

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
CIVIL MINUTES—GENERAL

Case Nos. 2:16-CV-04587-SVW-KS

Date February 8, 2018

Title *Greg Young Publishing, Inc. v. Zazzle, Inc.*

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Present: The Honorable STEPHEN V. WILSON, U.S. DISTRICT JUDGE

Paul Cruz

NOT REPORTED

Deputy Clerk

Court Reporter

Attorneys Present for Plaintiff(s)

Attorneys Present for Defendant(s)

None Present

None Present

Proceedings: ORDER REGARDING Motion to Correct/Clarify Permanent Injunction [171]
and Stay Permanent Injunction Pending Appeal [170]

I. INTRODUCTION AND BACKGROUND

On October 27, 2017, this Court issued a Permanent Injunction (Dkt 160) against Defendant Zazzle Inc. (“Zazzle”).

On November 1, 2017, Zazzle sent an email to Plaintiff expressing its intent to appeal the Permanent Injunction and to seek a stay of the Permanent Injunction pending the filing of a notice of appeal. Defendant Zazzle raised “lack of findings supporting the injunction” as a ground for reversal of the Permanent Injunction on appeal.¹ Zazzle also raised “ambiguities in the injunction” as a ground for reversal of the Permanent Injunction.²

The Permanent Injunction enjoins Zazzle “from infringing any of the exclusive rights in 17 U.S.C. § 106 with respect to Plaintiff’s copyright works identified on the joint trial exhibit list (**Exhibit A** hereto).” Dkt. 160. Due to clerical error, the Permanent Injunction did not attach an “Exhibit A.” The Permanent Injunction was also insufficient in stating the grounds supporting the injunction, as it only stated that “[t]he court has considered Plaintiff’s motion for equitable

¹ Fed. R. Civ. P. 65(d)(1)(A) states: “Every order granting an injunction and every restraining order must: (A) state the reasons why it issued.” *Id.*

² Rule 65(d)(1)(C) states: “Every order granting an injunction and every restraining order must: . . . (C) describe in reasonable detail—and not by referring to the complaint or other document—the act or acts restrained or required.”

relief and Defendant's opposition thereto. For good cause appearing, it is therefore ORDERED, ADJUDGED, and DECREED that: . . ." (Dkt 160, at pdf 2). The Court agrees that this language did not provide a sufficient record with respect to the four injunctive relief factors, including irreparable harm and lack of adequate legal remedies.

Based on the papers provided to the Court and the analysis below, the Court VACATES the injunction issued on October 27, 2017.

II. Legal Standards

Zazzle claims that "the Court has ample authority to reconsider its ruling and vacate the injunction. *See, e.g., 389 Orange Street Partners v. Arnold*, 179 F.3d 656, 665 (9th Cir. 1999); *Zimmerman v. City of Oakland*, 255 F.3d 734, 740 (9th Cir. 2001); *Miller v. Midland Funding*, 2008 U.S. Dist. LEXIS 97229 at *1-2 (C.D. Cal. Nov. 20, 2008)." The cases Zazzle relies on are Rule 59(e) cases. Rule 59(e) authorizes a court substantively "to alter or amend a judgment" only by motion "filed no later than 28 days after the entry of the judgment." "The history of Rule 59(e) shows that 'alter or amend' means a substantive change of mind by the court." *Garamendi v. Henin*, 683 F.3d 1069, 1077 (9th Cir. 2012). Unfortunately, Zazzle's motion was filed after the requisite 28 days and the Court cannot use those ground to vacate the injunction.³

But Local Rule 7–18 sets forth the grounds upon which the Court may reconsider the decision on any motion:

A motion for reconsideration of the decision on any motion may be made only on the grounds of: (a) a material difference in fact or law from that presented to the Court before such decision that in the exercise of reasonable diligence could not have been known to the party moving for reconsideration at the time of such decision, or (b) the emergence of new material facts or a change of law occurring after the time of such decision, or (c) **a manifest showing of a failure to consider material facts presented to the Court before such decision**. No motion for reconsideration shall in any manner repeat any oral or written argument made in support of or in opposition to the original motion.

C.D. Cal. L.R. 7–18 (emphasis added).

