This digital code is
26 part of a combination package and may not be sold separately," and

27
28 ¹ Disney does not concede that the changes were necessary.

1 "Digital code redemption is subject to prior acceptance of license
2 terms and conditions."

3 A visitor to RedeemDigitalMovie.com now sees a pop-up text box
4 stating,

5 All digital movie codes are owned by [Disney]. Digital
6 codes originally packaged in a combination disc + code
7 packages (sic) may not be sold separately and may be
8 redeemed only by an individual who obtains the code in the
9 original combination disc + code package Digital
10 codes are not authorized for redemption if sold separately.
11 You may use digital movie codes to obtain licensed access
12 to digital movies only as specifically authorized under
13 these terms and conditions, the "Help" section of this
14 website, the Disney Terms of Use, and the terms and
15 conditions of Movies Anywhere or any participating provider
16 of digital content

17 (Declaration of Kelly Klaus, Ex. B.) The far lengthier Movies
18 Anywhere Terms of Use state, within a "Copyright License Grant and
19 Restriction" section, that "[t]he purchase of a license to stream
20 or download any Movies Anywhere Content does not create an
21 ownership interest in the licensed Content." (Klaus Decl., Ex. D
22 at 17.) The terms of use further state that users will not "redeem
23 an unauthorized . . . digital code," and "For combination packs: By
24 redeeming a digital code . . . you are representing that you . . .
25 obtained the code in an original . . . package and the code was not
26 purchased separately. Your representation is a condition of
27 redemption" (Id.) Before a consumer can view digital
28 content, he or she must enter a Code on a webpage that displays a
similar message and requires the user to affirmatively click a
"Redeem" button. (Klaus Decl. Exs. B, C.)

29 Disney's First Amended Complaint ("FAC") alleges a single
30 cause of action against Redbox for contributory copyright
31 infringement. Disney now renews its motion for a preliminary
32

1 injunction enjoining Redbox from selling Disney's download Codes.

2 **II. Legal Standard**

3 A private party seeking a preliminary injunction must show
4 that: (i) it is likely to succeed on the merits; (ii) it will
5 suffer irreparable harm in the absence of preliminary relief; (iii)
6 the balancing of the equities between the parties that would result
7 from the issuance or denial of the injunction tips in its favor;
8 and (iv) an injunction will be in the public interest. Winter v.
9 Natural Resources Def. Council, 555 U.S. 7, 20 (2008). Preliminary
10 relief may be warranted where a party: (i) shows a combination of
11 probable success on the merits and the possibility of irreparable
12 harm; or (ii) raises serious questions on such matters and shows
13 that the balance of hardships tips in favor of an injunction. See
14 Arcamuzi v. Continental Air Lines, Inc., 819 F.2d 935, 937 (9th
15 Cir. 1987). "These two formulations represent two points on a
16 sliding scale in which the required degree of irreparable harm
17 increases as the probability of success decreases." Id. Under
18 both formulations, the party must demonstrate a "fair chance of
19 success on the merits" and a "significant threat of irreparable
20 injury" absent the issuance of the requested injunctive relief.²
21 Id.

22 **III. Discussion**

23 A. Likelihood of Success on the Merits

24 i. Contributory Copyright Infringement

26 ² Even under the "serious interests" sliding scale test, a
27 plaintiff must satisfy the four Winter factors and demonstrate
28 "that there is a likelihood of irreparable injury and that the
injunction is in the public interest." Alliance for the Wild
Rockies v. Cottrell, 632 F.3d 1127, 1135 (9th Cir. 2011).

1 The FAC's sole cause of action alleges that Redbox customers
2 who purchase a Disney Code from Redbox violate Disney's copyright
3 when they redeem the Code because Redbox customers must first
4 represent, as a condition of obtaining a license to download and
5 reproduce content via the redemption sites, that they did not
6 obtain the Code separately from the Combo Pack. Any such
7 representation by a Redbox customer, Disney alleges, is necessarily
8 false, resulting in an unauthorized download and copyright
9 infringement. Disney alleges that Redbox is contributorily liable
10 for that infringement because it knows that customers will make
11 unauthorized downloads and contributes to those improper downloads
12 by selling Codes and instructing Redbox customers to redeem them.

