

Litigation Alert

Ninth Circuit Rejects Presumption of Irreparable Harm in Copyright Cases

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Copyright defendants have a reason to thank Perfect 10, Inc. this week; the serial—and serially unsuccessful—plaintiff’s latest appeal has resulted in a decision that will make it significantly more difficult for copyright owners to obtain preliminary and permanent injunctions against alleged infringers in the Ninth Circuit. In *Perfect 10, Inc. v. Google, Inc.*, No. 10-56316 (9th Cir. Aug. 3, 2011), Judge Ikuta, writing for a unanimous three-judge panel, reversed the Ninth Circuit’s longstanding rule that irreparable harm could be presumed from a showing of reasonable likelihood of success on the merits in a copyright infringement claim. The panel reached this result after determining that *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) in which the Supreme Court rejected a similar presumption of irreparable harm in patent cases, “effectively overruled” the Ninth Circuit’s prior decisions.

Background of the Case

Plaintiff Perfect 10 operates a paid subscription website offering adult photographs. It accused Google of infringing its copyrights in those photographs through its search engine, by creating and displaying thumbnail images of the photographs and by linking to webpages where third parties had reproduced the images without authorization. Perfect 10 had previously obtained a preliminary injunction from the United States District Court for the Central District of California, but the Ninth Circuit had reversed, determining that Google’s thumbnails and caching were protected as fair use, and remanding for determination of whether Google should be contributorily liable for third party infringement. *Perfect 10, Inc. v. Google, Inc.*, 508 F. 3d 1146 (9th Cir. 2007). On remand, Perfect 10 again moved for a preliminary injunction. The district court denied this request, holding that Perfect 10 did not satisfy any of the requirements for a preliminary injunction: (1) likelihood of success on the merits; (2) irreparable harm absent an injunction; (3) that the balance of equities tips in its favor; and (4) that an injunction is in the public interest. Perfect 10 appealed.

The Ninth Circuit’s Decision

On appeal, Perfect 10 argued that the district court erred in not finding likelihood of irreparable harm. Perfect 10 cited a long string of Ninth Circuit precedent dating back almost thirty years, which held that irreparable harm should be presumed if the copyright holder showed a likelihood of success on the merits.

The panel expressly rejected these prior cases, noting that “all predate *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), which indicated that an injunction in a patent infringement case may issue only in accordance with ‘traditional equitable principles’ and warned against presumptions and categorical rules.” Although *eBay* decided only the propriety of a presumption in disputes arising under the Patent Act, the Supreme Court relied on its decisions under the Copyright Act in its analysis. In addition, the Patent Act and Copyright Act use similar permissive, not mandatory, language in granting courts the power to issue injunctive relief to remedy infringement. The Ninth Circuit was also guided by a recent Second Circuit decision, *Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010), which held that a presumption of irreparable harm in copyright cases was “inconsistent with the principles of equity set forth in *eBay*.” Given this analysis, the Ninth Circuit held:

We therefore conclude that the propriety of injunctive relief in cases arising under the Copyright Act must be evaluated on a case-by-case basis in accord with traditional equitable principles and without the aid of presumptions or a ‘thumb on the scale’ in favor of issuing such relief.

Slip op. at 10127. This change applies to both preliminary and permanent injunctive relief. As the Ninth Circuit noted, the standard for a permanent injunction is “essentially the same” as that for a preliminary injunction; the only difference is

the former requires *actual* success as opposed to *likelihood* of success on the merits.

Having clarified the legal standard as requiring an actual showing of likely irreparable harm in order for injunctive relief to issue, the panel then affirmed the district court's finding that Perfect 10 had not established likelihood of such harm. Although Perfect 10 had submitted declarations asserting that its revenues had declined sharply while the number of thumbnail versions of Perfect 10 images available on Google Image Search had risen, and that the company was nearly bankrupt as a result, the panel found this insufficient. The Ninth Circuit noted that Perfect 10 "has not alleged that it was ever in sound financial shape," did not establish that an injunction would help it avoid bankruptcy, and failed to offer even a single statement from a former subscriber who ceased paying for Perfect 10's website because the content was freely available via Google. "Given the limited nature of this evidence, the district court did not abuse its discretion" in concluding that Perfect 10 failed to establish irreparable harm.

Practical Implications

Perfect 10 v. Google marks the end of injunctions as a matter of course in copyright infringement cases in the Ninth Circuit, and potentially other causes of action as well. Plaintiffs can no longer rest on conclusory allegations of irreparable harm, but must come forward with specific evidence—such as statements by former customers who ceased paying when they realized they could get the plaintiff's copyrighted material free from the defendant—to prove the claimed harm. While copyright injunctions may yet issue, plaintiffs seeking injunctive relief will face a significant hurdle in explaining why monetary damages would not suffice to remedy the harm caused by the infringement. This may prove especially difficulty for plaintiffs who have demonstrated a willingness to license the work at issue. The need for an evidentiary showing as to irreparable harm will also increase the cost of obtaining preliminary and permanent injunctions.

The Ninth Circuit provided little guidance as to what harms are sufficiently irreparable to merit injunctive relief, or what evidence must be presented to

corroborate the point. Litigants and lower courts may follow the lead of the Second Circuit's *Salinger* decision, which suggests that the relevant harms are to the plaintiff's "legal interests," (i.e., commercial interests), and that these harms may be irreparable if they cause market confusion, result in loss of sales which may be difficult to prove, or invade the First Amendment right *not* to speak. 607 F.3d at 81.

Perfect 10 will also have broader implications beyond copyright. The Ninth Circuit interpreted *eBay* to require courts to "analyze each statute separately" to determine whether Congress intended to create a presumption or categorical rule in place of the traditional equitable balancing. Thus, *Perfect 10* lays the groundwork for challenges to any presumption or categorical rule in favor of injunctive relief, in any statutory context.

In particular, *Perfect 10* sets the stage for revisitation of the presumption of irreparable harm in trademark cases. In a footnote, the *Perfect 10* decision disapproved of *Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co.*, 571 F.3d 873 (9th Cir. 2009), a post-*eBay* decision finding that a trademark holder was entitled to a presumption of irreparable harm if there was a likelihood of success on the merits. Because the Lanham Act was not before it in *Perfect 10*, the panel did not explicitly extend its ruling to the trademark arena, but its decision to highlight the *Marlyn* case indicates that the court is open to revisiting its trademark presumption as well. Expect it to take up this question in the near future.

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