³ Zazzle also relies on another, common-law argument for reconsiderations. "As long as a district court has jurisdiction over the case, then it possesses the inherent procedural power to reconsider, rescind, or modify an interlocutory order for cause seen by it to be sufficient." *City of Los Angeles v. Santa Monica Baykeeper*, 254 F.3d 882, 885 (9th Cir. 2001) (permitting reconsideration and withdrawal of appealable certification order). Importantly, "a district court's authority to rescind an interlocutory order over which it has jurisdiction is an inherent power rooted firmly in the common law and is not abridged by the Federal Rules of Civil Procedure." *Id.* at 887. "The Supreme Court has concluded that jurisdiction is transferred from a district court to a court of appeals upon the filing of a notice of appeal." *Id.* at 885. Because no appeal has been filed, Zazzle argues that the Court retains "jurisdiction over the case" and has the "inherent power" to reconsider, rescind or modify the injunction.

The Court does not have to reach this argument in order to reconsider the motion because the Court believes that Local Rule 7-18 offers enough support for a reconsideration; however, this could create another reason to reconsider the motion.

Zazzle notes that it did not seek reconsideration under the Local Rules because that would require simply repeating the arguments made with regard to the injunction and would waste the Court and parties' time. Dkt. 170 at 23. The court disagrees based on the text of Local Rule 7-18. The Court finds that there is a "manifest showing" of the Court's "failure to consider material facts presented to the Court" because the Court did not provide any justification for the permanent injunction.

The Court recognizes that the Local Rules seemingly contravene the Federal Rules of Civil Procedure in allowing such a reconsideration. The Court turns to Rule 60, titled 'Relief from a Judgement of Order,' for guidance. The relevant portions state:

. . . (b) Grounds for Relief from a Final Judgment, Order, or Proceeding. On motion and just terms, the court may relieve a party or its legal representative from a final judgment, order, or proceeding for the following reasons:

(1) mistake, inadvertence, surprise, or excusable neglect; . . .

(5) the judgment has been satisfied, released, or discharged; it is based on an earlier judgment that has been reversed or vacated; or applying it prospectively is no longer equitable; or

(6) any other reason that justifies relief.

Fed. R. Civ. P. 60(b). However, the Ninth Circuit has previously held that a Rule 60(b)(1) reconsideration motion should not merely present arguments previously raised, or which could have been raised in the original briefs. *See Backlund v. Barnhart*, 778 F.2d 1386, 1388 (9th Cir. 1985) (motion properly denied where it "presented no arguments that had not already been raised in opposition to summary judgment."). The Ninth Circuit has found that motions to reconsider are not vehicles permitting an unsuccessful party to relitigate arguments previously presented to the Court. *Id.*

Despite the Ninth Circuit's holding above—parties should not use Rule 60 to relitigate previously raised issues—when the Court makes a mistake of law, the Court must necessarily review those previously raised issues. There is some persuasive authority that "Rule 60(b)(1) applies to errors by judicial officers as well as parties." *Inland Concrete Enters. v. Kraft*, 318 F.R.D. 383, 2016 U.S. Dist. LEXIS 184906 (C.D. Cal. 2016); *US v. Craft*, 2016 U.S. Dist. LEXIS 3997, 2016 WL 160734, *1 (N.D. Ind. Jan. 13, 2016) (citing *Brandon v. Chicago Board of Ed.*, 143 F.3d 293, 295 (7th Cir. 1998)). This Court notes that errors by judicial officers may occur even when the parties may have raised the issues in the original briefs. The Court also recognizes that this situation is unusual. The strange circumstances compel this Court to treat Defendant's requests for reconsideration—made under the Court's "inherent power"—as motions for reconsideration of the Court's mistake of law under Rule 60(b)(1).