13 As explained in this Court's prior Order, a copyright owner
14 has the exclusive right to reproduce the copyrighted work. 17
15 U.S.C. § 106. "To establish copyright infringement, a plaintiff
16 must prove two elements: '(1) ownership of a valid copyright, and
17 (2) copying of constituent elements of the work that are
18 original.'" L.A. Printex Indus., Inc. v. Aeropostale, Inc., 676
19 F.3d 841, 846 (9th Cir. 2012) (citing Feist Publ'ns, Inc. v. Rural
20 Tel. Serv. Co., 499 U.S. 340, 361, (1991)). A defendant is
21 contributorily liable for copyright infringement if he has
22 "intentionally induced or encouraged direct infringement." MDY
23 Indus., LLC v. Blizzard Entm't, Inc., 629 F.3d 928, 937 (9th Cir.
24 2010) (internal alterations and quotation marks omitted). A
25 copyright licensee infringes upon a copyright if he exceeds the
26 scope of his license. S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081,
27 1085 (9th Cir. 1989) ("To prevail on its claim of copyright
28 infringement, [the copyright owner] must prove . . . 'copying' of

1 protectable expression by [the accused infringer] beyond the scope
2 of [the] license.”)

3 A restrictive license exists where the copyright owner “(1)
4 specifies that the user is granted a license; (2) significantly
5 restricts the user’s ability to transfer the software; and (3)
6 imposes notable use restrictions.” Vernor v. Autodesk, Inc., 621
7 F.3d 1102, 1111 (9th Cir. 2010). Here, there is no dispute that
8 the language on the redemption sites imposes significant use
9 restrictions and forbids the user from transferring copyrighted
10 movies. Redbox’s primary contention, however, is that at the time
11 of sale, Disney does not adequately specify that it is granting the
12 purchaser only a limited license to view digital content, as
13 opposed to an unfettered ownership right to a digital copy.
14 (Opposition at 3.) Thus, Redbox argues, the subsequent, post-
15 purchase restrictions listed on the redemption sites are
16 unenforceable, and this case continues to turn on whether a
17 contract was formed at the point of sale. (Id.)

18 Disney responds that the redemption site license agreement is
19 “indisputably enforceable” because it is a “clickwrap” agreement
20 that requires affirmative assent. (Reply at 5.) As this Court has
21 explained, a valid contract requires capable, consenting parties, a
22 lawful object, and sufficient cause or consideration. Cal. Civ.
23 Code § 1550; Janda v. Madera Community Hosp., 16 F. Supp. 2d 1181,
24 1186 (E.D. Cal. 1998). In general, “silence or inaction does not
25 constitute acceptance of an offer.” Norcia v. Samsung Telecomm.
26 Am., LLC, 845 F.3d 1279, 1284 (9th Cir. 2017) (quoting Golden Eagle
27 Ins. Co. v. Foremost Ins. Co., 20 Cal. App. 4th 1372, 1385 (1993).
28 Even a party that has accepted an offered benefit cannot be deemed

1 to have accepted a contract if the offeree did not have reasonable
2 notice that an offer had been made. Id. (citing Windsor Mills,
3 Inc. v. Collins & Aikman Corp., 25 Cal. App. 3d 987, 993 (1972)).
4 In Norcia, for example, the Ninth Circuit held that where product
5 packaging bore no indication that opening the box would constitute
6 acceptance of further terms set forth inside the box, a party could
7 not be deemed to have accepted those contract terms simply by
8 opening the box. Id. at 1287.

