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16 UNITED STATES DISTRICT COURT
17 CENTRAL DISTRICT OF CALIFORNIA
18 WESTERN DIVISION

19
20 DISNEY ENTERPRISES, INC., *et al.*,

21 Plaintiffs,

22 vs.

23
24 REDBOX AUTOMATED RETAIL,
25 LLC,

26 Defendant.
27
28

Case No. 2:17-cv-08655-DDP (AGR_x)
Hon. Dean D. Pregerson

**DEFENDANT REDBOX'S
OPPOSITION TO PLAINTIFFS'
MOTION FOR PRELIMINARY
INJUNCTION**

Hearing Date: February 5, 2018
Hearing Time: 10:00 a.m.
Complaint filed: November 30, 2017
Trial Date: Not Set

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Deadline

1 **I. INTRODUCTION**

2 Just as it has done for years with DVD rentals, Redbox recently started
3 selling codes for digital movies from its automated kiosks. Redbox's customers like
4 that. Disney and its subsidiaries don't. By this motion, Plaintiffs seek to stifle
5 competition to more smoothly launch Disney's own digital content streaming
6 service, maximize the price other services like iTunes and Amazon (and their
7 customers) pay for Disney movies, and secure a greater market share for Hulu—the
8 viewing service Disney will control as part of its \$52 billion acquisition of 21st
9 Century Fox. These anti-consumer and anti-competitive ends do not support a
10 preliminary injunction, and neither do the Plaintiffs' evidence or applicable law.

11 Plaintiffs ask this court to wholly rewrite seven cryptic and ambiguous
12 words—"codes are not for sale or transfer"—into an after-the-fact, restrictive
13 license in violation of basic principles of contract law, the first sale doctrine and
14 Ninth Circuit precedent. But even in their nearly illegible form, and although
15 Plaintiffs imply the packaging for all of them is the same, these words appear on
16 only 5 of the Combo Packs listed in the Complaint's Exhibit A. Other language
17 appears elsewhere, and in varied forms, but none of it voids the first sale of the
18 digital movies, and none forms a binding contract.

19 Many facts here are undisputed. Plaintiffs sold codes for digital movies as
20 part of Combo Packs to authorized retailers. These codes allow purchasers to
21 redeem digital movies online. And Redbox has the right to transfer the code if it is
22 transferred along with a rest of the Combo Pack. Plaintiffs' sole complaint is that
23 Redbox should be preliminarily enjoined from separately selling the codes Redbox
24 lawfully purchases, and thus the digital movie corresponding to it, at a lower cost
25 than what Plaintiffs would like.

26 Under clear lines of authority concerning this type of copyrighted work (film
27 and performing arts), no restrictive license is created by the sale, and Plaintiffs'
28 after-the-fact attempt to restrain trade is unsupported in law and fact. The

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1 presentation of terms on websites that deliver the digital movies Plaintiffs sold
2 creates no license or other contract with Redbox or any of its customers, nor does it
3 create a limitation on customers obtaining the movies Plaintiffs previously sold.

4 Without after-the-fact licenses being formed or a defense against the first sale
5 doctrine, all of Plaintiffs' claims fail. So Plaintiffs ask this court to find that
6 accessing the digital movies they sold is somehow an act of infringement. This
7 argument ignores the fact that the digital movies were sold in the first instance, not
8 licensed, and that no copy is created other than that which Plaintiffs obligated
9 themselves to deliver by selling a code, and that the first sale doctrine squarely
10 applies and prevents any claim of contributory infringement against Redbox.
11 Plaintiffs' authorities on this point address the very different situation where a copy
12 is made that was not purchased. Here, reproduction is not an issue. By selling the
13 digital code, Plaintiffs committed to distributing (digitally delivering) the digital
14 copy consumers download as part of the first sale.

15 With no law or facts to support their case, Plaintiffs' motives become clear.
16 Years ago, the movie studios attempted to quash competition by suing movie rental
17 companies to prevent them from renting and reselling videocassettes. The courts
18 rejected those efforts and held movie rental companies had the right to rent and sell
19 the movies they purchased under the first sale doctrine. Since then, technology has
20 evolved to permit movies to be downloaded using digital codes. But basic copyright
21 and contract principles have remained the same. Redbox and other resellers still
22 have the right to resell the copies of movies they buy from retailers. Plaintiffs
23 tacitly admit they seek to thwart competition and require consumers to pay higher
24 prices for digital codes than what they could buy them for from Redbox. Copyright
25 law, contract law, and the public interest all compel the conclusion that preliminary
26 injunctive relief should be denied.

27
28

1 **II. STATEMENT OF FACTS**

2 **A. Redbox rents and sells movies to a unique and loyal customer**
3 **base.**

4 Since launching in 2002, Redbox has offered newly released movies at the
5 best prices by renting and selling them out of over 41,000 automated kiosks. Smith
6 Decl. ¶ 3–5; Chamberlain Decl. ¶ 2. These kiosks serve a market segment that is not
7 served, or not served well, by other retailers and streaming services. Smith Decl.
8 ¶ 6. Redbox passes on the savings, and its customers are loyal and rent movies
9 frequently. *Id.* at ¶ 7. In addition to digital copies of Disney movies, Redbox also
10 recently began offering movies on demand from the other major studios. *Id.* at ¶ 4.

11 **B. Redbox’s business model benefits Plaintiffs and retailers.**

12 Without a Disney vendor agreement (like the ones it has with the other major
13 studios), Redbox’s 1,000-member field staff must purchase Disney, Marvel, and
14 Lucasfilm titles through normal retail channels in the same way other consumers
15 do—at grocery stores, convenience stores, department stores and electronics stores.
16 Chamberlain Decl. ¶¶ 2–5. Field staff members are not asked to, and do not, accept
17 terms and conditions of any kind as a part of their transactions. *Id.* at ¶ 5. Redbox
18 pays retail prices for Disney Combo Packs and helps retailers sell the Disney
19 inventory they purchase. Smith Decl. ¶ 8. Doing so helps retailers and Plaintiffs
20 fulfill their revenue goals, while Redbox’s sale of digital codes defrays the higher
21 cost of Combo Packs. *Id.* at ¶ 9.