Rule 60(c)(1) permits a district court to find that it is "reasonable" for a party to file a 60(b)(1) motion even a year after entry of judgment, depending on circumstances. Circuit precedent, however, holds that a court may not find a 60(b)(1) motion to be filed "within a reasonable time" unless it was filed within the time for taking an appeal. *See Arrieta v. County of Kern*, 161 F. Supp. 3d 919, 2016 WL 524736, *8 (E.D. Cal. 2016) ("Rule 60(b)(1) allows the

Court" to grant relief from judgment if the motion is "filed within a reasonable time not exceeding the time for appeal." (citing *Gila River Ranch, Inc. v. US*, 368 F.2d 354, 357 (9th Cir. 1966)).⁴ Here, Defendant's request for reconsideration, although not directly under Rule 60(b)(1), was brought within the time to appeal. The Court construes Defendant's request as a Rule 60(b)(1) motion for reconsideration due to the Court's mistake in applying the appropriate law to the facts of this case.

Upon actual consideration of those material facts, the Court finds no basis for the permanent injunction and VACATES the injunction. This also MOOTS all issues relating to Zazzle's request for a stay and Plaintiff's request to correct or clarify the permanent injunction order.

III. Discussion

a. Standard for Injunctive Relief

A court "may . . . grant . . . injunctions on such terms as it may deem reasonable to prevent or restrain infringement." 17 U.S.C. § 502(a). The Supreme Court "has consistently rejected . . . a rule that an injunction automatically follows a determination that a copyright has been infringed." *eBay, Inc v. MercExchange, LLC*, 547 U.S. 388, 392-393 (2006); *see also Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) ("An injunction should issue only where the intervention of a court of equity is essential in order effectually to protect property rights against injuries otherwise irreparable").

Under *eBay*, a plaintiff must satisfy a four-factor test for the court to grant injunctive relief. 547 U.S. at 391. The Plaintiff must prove, with specific evidence: "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public would not be disserved by a permanent injunction." *Id.*

b. There Was No Basis For Any Injunction Against Zazzle

i. No Evidence of Irreparable Harm Exists

An injunction is improper where it does not "guard against any present or imminent risk of likely irreparable harm." *Monsanto Co. v. Geertson Seed Farms*, 561 U.S. 139, 162-63 (2010). To prove irreparable harm, the Plaintiff must demonstrate "a real or immediate threat of imminent harm in the future." *Jacobsen v. Katzer*, 609 F. Supp. 2d 925, 937 n.3, 938 (N.D. Cal. 2009). "An injunction should issue only where the intervention of a court of equity 'is essential in order effectually to protect property rights against injuries otherwise irreparable.'" *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 518 F. Supp. 2d 1197, 1208 (C.D. Cal. 2007) (quoting *Weinberger*, 456 U.S. at 312). Plaintiff's motion did not make any such showing under the theories of irreparable harm it offered.

⁴ *Accord. Lebahn v. Owens*, 813 F.3d 1300, 1305 (10th Cir. 2016) ("[A] Rule 60(b)(1) motion asserting mistake of law is untimely — and therefore gives the district court no authority to grant relief — unless brought within the time to appeal.") (citing *Van Skiver v. US*, 952 F.2d 1241, 1244 (10th Cir. 1991)).

First, Plaintiff claimed harm to its “competitive position” as justification for its injunction, noting that Zazzle sold “unauthorized products,” and alleging that such sales “caused actual loss of market share,” as well as “harm by loss of reputation.” Dkt. 142-1 at 2:23-4:18. Plaintiff did not offer any evidence of past harm arising from Zazzle’s conduct. There was no testimony at trial about lost market share or any identifiable losses attributable to Zazzle. The motion for a permanent injunction also did not present that evidence.

Plaintiff did offer a declaration from its owner, Greg Young; however, Mr. Young’s statements were conclusory and did not have any support.⁵ See, e.g., *Goldie’s Bookstore, Inc. v. Superior Court of State of Cal.*, 739 F.2d 466, 471-72 (9th Cir. 1984) (vacating injunction where hypothetical loss of goodwill and customers was “speculative” because “[s]peculative injury does not constitute irreparable injury”); *Brighton Collectibles, Inc. v. Pedre Watch Co., Inc.*, 2013 WL 5719071, at *4 (S.D. Cal. Oct. 21, 2013) (holding “conclusory assertion that [plaintiff’s] reputation and goodwill has been and will be harmed” without “specific facts or evidence” is insufficient to establish irreparable harm for purposes of permanent injunction). Plaintiff also alleged that Plaintiff and Zazzle compete directly with respect to many items, pointing to trial exhibits as proof. Dkt. 142-2. But none of the cited exhibits actually depicted Plaintiff’s products—or products from Plaintiff’s licensees. Once the Court considers the evidence provided, there is no way to determine whether the products actually competed. Plaintiff offered no evidence of its own prints or what its licensees sold and how they competed with Zazzle. Plaintiff also claimed that it can prove damage because of the infringing sales and poor quality of images; however, those facts are not sufficient alone to show loss of reputation attributable to Zazzle. Plaintiff offered no evidence about the quality of the images or the causal connection between the quality and a loss of reputation.