9 A "clickwrap" agreement, in contrast, requires users to
10 affirmatively manifest assent to terms on a website or software
11 installation screen by, after being presented with the terms,
12 clicking on some version of an "I agree" button. Nguyen v. Barnes
13 & Noble Inc., Nguyen v. Barnes & Noble Inc., 763 F.3d 1171, 1176
14 (9th Cir. 2014). Contrary to Disney's suggestion, however, the
15 mere existence of a clickwrap agreement does not render the terms
16 of such agreement "indisputably enforceable." By Disney's logic,
17 the representations made at the point of sale would be immaterial,
18 even if Combo Pack boxes were totally blank "mystery boxes," so
19 long as purchasers later affirmatively agreed to a clickwrap
20 agreement restricting the use of digital content. As an initial
21 matter, the situation here is not a classic clickwrap arrangement,
22 wherein a prospective customer must manifest assent. See Savetsky
23 v. Pre-Paid Legal Servs., Inc., No. 14-03514 SC, 2015 WL 604767 at
24 *3 (N.D. Cal. Feb. 12, 2015). Rather, the circumstances here are
25 somewhat more akin to the "money now, terms later" characteristics
26 of a "shrinkwrap" agreement, where notice of the existence of a
27 license agreement is provided on product packaging, the full terms
28 are contained within the package, and acceptance is demonstrated

1 not by purchase, but rather by post-purchase silence.³ Id.; See
2 also In re Facebook Biometric Info. Privacy Litig., 185 F. Supp. 3d
3 1155, 1165 (N.D. Cal. 2016) (characterizing clickwrap and
4 “browsewrap” agreements as opposite ends of a spectrum of assent).⁴

5 Furthermore, although Disney is correct that courts often find
6 clickwrap agreements enforceable, there is “no per se rule of
7 validity or invalidity” In re Facebook, 185 F.Supp.3d at
8 1165. The other authorities cited by Disney do not suggest
9 otherwise. In Tompkins v. 23andMe, Inc., for example, the Ninth
10 Circuit did enforce an arbitration clause contained in a post-
11 purchase clickwrap agreement. Tompkins v. 23andMe, Inc., 840 F.3d
12 1016, 1021 (9th Cir. 2016). The court’s decision, however, had
13 nothing to do with assent or adequacy of notice, but rather turned
14 on the lack of substantive unconscionability. Id. at 1024.
15 Indeed, the district court found the provision in question
16 procedurally unconscionable, in part because the clickwrap terms
17 provided only “minimal” notice of the provision, were displayed
18 only after purchase, and may not have been accompanied by a right
19 to reject the terms and receive a full refund.⁵ Tompkins v.

21 ³ In Vernor v. Autodesk, Inc., 621 F.3d 1102, 1104 (9th Cir.
22 2010), disputed license terms were presented both on-screen during
23 software installation and on physical packaging. Vernor, 621 F.3d
24 at 1105.

25 ⁴ “Browsewrap” refers to terms of use that are mentioned on a
26 website but posted in full on a separate webpage accessible via
27 hyperlink. In re Facebook, 185 F.Supp.3d at 1165. Like a
28 shrinkwrap agreement, a browsewrap agreement does not require
affirmative assent, and considers continued use of a website, like
continued use of a shrinkwrapped product, as assent to the terms of
use. Id.; See also Savetsky, 2015 WL 604767 at * 3 (arranging
clickwrap, shrinkwrap, and browsewrap agreements on a spectrum of
most to least affirmative manifestations of assent.)

⁵ Redbox has not asserted an unconscionability defense in
response to Disney’s motion for a preliminary injunction.

1 23andMe, Inc., No. 5:13-CV-05682-LHK, 2014 WL 2903752, at *15 (N.D.
2 Cal. June 25, 2014). The district court further observed that
3 whether a customer agreed to the terms had nothing to do with
4 whether the terms were enforceable. Id.; See also McLellan v.
5 Fitbit, Inc., No. 3:16-CV-00036-JD, 2018 WL 1913832 (N.D. Cal.
6 Jan. 24, 2018) (distinguishing questions of contract formation and
7 contract validity). As the Ninth Circuit noted, the defendant did
8 not appeal the district court's finding that the clickwrap
9 provision at issue was procedurally unconscionable. Tompkins, 840
10 F.3d at 1024 n.2.