22 Redbox’s sale of digital copies serves Disney’s goal of introducing viewers
23 to digital movies and migrating them away from physical discs. *Id.* at ¶ 10.
24 Moreover, when Redbox customers use Disney movie websites, the sites acquire
25 valuable Redbox customer information that they could not otherwise get. *Id.* at
26 ¶ 10. That information can be used to market Disney products and services, save
27 substantial customer acquisition costs, and develop direct-to-customer relationships
28 that cut out revenue shares currently paid to licensees (e.g. Amazon, iTunes, and

1 Vudu). *Id.* at ¶¶ 10–11. The lower price of content also discourages piracy, and
2 reduces the likelihood (and number) of sales of the same content through bazaar-
3 type websites like eBay and Craig’s List. *Id.* at ¶¶ 12–13.

4 Plaintiffs’ speculation that they will lose sales from Redbox selling digital
5 codes is unsubstantiated. *Id.* at ¶ 14. Just as when DVDs began being rented years
6 ago, the increased availability of movies through digital downloads will make
7 movies more accessible to a broader audience who the studios do not effectively
8 reach, and who are more cost-conscious and potentially less tech-savvy than those
9 who already use subscription-based and view-based digital services. *Id.*

10 The exaggeration of Plaintiffs’ harm hypothesis is shown by the one film
11 released since Redbox began selling codes that Plaintiffs’ declarant characterized as
12 a miss—*Cars 3*. Marinelli Dep. (App’x of Sealed Documents, Ex. D) 77:23–78:12;
13 Smith Decl. ¶ 15. The majority of Redbox’s sales occurred at the same price—
14 \$14.99—Disney licensees charged, and Redbox only managed to sell about 350
15 total codes. *Id.* And licensees commenced sales of downloads more than two weeks
16 before consumers became aware Redbox sold digital codes for that movie. *Id.* If
17 anything, viewers have been trained to wait a short while for a new release to
18 appear on Netflix; for example, *Cars 3* becomes accessible on January 31, 2018. *Id.*
19 at ¶ 16. So Redbox’s sale of *Cars 3* digital codes could not have caused any harm.

20 **C. Consumers have no complaints about Redbox’s digital code sales.**

21 When merchandising digital codes, Redbox takes great care to ensure all the
22 materials that originally accompany the original inserts containing digital codes are
23 included in its jewel cases. Chamberlain Decl. ¶¶ 7–8. Contrary to Plaintiffs’
24 concerns, digital codes usually have expiration dates years after their initial release;
25 Redbox does not sell digital movies that are near or past their codes’ stated
26 expiration date. *Id.* at ¶ 9. Thus, Redbox has not had complaints about the content,
27 process, terms, purchasing, or accessing of digital movies using digital movie
28 download codes. *Id.* at ¶ 10.

D. Redbox will be harmed by a Preliminary Injunction.

Redbox has spent the better part of a year, over \$700,000, and substantial resources preparing computer systems, product databases, kiosks, and staff to merchandise and sell digital movie downloads. Smith Decl. ¶ 17; Chamberlain Decl. ¶ 11. Redbox would suffer significant financial harm and a loss of goodwill if its efforts were wasted because it was required to abruptly stop doing so. Smith Decl. ¶ 18; Chamberlain Decl. ¶ 12. An injunction that removes Redbox from the digital download market when the technology is emerging is also likely to cause permanent and unquantifiable harm to its ability to participate in that market—a harm that is amplified by Disney’s impending launch of its own streaming service. Smith Decl. ¶ 21.

E. Disney’s copyright misuse has already interfered with Redbox.

Redbox previously attempted to negotiate a vendor agreement with Disney. *Id.* at ¶ 19. However, it demanded terms that would delay Redbox’s distribution of Disney new releases for so long as to seriously impede Redbox’s ability to rent and sell those titles when people want them most. *Id.* As a result, Redbox turned to buying DVDs from retailers. *Id.* Disney responded by prohibiting at least one retailer from selling to Redbox. *Id.* at ¶ 20.

III. STANDARD OF REVIEW

Plaintiffs bear the burden of showing that (1) they are “likely to succeed on the merits,” (2) they are “likely to suffer irreparable harm in the absence of preliminary relief,” (3) “the balance of equities tips in [its] favor,” and (4) “an injunction is in the public interest.” *Winter v. NRDC, Inc.*, 555 U.S. 7, 20 (2008). Likelihood of success on the merits is “the most important” factor. *Garcia v. Google, Inc.*, 786 F.3d 733, 740 (9th Cir. 2015). However, Plaintiffs may not rely on a “presumption of harm” but rather must submit “actual evidence.” *Flexible Lifeline Sys., Inc. v. Precision Lift, Inc.*, 654 F.3d 989, 998 (9th Cir. 2011).

1 **IV. PLAINTIFFS HAVE NOT ESTABLISHED A LIKELIHOOD OF**
2 **SUCCESS ON THE MERITS**

3 **A. Plaintiffs' Copyright Claims Are Barred by the First Sale Doctrine**

4 This case is governed by the first sale doctrine. The first sale doctrine
5 provides that “the owner of a particular copy or phonorecord lawfully made under
6 [the Act ...] is entitled, without the authority of the copyright owner, to sell or
7 otherwise dispose of the possession of that copy or phonorecord.” 17 U.S.C.
8 § 109(a). The seminal illustration of the doctrine is found in *Bobbs-Merrill Co. v.*
9 *Straus*, 210 U.S. 339, 341 (1908), where a copyright owner unsuccessfully
10 attempted to restrain the resale of a copyrighted book by including in it the
11 following notice: “The price of this book at retail is \$1 net. No dealer is licensed to
12 sell it at a less price, and a sale at less price will be treated as an infringement of the
13 copyright.” *Id.* The Court noted that the statutory grant to a copyright owner of the
14 “sole right of vending” the work did not continue after the first sale of a given copy.
15 *Id.* 349–50. “The purchaser of a book, once sold by authority of the owner of the
16 copyright, may sell it again, although he could not publish a new edition of it.” *Id.*
17 at 350. “The rule of *Bobbs-Merrill* remains in full force, enshrined as it is in §
18 109(a) of the Act: a copyright owner who transfers title in a particular copy to a
19 purchaser cannot prevent resale of that particular copy.” *UMG v. Augusto*, 628 F.
20 3d 1175, 1180 (9th Cir. 2011).

21 When a copyrighted work is sold, there is a presumption that the transaction
22 transferred title to a copy of the work that is subject to the first sale doctrine. *See*
23 *Adobe Sys. v. Christenson*, 809 F.3d 1071, 1080 (9th Cir. 2015). Where, as here, a
24 copyright holder claims that an alleged infringer possesses only a license and not a
25 copy of its work, the plaintiff bears the burden of showing that only a license was
26 created. *Id.* Plaintiffs cannot meet this burden.