Second, Plaintiff claimed that it is irreparably harmed because it has lost control of its copyrights. Dkt. 142-2. Plaintiff did not offer any evidence of its market share, any customer who purchased Zazzle products instead of Plaintiff’s products, any identifiable loss of sales, any decline in licensing revenues, or any other specific loss. After *eBay*, Plaintiffs cannot rely on the pure fact of infringement in order to establish irreparable harm.” 518 F. Supp. 2d 1197, 1211 n.13.⁶ Plaintiff did not present any specific evidence of loss of control at trial or in its motion for permanent injunction.

Third, Plaintiff claims that it will suffer irreparable harm through loss of reputation because Plaintiff’s prints were of high quality and Zazzle’s prints were of low quality. Dkt. 142-2. Once again, the record shows no evidence regarding the quality of the prints from either side or how such quality might affect the value of the works.

⁵ Mr. Young’s statements were assertions like “[since] plaintiff has the exclusive right ... defendant’s sales of infringing products caused actual loss of market share,” or that Plaintiff “faces the additional harm of damage to relationships with its licensors.” Dkt. 142-2 ¶¶2-3.

⁶ The facts in this case are also different from the *Grokster* case, where MGM made a similar argument for irreparable harm that the Court accepted. In *Grokster*, the court found that the defendant “has and will continue to induce far more infringement than it could ever possibly redress with damages,” and that the plaintiff’s copyrights “have and will be rendered particularly vulnerable to continuing infringement on an enormous scale due to [defendant’s] inducement” of infringement through a peer-to-peer file-sharing network. 518 F. Supp 2d at 1217. There is no evidence here that Zazzle intentionally induced infringement, that the scale of infringement would dwarf any potential damage award, or that Plaintiff is particularly vulnerable to infringement on an “enormous scale.”

Fourth, Plaintiff claimed irreparable harm from the threat of future infringement and additional lawsuits. But an injunction is improper where any “future threat of infringement is questionable.” *Brighton Collectibles*, 2013 WL 5719071, at *5 (permanent injunction denied where there was no “tangible threat of future infringement”); *see also Grokster*, 518 F. Supp. 2d 1197, 1214-15 (“Irreparable harm cannot be established solely on the fact of past infringement”). Further, as noted in *Grokster*, the “mere likelihood of future infringement by a defendant does not by itself allow for an inference of irreparable harm.” 518 F. Supp. 2d at 1214-1215. In *Grokster*, the future infringements were likely to cause irreparable harm because the defendant was unlikely to be able to pay statutory damages and there would be innumerable future lawsuits. Here, there was no indication that Zazzle will be unable to pay statutory damages, or that any infringements would require dozens or hundreds of future lawsuits. The facts were uncontested that Zazzle promptly removed any infringements brought to its attention.

Upon considering the material facts the Court failed to consider previously, the Court finds a lack of irreparable harm and no justification for a permanent injunction.

ii. Plaintiff Cannot Make Any Showing of A Lack of Adequate Remedy At Law

Plaintiff also did not demonstrate that remedies available at law could not compensate Plaintiff. *eBay*, 547 U.S. at 391. As articulated in *eBay*, a required element of injunctive relief is a finding that “that remedies available at law, such as monetary damages, are inadequate to compensate for that injury.” 547 U.S. at 391.