11 Thus, notwithstanding the existence of clickwrap agreements on
12 the redemption sites, the court's analysis of whether the terms of
13 those agreements are likely enforceable cannot be entirely divorced
14 from consideration of the Combo Pack packaging's disclosures. That
15 analysis is complicated to some degree because both parties'
16 arguments about the existence of a restrictive license suffer from
17 imprecision regarding the particular language at issue. Disney
18 bases its arguments on the *Black Panther* packaging language, even
19 though the packaging of other movies named in the FAC differed
20 significantly, as discussed in this Court's prior Order. Redbox's
21 Opposition largely cites examples of language from packaging
22 predating this Court's prior Order and Disney's *Black Panther*
23 revisions. Having discussed this disconnect at oral argument, and
24 having afforded Redbox the opportunity to file supplemental
25 briefing regarding the *Black Panther* disclosures, the court limits
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1 its consideration to the revised language present on the *Black*
2 *Panther* Combo Packs.⁶

3 Taking that language into consideration, the court concludes
4 that Disney has shown that it is likely to succeed on the merits of
5 its contributory infringement claim. At argument, Redbox contended
6 that it can only be liable for contributory infringement if it had
7 the subjective intent to be a contributory infringer. Redbox is
8 incorrect. See Louis Vuitton Malletier, S.A. v. Akanoc Sols.,
9 Inc., 658 F.3d 936, 943 (9th Cir. 2011) (citing A & M Records, Inc.
10 v. Napster, 239 F.3d 1004, 1020 (9th Cir.2001) (“Contributory
11 liability requires that the secondary infringer ‘know or have
12 reason to know’ of direct infringement.”)). It is undisputed that
13 Redbox has actual knowledge of the redemption sites’ clickwrap
14 terms, which do appear to create a restrictive license. Both sites
15 specify that the user is only granted a license rather than
16 ownership. The RedeemDigitalMovie.com terms state, “You may use
17 digital movie codes to obtain licensed access to digital movies
18 only as specifically authorized . . .[,]” and the Movies Anywhere
19 terms refer to a “Copyright License Grant” and state that “[t]he
20 purchase of a license to stream or download any Movies Anywhere
21 Content does not create an ownership interest in the licensed
22 Content.” These and other terms restrict downloaders’ use or
23 transfer of the digital content. See Vernor, 621 F.3d at 1111.

25 ⁶ Disney’s Request to Strike Portions of Redbox’s Supplemental
26 Opposition is GRANTED, in part. The court has not considered those
27 portions of the supplemental opposition that exceed the scope of
28 the court’s leave and discuss topics other than the *Black Panther*
packaging. The passages identified by Disney, however, are
overbroad. Exhibit I to the Supplemental Geibelson Declaration,
for example, is referenced on the *Black Panther* box.

1 It is also undisputed that Redbox knows that customers who
2 purchase standalone Disney Codes from Redbox kiosks do in fact
3 proceed to violate the clickwrap terms and redeem the Codes.
4 Indeed, Redbox affirmatively instructs its customers to visit the
5 redemption sites, “[e]nter the digital movie code . . .,” and
6 “[f]ollow the on-screen prompts and enjoy the show!” (Klaus Decl.,
7 Ex Z.)