27 Here, Plaintiffs admit that they sold Combo Packs to retailers. Yet, there’s no
28 evidence before the Court of agreements imposing licenses or other terms on those

1 sales. Marinelli Dep. 113:17–115:18. And the “Combo Packs” contain three
2 versions of the same film: a Blu-Ray disc, a DVD disc, and a code for a digital
3 copy. The code authenticates the delivery of a single digital copy of the movie. *Id.*
4 at 155:1–3. Plaintiffs concede that Redbox may rent or resell the Blu-Rays and
5 DVDs pursuant to the first sale doctrine, but absurdly assert that the code cannot be
6 transferred unless it is transferred with the DVD and Blu-Ray disc. They
7 erroneously contend that the digital copy should be treated differently because the
8 phrase “Codes are not for sale or transfer” appears on *some* of the asserted
9 packages. However, this phrase, which is often printed so small that it is barely
10 readable, actually only appears on five of the twenty titles cited in the Complaint.
11 The other fifteen have no such restriction.¹ Plaintiffs’ chief declarant also admitted
12 that the same Disney titles are sold inside different packaging versions that contain
13 different information on the outside, leaving in doubt which versions were
14 purchased by Redbox versus the versions submitted by Plaintiffs. Marinelli Dep. at
15 222:21–227:14.

16 Even as to those packages that contain the phrase, the phrase still fails to
17 transform the transaction from the sale of a digital copy into the sale of a license.
18 As the Ninth Circuit noted in *UMG*, there are “three considerations that we may use
19 to determine whether a software user is a licensee, rather than an owner of a copy.
20 First, we consider whether the copyright owner specifies that a user is granted a
21 license. Second, we consider whether the copyright owner significantly restricts the
22 user’s ability to transfer the software. Finally, we consider whether the copyright
23 owner imposes notable use restrictions.” 628 F.3d at 1183.

24
25 ¹ After Redbox’s counsel pointed out that Plaintiffs’ motion was misleading,
26 counsel for Plaintiffs submitted a supplemental declaration that shows the phrase
27 appears on only five of the packages. *See* Dkt. 28. The declaration argues that
28 similar language is found on some of the cards inserted inside the packages, which
consumers obviously cannot see until after making the sale. However, the majority
of the packaging contains no restriction whatsoever. *See id.*

1 Here, the facts surrounding the sale of Disney’s movies do not satisfy the
 2 above test. First, Plaintiffs did not specify that a user is granted a license.
 3 (Plaintiffs’ motion does not even argue that it is selling a license.) Second,
 4 Plaintiffs do not significantly restrict the user’s ability to transfer the digital movie.
 5 For example, the digital movie code is freely sold by retailers, and Plaintiffs have
 6 produced no evidence that a separate license agreement was entered with those
 7 retailers to transfer the movie. Moreover, Plaintiffs’ declarant admits that
 8 consumers may purchase and transfer the entire combo pack—including the digital
 9 copy—as a gift. Third, the copyright owners impose no use restrictions other than
 10 the standard geographic limitation that is asserted on all media sold in the United
 11 States. Moreover, the phrase, “Codes are not for sale or transfer,” plainly does not
 12 mean that a user cannot *use* the code to obtain the movie it purchased. As such, no
 13 restrictive license is present and Plaintiffs’ rights to control distribution are
 14 exhausted by the first sale doctrine.

15 Nor is the limitation appearing on some of the packaging sufficient to put the
 16 purchaser on notice that a contract is being offered or a license is being created. For
 17 example, in *UMG*, the Ninth Circuit found that the words “Promotional Use Only—
 18 Not for Sale” did “not even purport to create a license.”² *Id.* at 1182; *Softman*
 19 *Products Co. LLC v. Adobe Systems Inc. et al.* 171 F. Supp. 1075 (C. D. Cal. 2001)
 20 (holding packaging language that stated “NOTICE TO USERS: This product is
 21 offered subject to the license agreement” did not create a license). Moreover, mere
 22 packaging, even if far more extensive than Plaintiffs have shown here, would not
 23 create a restrictive license because there is no assent by the authorized retailers or
 24 the subsequent retail purchasers like Redbox. As the court held in *UMG*:

25 It is one thing to say, as the statement does, that
 26 ‘acceptance’ of the CD constitutes an agreement to a

27 _____
 28 ² In *UMG*, the media at issue were promotional, however, the Court applied the first
 sale doctrine for wholly independent reasons. *Id.* at 1182.

1 license and its restrictions, but it is quite another to
2 maintain that ‘acceptance’ may be assumed when the
3 recipient makes no response at all. *This record reflects no*
4 *responses. Even when the evidence is viewed in the light*
5 *most favorable to UMG, it does not show that any*
6 *recipients agreed to enter into a license agreement with*
7 *UMG when they received the CDs.*

8 Because the record here is devoid of any indication that
9 the recipients agreed to a license, there is no evidence to
10 support a conclusion that licenses were established under
11 the terms of the promotional statement.

12 *Id.* at 1182 (emphasis added). Plaintiffs also fail to show that they impose
13 “sufficient incidents of ownership” by controlling the digital codes after sale “to be
14 sensibly considered the owner” of the digital copies. *Id.* at 1183 (citing *Krause v.*
15 *Titleserv. Inc.*, 402 F.3d 119, 124 (2d Cir. 2005)). Plaintiffs’ primary witness
16 admitted that she does not know how many codes have been sold, how many codes
17 have been redeemed, or whether Plaintiffs do anything to track the codes that are
18 included in the Combo Packs. Marinelli Dep. at 88:10–25; 89:1–25; 90:1–4.