The jury’s award of statutory damages, \$351,100, was more than adequate to compensate Plaintiff in this case.⁷ Plaintiff’s own evidence showed that the licensing revenues for the artworks at issue were approximately \$21,489 (Tr. Ex. 306B), Zazzle’s sales were \$5,622 (Tr. Ex. 287), and Plaintiff paid approximately \$75,000 to acquire all of the copyrights and some of the physical artworks. Dkt. 120 at 11:20-22. Statutory damages are intended in part to compensate for actual economic injury that is difficult to quantify. Here, the statutory damages awarded to GYPI were an order of magnitude larger than any plausible harm to Plaintiff from any infringement, now or in the future. As adequate compensatory relief for financial injury will still be available to compensate Plaintiff, an injunction is improper. *See Goldie’s Bookstore, Inc.*, 739 F.2d at 471.⁸

Another consideration is whether Zazzle is likely to repeat its infringement in bad faith. The Court’s ruling that Zazzle is not a willful infringer goes against such a finding, as does the *de minimis* amount of infringing sales since the lawsuit was filed. Considering that Zazzle reviews millions of images in a given year, Plaintiff has not been able to demonstrate that Zazzle

⁷ At trial, the jury found infringement and awarded \$460,800 in statutory damages. Zazzle successfully renewed its motion for judgment as to willfulness regarding five of the works. Dkt. 159. Thus, the jury’s award was reduced from \$460,800 to \$351,100.

⁸ In this case, there is also not a likelihood of multiple suits against Zazzle. Since this case began, only approximately \$100 of the \$459.86 in infringing product sales since the litigation began have been to third-parties; more than 75% of the sales have been to GYPI or its straw buyers. Dkt. 142 at 9:8-9:18; Dkt 142-2, ¶¶ 2-3; Dkt. 142-3, Exs. A and B. The sales involved only a handful of designs. *See Tr. Ex. 287*. Plaintiff has not rebutted this evidence or shown a likelihood of cases that would go beyond these *de minimis* claims.

is likely to allow infringement to continue in bad faith. And even if some infringement does continue, Plaintiff has not been able to show why the statutory damages award would not adequately compensate for that injury.

iii. Plaintiff's Proposed Injunctions Go Beyond The Issues At Trial

An “injunction must be narrowly tailored ... to remedy only the specific harms shown by the plaintiffs, rather than ‘to enjoin all possible breaches of the law.’” *Iconix, Inc. v. Tokuda*, 457 F. Supp. 2d 969, 998 (N.D. Cal. 2006) (quoting *Price v. City of Stockton*, 390 F.3d 1105, 1117 (9th Cir. 2004)); see also M. Nimmer & D. Nimmer, 4 NIMMER ON COPYRIGHT § 14.06[C] (“the scope of the injunction should be coterminous with the infringement”); *Chicago Bd. of Educ. v. Substance, Inc.*, 354 F.3d 624, 632 (7th Cir. 2003) (*sua sponte* reversal of injunction where it prohibited forms of copyright infringement beyond those resolved in the litigation).

Plaintiff’s proposed permanent injunction was ambiguous and went beyond the issues at trial, facts which the Court did not consider when it granted the initial motion for a permanent injunction. Before trial, the Court never decided whether Zazzle had a viable DMCA defense as to images only displayed on Zazzle’s website and never physically manufactured. Dkt. 81. Plaintiff withdrew its claims as to such “display-only” artworks prior to trial, so the issue was not tried. Dkt. 110 at 2:11-25. As such, it is unclear whether the injunction applies to both the manufacture and distribution of physical goods, or also to display of images on the Zazzle website. It is also unclear if Zazzle must take “reasonable” steps to address the display of images on its website as well as its manufacture of products. The Court did not consider these material facts in determining the scope of the permanent injunction; upon reviewing these facts, the proposed injunctions go beyond the issues at trial.

IV. Conclusion

The Court recognizes that it failed to consider material facts in granting the permanent injunction in October 2017. The Court also recognizes that it provided no rationale for the permanent injunction, manifestly showing the failure to consider such facts. Upon considering those facts, the Court finds no basis for a permanent injunction in this matter. Accordingly the Court VACATES the permanent injunction, MOOTS Plaintiff’s Motion to Correct/Clarify the Permanent Injunction, and MOOTS Defendant’s Motion to Stay the Permanent Injunction.