8 If, however, the clickwrap terms are unenforceable,
9 downloaders do not directly infringe upon Disney’s copyright by
10 violating those terms, and Redbox’s actual knowledge will not be
11 sufficient to render Redbox liable for contributory copyright
12 infringement. Redbox therefore argues that, notwithstanding the
13 revised terms displayed on the *Black Panther* packaging, Combo Pack
14 purchasers obtain an ownership interest in a digital download, and
15 not merely a limited license to access or view digital content.
16 This argument is not persuasive. Redbox’s argument fails, in large
17 part, because it attempts to characterize the *Black Panther*
18 language as a deficient “boxtop” license agreement. As this Court
19 has explained, the Ninth Circuit analyzed a purported boxtop
20 agreement, where all license terms are printed on the outside of a
21 product package, in Arizona Cartridge Remanufacturers Association,
22 Inc. v. Lexmark International, Inc., 421 F.3d 981 (9th Cir. 2005).
23 The Lexmark court held that a party did assent to a license by
24 opening a package that read,

25 Please read before opening. Opening of this package or
26 using the patented cartridge inside confirms your
27 acceptance of the following license agreement. The patented
28 cartridge is sold at a special price subject to a
restriction that it may be used only once. Following this
initial use, you agree to return the empty cartridge only
to Lexmark for remanufacturing and recycling. If you don't

1 accept these terms, return the unopened package to your
2 point of purchase. A regular price cartridge without these
terms is available.

3 Id. at 983-984. The court explained that the contract was
4 enforceable because, by its own terms, it gave notice of the
5 existence of a license, set forth the conditions of sale of that
6 license, afforded the consumer the opportunity to read the terms of
7 the contract before deciding whether to accept them, and provided
8 consideration in the form of a reduced price, thus supporting the
9 conclusion that a consumer who opened the box accepted the terms
10 printed upon it. Id. at 987-88.

11 In its first motion for a preliminary injunction, Disney did
12 argue that earlier versions of Combo Pack boxes, which stated only
13 that "Codes are not for sale or transfer[,]" were analogous to the
14 packaging in Lexmark, and that Redbox agreed to later-disclosed
15 license conditions simply by opening Combo Packs. This Court
16 rejected that argument, concluded that Disney's packaging was
17 insufficient to create either a boxtop or shrinkwrap license, and
18 denied Disney an injunction. Notably, however, Disney's instant
19 motion does not contend that even the revised *Black Panther* box,
20 with its more thorough language, constitutes a boxtop license.
21 Although, as discussed above, the court also disagrees with
22 Disney's current position that only the redemption site language is
23 relevant, the pertinent question is whether Disney can likely show
24 that Combo Pack purchasers obtained a restrictive digital license
25 rather than an ownership right.

26 As discussed above, the circumstances here bear
27 characteristics of shrinkwrap and clickwrap agreements. See
28 Savetsky, 2015 WL 604767 at * 3; In re Facebook, 185 F.Supp.3d at

1 1165. Prospective Combo Pack purchasers are presented with
2 relatively visible language stating, "Digital code redemption
3 requires prior acceptance of licence terms and conditions. Codes
4 only for personal use by recipient of this combination package or
5 family member. Digital movie code . . . subject to expiration
6 after May 15, 2023." Prospective purchasers are also informed,
7 albeit in smaller type, that "applicable terms and conditions" can
8 be found at the redemption sites. Those terms can be viewed on the
9 sites even prior to purchase. Post-purchase, the redemption sites
10 present the terms and require an affirmative manifestation of
11 assent in the form of a button click.

12 Furthermore, although not explicitly set forth on either the
13 *Black Panther* packaging or the redemption sites, Plaintiff
14 represented to the court at oral argument that purchasers who do
15 not accept the terms of the digital license may return Combo Packs
16 to the retailer.⁷ Such a right to return is critically important.⁸

17
18 ⁷ Plaintiff further represented at argument that whether a
customer's return to a retailer is recognized as a valid return is
an issue between the retailer and Disney, not the purchaser.