19 Here, Plaintiffs’ real complaint is that Redbox unbundles the three items
20 contained in the Combo Packs and sells the code separately. It does not suggest that
21 Redbox is prohibited from reselling the entire combo pack, for example. But there
22 is no stated prohibition against, or enforceable contract or license prohibiting,
23 unbundling the products that Redbox purchases from retailers. Even if, contrary to
24 fact, such a license existed, it would not vitiate Redbox’s rights under Section
25 109(a). For example, in *Burke & Van Heusen, Inc. v. Arrow Drug, Inc.*, 233 F.
26 Supp. 881, 884 (E.D. Pa. 1964), the court found that, even in the face of a written
27 agreement to not to sell copyrighted records unless they were sold as a bundle with
28 another product, the sale of the copyrighted work separate from another product did
not constitute copyright infringement. In *Burke & Van Heusen*, the copyright holder
granted to a third party, Beecham Products, Inc., “a restrictive license for the use of

1 the compositions on long playing records which were to be used only as a premium
2 in connection with the sale of certain shampoo.” Beecham sold the records with the
3 shampoo to the defendant who resold the record separately from the shampoo. *Id.*
4 The plaintiff sued for copyright infringement. The court held that, notwithstanding
5 a restrictive written license signed by the copyright holder and the intermediary
6 owner of the copyrighted music, the subsequent purchaser was not liable for
7 copyright infringement. *Id.* As in *Van Heusen*, title to the copies transfers from
8 Plaintiffs when it sells Combo Packs to authorized distributors. When Redbox
9 lawfully purchases these products, Plaintiffs’ rights are exhausted and Redbox has
10 the full and complete right to sell the items.

11 **B. No Enforceable Contract Limits Transfer of the Codes**

12 Recognizing that it cannot meet the standard for a license, Plaintiffs next
13 argue that there is a contract prohibiting transferring the codes separately from the
14 discs. However, Plaintiffs have not identified any cases that suggest a copyright
15 owner may overcome the restriction of Section 109(a) by way of a contractual
16 agreement that fails to meet the requirements of a license. Indeed, the standards set
17 out in *UMG* would be meaningless if this were the case.

18 But even if Plaintiffs could somehow bypass the first sale doctrine, Plaintiffs
19 have not offered evidence suggesting that such a contract was formed in this case.
20 As an initial matter, the only alleged terms that are proposed at the time of sale are
21 those on the outside of a handful of the asserted packages. Yet under California
22 law, such hypothetical “shrink wrap” terms do not form a valid contract without an
23 express notification to the customer that opening the package constitutes acceptance
24 of the terms and conditions. *Norcia v. Samsung Telcoms. Am., LLC*, 845 F.3d 1279,
25 1287 (9th Cir. 2017). “Under these circumstances, California’s general rule that
26 silence or inaction does not constitute acceptance is binding.” *Id.* Plaintiffs have not
27 shown the law is otherwise elsewhere either. Likewise, nothing on the packaging
28

1 indicates that the contract would be with plaintiff Buena Vista Home
2 Entertainment, Inc, which is identified only as the distributor.

3 Moreover, the phrase “codes are not for sale or transfer” does not impose the
4 restrictions Plaintiffs seek in this case. Plaintiffs interpret those seven words to
5 somehow result in a complex decision-tree of when and how a customer may
6 dispose of the goods sold in the Combo Packs. For example, Plaintiffs’ declarant
7 testified that a customer does not violate the seven magic words, “Codes are not for
8 sale or transfer,” when giving the Combo Packs as a gift, even though the codes are
9 transferred in doing so. Marinelli Dep. 135:11–17. But Plaintiffs absurdly conclude
10 that a customer *would* violate that phrase by giving away the DVD and Blu-Ray but
11 retaining the code for himself, even though the code is never sold or transferred. *Id.*
12 at 136:6–17. She also claimed that downloading the movie first and then selling the
13 DVD later would violate the purported contract. *Id.* at 135:21–136:5. Plainly,
14 neither retail customers nor Redbox agreed to these undisclosed and unimaginable
15 interpretations of the seven words when purchasing Combo Packs.

16 Plaintiffs also argue that there are contract terms imposed after-the-fact by
17 the terms and conditions found on the two websites where users download the
18 digital copy. However, Plaintiffs’ declarant admitted that these terms are not found
19 on the packaging when the Combo Packs are purchased, but are allegedly
20 incorporated by reference to websites on the package in language printed so small
21 that even she could not read it at her deposition. *Id.* at 197:21–198:8. Even worse,
22 consumers who buy Combo Packs online never see the back side of the packaging
23 where the alleged terms are stated, causing Ms. Marinelli to concede that “perhaps
24 we need to do a better job.” *Id.* at 212–217. This falls woefully short of the
25 requirements a for shrink-wrap license. *See Norcia*, 845 F.3d at 1287; *see also*
26 *Fagerstrom v. Amazon.com, Inc.*, 141 F. Supp. 3d 1051, 1069 (S.D. Cal. 2015)
27 (terms of service not binding unless customer given “reasonable notice”).
28

1 Even if the websites could impose additional terms, the websites here do not.
2 On the first website, RedeemDigitalMovie.com, the website claims users must own
3 the “physical product” when they redeem a code. However, nothing on that website
4 explains what constitutes the “physical product,” and elsewhere on the website,
5 Disney advises customers: “Note—Redeem Digital Movie titles do NOT require a
6 disc for Digital Movie redemption.” See Geibelson Decl. Ex. E (emphasis in
7 original). Moreover, Ms. Marinelli testified that the card on which the digital code
8 is printed is considered part of the “physical product.” Marinelli Dep. at 62:23:25;
9 63:1–5. That’s the same insert that Redbox removes from the Combo Pack and
10 resells to its customers. Chamberlain Decl. ¶¶ 7–8. Thus, even if this vague
11 condition were enforceable, a customer who obtains the card insert from Redbox
12 can truthfully represent that they own the “physical product.”

13 On the second website, which is owned by Movies Anywhere LLC, the
14 restriction is equally vague, stating that a user must possess a “Movies Anywhere-
15 eligible physical product that is owned by you.” See Klaus Decl. Ex. B at ¶ 3(e).
16 Again, that physical product references the card insert that is printed by Disney and
17 resold by Redbox. Marinelli Decl. ¶ 4; Klaus Decl. Ex. 32. These alleged terms of
18 service also suffer from another major flaw—the terms are with Movies Anywhere,
19 LLC, which is not a plaintiff in this case. While Plaintiffs claim they are a
20 “beneficiary” of those terms, nothing in the Movies Anywhere terms of service
21 identify Plaintiffs as third-party beneficiaries or express any understanding that they
22 are intended to benefit from its terms. See *Norcia*, 845 F.3d at 1290–91 (plaintiff
23 bears burden of showing that parties to contract intended the contract to benefit
24 plaintiff). Indeed, the only third-party beneficiaries identified are Apple, Google,
25 and Microsoft. Ex. B at ¶ 9(d). By expressly recognizing those companies but not
26 Plaintiffs, the contract itself forecloses the argument that Plaintiffs are intended
27 beneficiaries under the principle of *expressio unius est exclusio alterius* (the
28 inclusion of one thing implies exclusion of others). See *White v. Western Title Ins.*

1 Co. 40 Cal.3d 870, 881–882, fn. 4 (1985) (holding principle applies to contact
2 interpretation). In any event, Plaintiffs offered no evidence that they are intended
3 beneficiaries. Thus, Plaintiffs lack standing to assert a breach of contract.

4 C. There is No Contributory Infringement

5 Next, Plaintiffs argue that the two websites’ terms of service constitute a
6 “condition precedent” to downloading the already-purchased movie, the violation
7 of which constitutes contributory infringement of copyright. Based on this theory,
8 Plaintiffs attempt to transform downloading the movie they already promised to
9 deliver into a “reproduction” and argue that their reproduction rights, not their
10 distribution rights, are violated. They cite *MDY Indus., LLC v. Blizzard Entm’t,*
11 *Inc.*, 629 F.3d 928, 939 (9th Cir. 2010) as “explaining that violation of a condition
12 precedent exceeds the scope of the license.” As discussed above, however, there is
13 no license and even Plaintiffs do not claim that one was created. But even—
14 contrary to fact—had a license been created here, *MDY Indus.* itself states that not
15 all violations of a contract or license result in copyright infringement. Rather, the
16 Ninth Circuit explained that “the potential for infringement exists only where the
17 licensee’s action (1) exceeds the license’s scope (2) in a manner that implicates one
18 of the licensor’s exclusive statutory rights.” *Id.* at 940. Here, Plaintiffs sold their
19 digital movies with the full knowledge and expectation that that copy would be
20 delivered by electronic download. No second copy is being created. As such, there
21 is no unlawful “reproduction,” only a lawful distribution subject to Section 109.

22 Plaintiffs’ case rests on the mistaken belief that the first sale doctrine never
23 applies to digital copies. *Marinelli Dep.* 128:15–129:7. As Plaintiffs’ own authority
24 notes, however, the first sale doctrine applies to digital copies so long as the resale
25 is of the “particular copy” that was sold by the copyright owner and not a new,
26 unauthorized digital (second) copy created by the consumer. *See Capitol Records,*
27 *LLC v. ReDigi Inc.*, 934 F. Supp. 2d 640, 656 (S.D.N.Y. 2013) (“Section 109(a)
28 still protects a lawful owner's sale of her ‘particular’ phonorecord, be it a computer

1 hard disc, iPod, or other memory device onto which the file was originally
2 downloaded.”). Here, Redbox selling the code *before* the digital copy is
3 downloaded is no different from Redbox using the code to download the digital
4 copy onto a portable memory device and reselling that device itself. *See id.* It is the
5 “particular copy” that Plaintiffs agreed to sell and is not and cannot be contributory
6 infringement. Marinelli Dep. 155:1–4 (each code can only be used once).

7 None of Plaintiffs’ cases on contributory infringement are relevant because
8 all of those cases involve a user creating a new, unauthorized digital copy. For
9 example, *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001),
10 involved a peer-to-peer file sharing system that allowed users to make unlimited
11 copies of a single MP3 music file, which were then distributed to other users.³ Here,
12 there is no new copy being made by either Redbox or the consumer. Plaintiffs and
13 their websites are only delivering the “particular” digital copies that they agreed to
14 sell as part of their Combo Packs.

15 **D. Plaintiffs Are Engaged In Copyright Misuse**

16 By attempting to overextend their copyrights’ reach to control prices and
17 limit how their products are sold in the downstream market, in violation of the first
18 sale doctrine, Plaintiffs have committed copyright misuse. The copyrights are thus
19 unenforceable. *Omega S.A. v. Costco Wholesale Corp.*, 776 F.3d 692, 695 (9th Cir.
20 2015) (Wardlaw, J., concurring); *Practice Mgmt. Info. Corp. v. AMA*, 121 F.3d 516,
21 520 (9th Cir. 1997); *DSC Communications Corp. v. DGI Techs., Inc.*, 81 F.3d 597,
22 601 (5th Cir. 1996); *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 977–79 (4th
23 Cir. 1990). Copyrights confer limited monopoly power, but “the granted monopoly
24

25 ³ *See also Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996)
26 (sale of counterfeit copies of recordings at a swap meet); *Capital Records LLC v.*
27 *ReDigi Inc.* 934 F. Supp. 2d 640, 658 (S.D.N.Y. 2013) (similar to *Napster*, sale of
28 new digital copies of previously sold MP3s); *Sega Enters. Ltd. v. MAPHIA*, 948 F.
Supp. 923 (N.D. Cal. 1996) (sale of pirated versions of video games).

1 power does not extend to property not covered by the patent or copyright.”
2 *Lasercomb Am., Inc.*, 911 F.2d at 976 (citations omitted). Copyright misuse
3 involves the impermissible expansion of monopoly, but “need not be a violation of
4 antitrust law in order to comprise an equitable defense to an infringement action.”
5 *Lasercomb Am., Inc.*, 911 F.2d at 978 (4th Cir. 1990). Thus, it is an “abuse of
6 process” where a copyright owner [uses] an infringement suit to obtain property
7 protection that [] copyright law clearly does not confer” *Omega*, 776 F.3d at
8 700 (Wardlaw, J., concurring). Consequently, “[t]he defense is often applied when
9 a defendant can prove either: (1) a violation of the antitrust laws; (2) that the
10 copyright owner otherwise illegally extended its monopoly; or (3) that the
11 copyright owner violated the public policies underlying the copyright laws.” *Id.* The
12 imposition of unduly burdensome licensing agreements that restrict competition can
13 violate public policy and constitute copyright misuse. *See, e.g., Practice Mgmt.*
14 *Info. Corp.*, 121 F.3d at 521; *Lasercomb Am., Inc.*, 911 F.2d at 978; *Alcatel USA,*
15 *Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 793 (5th Cir. 1999) (*Alcatel USA, Inc.*, was
16 formerly DSC Communications Corp.).