19 ⁸ The record does cast some doubt upon the accuracy of
20 Plaintiff's claim. Neither the RedeemDigitalMovies.com nor Movies
Anywhere clickwrap makes any mention of a right to return.
21 Furthermore, the latter contains an integration clause stating that
the Terms of Use, which do not mention a right of return,
22 constitute the entire agreement with Code redeemers. (Klaus Decl.,
Ex. D § 9(q).) In addition, disneytermsofuse.com, referenced on
23 the *Black Panther* box, contains a subsection regarding "return of
goods," albeit in connection with "physical goods," which may or
24 may not apply to Codes or Code-containing Combo Packs, that states
that purchasers do not have the right to return unsealed physical
25 media such as video recordings and DVDs. (Supplemental Geibelson
Decl., Ex. I § 4.) For purposes of this motion, the court takes
26 at face value Plaintiff's representation that Combo Pack purchasers
do have the right to return. Given the lack of clarity regarding
27 the issue, however, the injunctive relief ordered herein shall
terminate after ninety days, absent a showing by Disney that it has
28 clearly and prominently indicated that purchasers who wish to

(continued...)

1 A person who has paid money for a product, subject to later-
2 disclosed licensing terms, cannot possibly be considered to have
3 meaningfully assented to those terms if he or she never had the
4 opportunity to reject the terms by returning the product for a
5 refund. Cf. Lexmark, 421 F.3d at 984, 988 (finding valid boxtop
6 contract where terms explicitly instructed purchaser to return item
7 to point of purchase if the purchaser rejected post-sale terms);
8 See also ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1452 (7th Cir.
9 1996) (holding, in a shrinkwrap case, that “[a]ny buyer finding
10 [unacceptable post-sale license terms] can prevent formation of the
11 contract by returning the package, as can any consumer who
12 concludes that the terms of the license make the software worth
13 less than the purchase price.”).

14 At this stage, the court need not make a determination whether
15 Combo Pack purchasers enter into a shrinkwrap, clickwrap, or other
16 type of agreement, nor precisely delineate the terms of any such
17 agreement. It appears from the record currently before the court
18 that neither Redbox nor any other Combo Pack purchaser could (or
19 did) reasonably believe that, notwithstanding the *Black Panther*
20 licensing language on the box itself, the Combo Pack included
21 unrestricted ownership rights to any digital content. See Vernor,
22 621 F.3d at 1112 (holding that licensee who did not receive title
23 to software could not pass ownership to others). Because Redbox
24 did not obtain an ownership right to any digital content when it
25 purchased Combo Packs, Disney has adequately shown that it is

27 ⁸(...continued)
28 reject license terms disclosed after purchase may, with reasonable
restrictions, return Codes or Combo Packs for a refund.

1 likely to succeed on its claim that Redbox encouraged Redbox
2 customers to infringe Disney's copyrights by redeeming Codes in
3 violation of the license terms set forth on the redemption sites.

4 ii. Defenses

5 As it did in response to Disney's first motion for a
6 preliminary injunction, Redbox raises defenses of copyright misuse
7 and the first sale doctrine. As this Court explained, the first
8 sale doctrine allows the "owner of a particular copy or phonorecord
9 lawfully made under [the Copyright Act] . . . to sell or otherwise
10 dispose of the possession of that copy or phonorecord," without the
11 permission of the copyright holder. UMG v. Augusto, 628 F.3d 1175,
12 1180 (9th Cir. 2011) (quoting 17 U.S.C. § 109(a)); Bobbs-Merrill
13 Co. v. Strauss, 210 U.S. 339, 341 (1908). This court concluded
14 that because no particular fixed copy of a copyrighted work yet
15 exists at the time Redbox purchases or sells a Code, the first sale
16 doctrine is inapplicable to this case.

17 Nevertheless, Redbox again raises the first sale defense,
18 relying upon new expert testimony and arguing that Plaintiff
19 misrepresented the nature of its server technology. (Opp. at 16.)
20 Even accepting Redbox's expert's testimony at face value, however,
21 the court's analysis is unchanged. Redbox's expert opines that
22 when a consumer redeems a Code, Disney must create a discrete
23 digital copy of the content in a particular user's virtual, cloud-
24 based "locker." (Declaration of Seth Nielson ¶ 6.2.) At argument,
25 however, Redbox conceded that even if such a "particular copy"
26 exists on Disney's servers, the user's computer would have
27 "ultimately the same albeit a second copy," or "another copy" of
28 the user's discrete copy. These inherent contradictions illustrate