17 Here, Plaintiffs admit they do not sell digital movie codes as “freestanding”
18 products. Marinelli Decl. ¶ 22. Instead, consumers are required to buy Combo
19 Packs to obtain a digital movie code. *Id.* They contend that, when consumers are
20 allowed to buy codes sold from Redbox, they will sell fewer Combo Packs.
21 Marinelli Decl. ¶16. This plainly demonstrates, and Plaintiffs admit, that they are
22 attempting to prohibit downstream resale or transfer of their products. They are
23 attempting to limit resale of physical DVD and Blu-ray discs, by requiring
24 consumers to retain them to access digital movies. And they admit that they are
25 attempting to restrain competition because Redbox is competing downstream and
26 offering lower prices. Marinelli Decl. ¶ 11. All of these misuse the limited
27 monopoly in copyright.
28

1 Here, Plaintiffs seek to enforce what they contend are two separate
2 agreements that restrain how their products are sold and the price at which they are
3 sold. One is at the point of sale and one is at the online distributors. While, as
4 discussed *supra*, Redbox disagrees and does not concede that any agreement exists,
5 assuming, *arguendo*, that such restrictions were present in the marketplace, it would
6 be anticompetitive and against public policy under the rule established in the
7 foundational cases that recognize the copyright misuse defense in the Ninth Circuit,
8 *Practice Mgmt. Info. Corp.*, and in the Fourth Circuit, *Lasercomb*.

9 In *Practice Mgmt. Info. Corp.*, the American Medical Association (AMA)
10 developed and published a coding system called the CPT for medical procedures
11 and asserted copyright over that publication. *Practice Mgmt. Info. Corp.*, 121 F.3d
12 at 516–17. The AMA then licensed the CPT to the government, but the license
13 restricted the government from using other coding systems offered by competitors.
14 *Id.* The court concluded that “the AMA misused its copyright” by using the
15 exclusivity provision in the license to effectively exclude the competition. *Id.* at
16 520. In other words, the license terms “gave the AMA a substantial and unfair
17 advantage over its competitors.” *Id.* at 521. In *Lasercomb*, which the Ninth Circuit
18 adopted in *Practice Mgmt.*, a licensing agreement with an embedded non-compete
19 clause was at issue. 911 F.2d at 973. The court reasoned that the while “*Lasercomb*
20 undoubtedly has the right to protect against copying of [its] code,” the licensing
21 went “much further” than it needed to and restricted competition. *Id.* at 978.

22 Both *Practice Mgmt. Info. Corp.* and *Lasercomb* found that, while not
23 necessarily antitrust violations, the unduly restrictive licenses were copyright
24 misuse that violated public policy. *Practice Mgmt. Info. Corp.*, 121 F.3d at 521
25 (“By agreeing to license the CPT in this manner, the AMA used its copyright ‘in a
26 manner violative of the public policy embodied in the grant of a copyright’”)
27 (quoting *Lasercomb Am., Inc.*, 911 F.2d at 977). The copyright holders in *Practice*
28 *Mgmt. Info. Corp.* and *Lasercomb* attempted to use licensing agreements to restrict

1 competition. In each case, it was deemed copyright misuse to use unduly restrictive
2 licensing terms to restrain competition. Such is the case here, where Plaintiffs are
3 attempting to assert purported agreements to fix prices and prevent Redbox from
4 offering lower prices to consumers. Marinelli Decl. ¶ 11.

5 Moreover, the policy considerations behind the first sale doctrine strongly
6 support applying the copyright misuse doctrine here. Like the publisher in *Bobbs-*
7 *Merrill*, Plaintiffs hold copyrights to creative works. They then affixed purported
8 resale restrictions on the rear-facing portion of the combo pack, the same page that
9 bears the copyright. In *Bobbs-Merrill*, the resale restriction was intended to prevent
10 resale from occurring at a price that the copyright holder determined was too low,
11 rather than the market price set at retail. 210 U.S. at 341. This is exactly what
12 Plaintiffs are attempting to do to Redbox, namely, impose an artificial price floor by
13 eliminating competition, which Plaintiffs perversely call “below market prices.”
14 Marinelli Decl. ¶ 19; Marinelli Dep. 168:10–12. Plaintiffs are therefore attempting
15 the skirt both the spirit and the letter of *Bobbs-Merrill* through the fiction of a
16 reproduction claim and the deliberate ignorance that the purported reproduction is
17 the same digital copy it sold. Plaintiffs are, in reality, in exactly the same position
18 as the publisher in *Bobbs-Merril*, and their claims constitute misuse because they
19 seek to expand Plaintiffs’ copyrights beyond their permissible scope.

20 **E. Plaintiffs Will Not Succeed On Their State Law Claims**

21 Plaintiffs are also not entitled to a preliminary injunction on their state law
22 causes of action.

23 **1. *Redbox’s advertising and sale of digital copies are immunized***
24 ***by the UCL’s and FAL’s “Safe Harbor” and the Copyright***
25 ***Act’s preemption provision.***

26 The crux of every one of Plaintiffs’ claims is that Redbox violates the
27 Copyright Act by reselling digital copies of movies it purchases at retail. Because
28

1 the first sale doctrine authorizes this behavior, the transactions are protected by the
2 UCL and FAL’s safe harbor doctrine, and the claims are preempted.

3 “A business practice cannot be unfair if it is permitted by law.” *Lazar v.*
4 *Hertz Corp.*, 69 Cal. App. 4th 1494, 1505 (1999). As the California Supreme Court
5 explained in *Cel-Tech Communications, Inc. v. Los Angeles Cellular Telephone*
6 *Co.*, 20 Cal.4th 163, 182 (1999): “Although the unfair competition law’s scope is
7 sweeping, it is not unlimited. ... When specific legislation provides a ‘safe harbor,’
8 plaintiffs may not use the general unfair competition law to assault that harbor.”
9 The same principle applies to, and bars, Plaintiffs’ FAL claim. *See Ebner v. Fresh*
10 *Inc.*, 2013 U.S. Dist. LEXIS 188889, at *8–14 (C.D. Cal. Sep. 11, 2013)
11 (compliance with federal law about quantity of lip balm).

12 The safe harbor doctrine mirrors the Copyright Act’s preemption provision,
13 17 U.S.C. § 301. It “explicitly preempts state laws that regulate in the area of
14 copyright, stating that ‘all legal or equitable rights that are equivalent to any of the
15 exclusive rights within the general scope of copyright as specified by section 106
16 ... are governed exclusively by this title.’” *Sybersound Records, Inc. v. UAV Corp.*,
17 517 F.3d 1137, 1150 (9th Cir. 2008) (quoting 17 U.S.C. § 301(a)). If Redbox is
18 permitted to sell the digital copies it purchased, that right would dispose of every
19 state cause of action pled. Thus, the claims asserted under state law are equivalent
20 to those protected by the Copyright Act. For example, when Xerox claimed an
21 unauthorized copy of its copyrighted work was being incorporated into an Apple
22 product, Xerox’s unfair competition claim alleging confusion was preempted.
23 *Xerox Corp. v. Apple Comput., Inc.*, 734 F. Supp. 1542, 1543 (N.D. Cal. 1990).
24 And when Motown claimed that Hormel’s use of an image and the music of the
25 Supremes in a “Dinty Moore” commercial infringed its copyright, its unfair
26 competition claim alleging confusion was preempted. *Motown Record Corp. v.*
27 *George A. Hormel & Co.*, 657 F. Supp. 1236 (C.D. Cal. 1987). Here, Plaintiffs
28

1 allege Redbox is selling an unauthorized copy of copyrighted works and causing
2 confusion to consumers. As in *Xerox* and *Motown*, these claims here are preempted.