1 that the circumstances here do not involve a single, discrete,
2 particular copy to which the first sale doctrine could apply. See
3 Capitol Records, LLC v. ReDigi Inc., 934 F. Supp. 2d 640 (S.D.N.Y.
4 2013)

5 Redbox also argues that Disney's changes to the redemption
6 sites' terms of use do not cure Disney's prior copyright misuse.
7 Copyright misuse is an affirmative defense that "prevents copyright
8 holders from leveraging their limited monopoly to allow them
9 control of areas outside the monopoly," and extends to any
10 situation implicating "the public policy embodied in the grant of a
11 copyright." A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004,
12 1026 (9th Cir. 2001); Omega S.A. v. Costco Wholesale Corporation,
13 776 F.3d 699-700 (9th Cir. 2015) (Wardlaw, J. concurring).

14 At the time of Disney's first motion, the redemption sites' terms
15 of use required downloaders to affirm that they currently possessed
16 the physical DVD and Blu-ray discs that, along with the Code,
17 constitute a Combo Pack. This Court concluded that such a
18 restriction improperly intrudes upon a purchaser's right, secured
19 by the first sale doctrine and 17 U.S.C. § 109(a), to dispose of
20 physical DVDs and Blu-ray discs as he or she sees fit. This Court
21 concluded that such an attempt to leverage copyright in digital
22 content to control downstream distribution of physical discs
23 constituted copyright misuse.

24 As set forth above, however, Disney has now changed the terms
25 of use on the redemption sites. Downloaders no longer need affirm
26 that they possess the physical discs, to which first sale rights
27 would apply. Instead, RedeemDigitalMovie.com now states that Codes
28 may not be sold separately and may only be redeemed "by an

1 individual who obtains the code" in a Combo Pack. Movies Anywhere
2 states, "For combination packs: By redeeming a digital code . . .
3 you are representing that you . . . obtained the code in an
4 original . . . package and the code was not purchased separately.
5 Your representation is a condition of redemption" These
6 revised terms do not encroach upon disc owners' alienation rights
7 or improperly expand Disney's power beyond the sphere of copyright.
8 Under the revised terms, Combo Pack purchasers and recipients
9 continue to enjoy digital access regardless whether they keep or
10 dispose of the physical discs.

11 Redbox contends that such terms nevertheless continue to
12 constitute misuse because "the digital code is rendered worthless"
13 unless a Combo Pack owner foregoes the first sale rights associated
14 with the physical discs. (Opp. at 12.) That statement is not
15 accurate. Under the old terms, a Combo Pack owner who disposed of
16 the discs was indeed left with a worthless code because continued
17 possession of the discs was a condition of digital access. Now,
18 however, digital access is conditioned not on possession of the
19 discs, but on the manner of Code acquisition. A Combo Pack owner
20 who disposes of the discs is left with the same digital access
21 rights he or she always possessed. Although Redbox is correct
22 that, because Codes are not separately transferable, a Combo Pack
23 owner cannot transfer a Code if he or she disposes of the discs
24 first, the right to transfer a separate Code is not protected by
25 the first sale doctrine or any unconditional ownership rights, as
26 discussed above. A copyright misuse defense, therefore, is
27 unlikely to succeed.

28 B. Remaining Factors

1 A party seeking a preliminary injunction must also show that
2 it will suffer irreparable harm in the absence of an injunction.
3 Winter, 555 U.S. at 20. Disney has presented extensive evidence
4 that Redbox's Code sales are damaging Disney's relationships with
5 its licensees. This evidence is sufficient to warrant injunctive
6 relief. See Stuhlbarg Int'l Sales Co. v. John D. Brush & Co., 240
7 F.3d 832, 841 (9th Cir. 2001); Rent-A-Ctr., Inc. v. Canyon
8 Television & Appliance Rental, Inc., 944 F.2d 597, 603 (9th Cir.
9 1991). Redbox does not identify any compelling interests that
10 would tilt the balance of equities in its favor, notwithstanding
11 its infringing activities and the attendant irreparable harm to
12 Disney.⁹ Disney has also adequately shown that an injunction
13 protecting its copyright would be in the public interest.¹⁰ See
14 Disney Enterprises, Inc. v. VidAngel, Inc., 869 F.3d 848, 867 (9th
15 Cir. 2017)