3 **2. Plaintiffs lack standing to assert UCL or FAL violations**

4 UCL and FAL plaintiffs must have lost money or property to have standing
5 to sue. Cal. Bus. & Prof. Code §§ 17204, 17535. Plaintiffs have not met this
6 burden. Plaintiffs have no evidence of even a single digital code being purchased
7 from Redbox instead of one of their licensees. Marinelli Dep. 88:14–24. Instead,
8 their evidence suggests the alleged deception of consumers *may* cause a loss in the
9 future. Marinelli Decl. ¶ 12. Even the conclusory assertion Redbox’s conduct
10 affects Plaintiffs’ “goodwill” concerns only its “negotiating position with its
11 licensees for future license agreements,” none of which is ripe to cause harm any
12 time soon, and future relationships with potential consumers. Marinelli Dep. 41:14–
13 43:16, Marinelli Decl. ¶ 14. At best, the claimed harm concerns a “contingent
14 expectancy of payment from a third party” that is not recoverable under the UCL
15 and FAL, and does not support standing in the first instance. *See Korea Supply Co.*
16 *v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1150 (2003); *see also Walker v. USAA*
17 *Cas. Ins. Co.*, 474 F. Supp. 2d 1168, 1172 (E.D. Cal. 2007) (requiring “prior
18 possession or a vested legal interest in the money or property allegedly lost.”).

19 The evidence shows only that Plaintiffs sold an unspecified number of
20 Combo Packs into the stream of commerce. Redbox bought some of them and
21 resold a small fraction of their digital movie codes, then meticulously repackaged
22 and sold the original codes to customers, and never to more than one person each.
23 Chamberlain Decl. ¶¶ 7–8. Plaintiffs have not shown they lost a single sale, or a
24 single dollar, from Redbox’s resale of a small fraction of the digital movie copies
25 Plaintiffs themselves put into the stream of commerce for resale to consumers and
26 that they fail to track thereafter. Without such a showing, an unrealized potential for
27 future harm is insufficient to show the present injury and loss of money or property
28 required for standing under Sections 17204 and 17535.

1 **3. Plaintiffs will fail on their 17500 claim**

2 Plaintiffs’ terse argument about Section 17500 concerns consumers’ alleged
3 confusion about their right to legally download the digital copy of the movie they
4 purchased from Redbox. Plaintiffs have not offered any evidence that any person
5 who downloaded a movie using a code they bought from Redbox did so
6 improperly. Both because the first sale doctrine permits Redbox’s resale of the
7 digital copy of the movie, and because Plaintiffs do not track the ownership of the
8 digital codes providing access to those digital copies, Plaintiffs have not shown and
9 cannot show any customer did not receive what they were sold. And, as set forth
10 above, Plaintiffs have no injury or loss of money or property as a result of Redbox’s
11 statements either. Thus, there is no likelihood of success under Section 17500.

12 **4. The FAL and UCL do not apply extraterritorially and cannot**
13 **support an injunction addressing conduct outside California.**

14 The California Legislature is presumed not to intend its statutes to apply
15 beyond the state’s borders. *Norwest Mortgage, Inc. v. Super. Ct.*, 72 Cal.App.4th
16 214, 222, 85 Cal.Rptr.2d 18 (1999). Thus, statutes are not construed to regulate
17 conduct outside the state unless a contrary intention is clearly expressed or
18 reasonably inferred from the statute. *Diamond Multimedia Systems, Inc. v. Super.*
19 *Ct.*, 19 Cal.4th 1036, 1059–1060, 80 Cal.Rptr.2d 828 (1999). No such intention
20 exists with respect to the FAL and UCL, and neither can be applied
21 extraterritorially.

22 The False Advertising Law expressly proscribes only false advertising that is
23 made or disseminated, or caused to be made or disseminated, “before the public in
24 this state” or “from this state before the public in any state.” And the California
25 Supreme Court has observed that: “Neither the language of the UCL nor its
26 legislative history provides any basis for concluding the Legislature intended the
27 UCL to operate extraterritorially. Accordingly, the presumption against
28 extraterritoriality applies to the UCL in full force.” *Sullivan v. Oracle Corp.*, 51

1 Cal. 4th 1191, 1207 (2011). Neither statute provides any basis for an injunction
 2 controlling conduct outside California of a company operating from Illinois and
 3 Washington. Chamberlain Decl. ¶ 2.

4 **5. Plaintiffs have not established tortious interference**

5 Plaintiffs are not entitled to an injunction on the claim for tortious
 6 interference. Putting aside that Plaintiffs’ motion only addresses California law
 7 (ignoring the 49 other states in which Redbox and Plaintiffs do business),
 8 California does not recognize a general claim for “tortious interference.” Rather,
 9 California recognizes the distinct claims of “intentional interference with
 10 contractual relations” and “intentional interference with prospective economic
 11 advantage.” See *Quelimane Co. v. Stewart Title Guaranty Co.*, 19 Cal. 4th 26, 55
 12 (1998). Here, Plaintiffs have neither alleged nor proven either.

13 Plaintiffs’ motion appears to rest their argument on the first type of
 14 interference, whereby a third party induces a party to a contract to commit a breach
 15 of an existing contract. See Dkt. 13 at 16:28–17:1. However, such a claim requires
 16 Plaintiffs to prove the existence of a “valid contract between plaintiff and a third
 17 party.” *Pac. Gas & Elec. Co. v. Bear Stearns & Co.*, 50 Cal. 3d 1118, 1126 (1990).
 18 Here, as discussed above, there is no contract between customers and Plaintiffs.
 19 Moreover, Plaintiffs further admit that consumers do not consent to the terms of
 20 service of the websites until going online to redeem a Code. Yet the law is clear that
 21 the interference alleged must be with an “existing contract” with the plaintiff.
 22 *Quelimane*, 19 Cal. 4th at 55. Thus, Plaintiffs’ assertion that Redbox “induces a
 23 breach of these terms of service when it sells Codes” is, chronologically speaking,
 24 impossible. At the point in time that a consumer acquires a Code from Redbox,
 25 there is no valid contract with which Redbox could interfere.