16 Redbox's Supplemental Opposition argues that, if the court's
17 consideration is limited to the *Black Panther* language, there is no
18 irreparable harm, and indeed no ripe case or controversy, because
19 Redbox has not sold *Black Panther* Codes and has no intention of
20 doing so.¹¹ (Supplemental Declaration of Michael Chamberlain ¶ 4;
21 Supplemental Opposition at 1-2.) Although there appears to be no
22 dispute that Redbox is not selling *Black Panther* Codes, Redbox's
23 motivations are unknown to the court. In light of Redbox's
24 position on the instant motion, it is clear that Redbox does not
25

26 ⁹ Redbox makes only passing reference to equities in the
27 introduction to its Opposition, and does not discuss the equities
in the body of its memorandum.

28 ¹⁰ Redbox's Opposition does not address this factor.

¹¹ Redbox repeated this representation at oral argument.

1 concede that it cannot sell *Black Panther* codes without
2 contributorily infringing upon Disney's copyrights. Whatever
3 Redbox's motive, "[u]nder the voluntary cessation exception [to the
4 mootness doctrine], a defendant's decision to stop a challenged
5 practice generally does not deprive a federal court of its power to
6 determine the legality of the practice." Akina v. Hawaii, 835 F.3d
7 1003, 1010 (9th Cir. 2016) (per curiam) (internal quotation marks
8 omitted). "[A]n action for an injunction does not become moot
9 merely because the conduct complained of was terminated, if there
10 is a possibility of recurrence, since otherwise the defendant[]s
11 would be free to return to their old ways." F.T.C. v. Affordable
12 Media, 179 F.3d 1228, 1237 (9th Cir. 1999) (internal quotations and
13 alterations omitted). Absent injunctive relief, it seems quite
14 possible that Redbox would begin selling *Black Panther* Codes
15 alongside all of the other Disney Codes Redbox already sells.
16 Redbox's voluntary decision not to sell certain Codes up to this
17 point in time does not demonstrate a lack of irreparable harm.

18 **IV. Conclusion**

19 For the reasons stated above, Disney's Motion for Preliminary
20 Injunction is GRANTED. Redbox and all of its officers, directors,
21 agents, servants, and employees, and all persons in active concert
22 or participation or in privity with any of them, ARE HEREBY
23 RESTRAINED AND ENJOINED from:

24 (1) selling or otherwise transferring Plaintiffs' standalone
25 Codes originally included within Combo Packs bearing
26 license terms identical or substantially similar to those
27 displayed upon Plaintiffs' *Black Panther* Combo Pack
28 packaging;

1 (2) inducing, encouraging, or contributing to the infringement
2 of Plaintiffs' exclusive rights under the Copyright Act,
3 17 U.S.C. § 106; and

4 (3) inducing, encouraging, or contributing to its customers'
5 infringement of Plaintiffs' copyrighted works.

6 The Court orders Plaintiffs to post security, within 7 days of
7 the date of this Order, in the amount of \$100,000 to compensate
8 Redbox for its losses in the event this injunction is reversed or
9 vacated.

10 This injunction shall expire ninety days after the date of its
11 issuance, absent a showing by Disney that it clearly and
12 prominently indicates, on physical packaging and/or online, that
13 Combo Pack purchasers who do not agree to later-disclosed digital
14 license terms may, with reasonable restrictions, return Codes or
15 Combo Packs for a refund.

16
17
18 IT IS SO ORDERED.

19
20 Dated: August 29, 2018


DEAN D. PREGERSON
United States District Judge

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