26 This temporal distinction is important. California law gives an existing
 27 contract “greater solicitude” than a potential contract. *Id.* Thus, the requirements for
 28 proving interference with prospective contract are greater. For example, to establish

1 interference with a prospective contract, the plaintiff must prove that it actually lost
 2 a customer and that it is “reasonably probable” that he would have gained that
 3 customer but for the defendant’s conduct. *Youst v. Longo*, 43 Cal. 3d 64, 71 (1987);
 4 *see also Fisher v. San Pedro Peninsula Hospital*, 214 Cal. App. 3d 590, 620 (1989)
 5 (holding plaintiff-doctor failed to state an interference claim where he failed to
 6 allege he lost patients as a result of defendant’s conduct). Here, Plaintiffs do not
 7 offer any evidence that Redbox prevented Plaintiffs from gaining any customers. If
 8 anything, Redbox has apparently caused Disney to gain customers it does not want
 9 (i.e. Redbox’s customers), which does not satisfy the elements of this claim.

10 In addition, the tort of interference with a prospective contract also requires
 11 that Plaintiffs allege and prove that Redbox’s conduct was “independently
 12 wrongful.” *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1158
 13 (2003). Moreover, the California Supreme Court has emphasized that mere
 14 competition in the open market does not satisfy the wrongfulness element. *Id.*
 15 Plaintiffs ignore their burden of proving both these additional elements.

16 **6. Plaintiffs will fail on their 17200 claim**

17 To prove a 17200 violation for unlawfulness, Plaintiffs must show a violation
 18 of another law. *Farmers Ins. Exchange v. Superior Court*, 2 Cal.4th 377, 383
 19 (1992). Here, Plaintiffs claim tortious interference and a violation of 17500
 20 violation. However, where, as here, there is no merit to the underlying violation,
 21 there is no violation of the unfair competition law either. *Renick v. Dun &*
 22 *Bradstreet Receivable Management Services*, 290 F.3d 1055, 1057–1058 (9th Cir.
 23 2002). As discussed above, there is no merit to the claims for tortious interference
 24 or false advertising under Section 17500. Additionally, claims of tortious
 25 interference cannot support a UCL claim.⁴ California courts have explicitly and
 26

27 ⁴ An action under the UCL “is not an all-purpose substitute for a tort or contract
 28 action.” *Cortez v. Purolator Air Filtration Products Co.*, 23 Cal.4th 163, 173
 (2000). While recognizing the cited comment in *CRST Van Expedited, Inc. v.*

1 implicitly rejected the interpretation of the term “unlawful” as including torts not
 2 based upon express law. *See Kenneth Klein v. Earth Elements, Inc.*, 59 Cal. App.
 3 4th 965 (1997) (rejecting 17200 unlawfulness claim based upon strict products
 4 liability and breach of implied warranty); *Isaiah Khoury v. Maly’s of California,*
 5 *Inc.*, 14 Cal. App. 4th 612 (1993) (rejecting UCL claim while allowing breach of
 6 contract claim).

7 V. THE BALANCE OF HARMS SHARPLY FAVORS REDBOX

8 The extraordinary remedy of a preliminary injunction can be justified only if
 9 Redbox’s continued operation poses an imminent risk of irreparable injury—that is,
 10 injury will occur before this litigation is resolved that cannot be remedied with
 11 money damages—that outweighs the harm to Redbox by imposing the injunction.
 12 Plaintiffs bear the burden of establishing their irreparable harm. Plaintiffs must
 13 “demonstrate that irreparable injury is likely in the absence of an injunction.”
 14 *Winter*, 555 U.S. at 22; *Flexible Lifeline Sys.*, 654 F.3d at 998 (“[P]resuming
 15 irreparable harm in a copyright infringement case is inconsistent with, and
 16 disapproved by, the Supreme Court’s opinions in *eBay* and *Winter*.”). “In some
 17 instances, damage to reputation or goodwill, because it is difficult to calculate,
 18 qualifies as irreparable harm.” However, vague claims that the plaintiff “may
 19 experience a loss of good will and customer confusion” are insufficient. *Gold Club-*
 20 *SF, LLC v. Platinum SJ Enter.*, 2013 U.S. Dist. LEXIS 134379, at *34–35 (N.D.
 21 Cal. Sep. 18, 2013) (citing *Premier Nutrition, Inc. v. Organic Food Bar, Inc.*, 475
 22 F. Supp. 2d 995, 1007 (CD. Cal. 2007)).

23 Here, Plaintiffs offer no evidence that their customer base has been affected

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 25 *Werner Enters.*, 479 F.3d 1099, 1107 (9th Cir. 2007), its citation of *Korea Supply*,
 26 29 Cal. 4th at 1143 and *Quelimane Co. v. Stewart Title Guar. Co.*, 19 Cal. 4th 26,
 27 55-56 (1998) do not support that conclusion. *Korea Supply* “‘borrowed’ from the
 28 federal Foreign Corrupt Practices Act,” and did not discuss tortious interference in
 the same part of the opinion. *Quelimane* borrowed violations of the Cartwright Act
 and false advertising, *id.* at 51-55; tortious interference was an alternative cause of
 action and not a predicate to unfair competition, *id.* at 54-55.

1 by Redbox’s digital movie sales. It does not even acknowledge that the market
2 segment Redbox serves, and its unique mode of delivery, are markedly different
3 from the market segments served by Plaintiffs’ licensees. Smith Decl. ¶ 6. Plaintiffs
4 also fail to balance the claimed prospective harm against the benefit of acquiring
5 new customers (and new customer data) from Redbox’s customer base. *See Amylin*
6 *Pharm., Inc. v. Eli Lilly & Co.*, 456 F. App’x 676, 679 (9th Cir. 2011)
7 (“[E]stablishing a threat of irreparable harm in the indefinite future is not
8 enough.”). Further, the record lacks any evidence that monetary relief would be
9 inadequate. Between Plaintiffs’ indubitably meticulous records, and knowledge of
10 their licensing fees, monetary damages may readily be calculated and paid if
11 liability is ultimately found at trial. *See ActiveVideo Networks, Inc. v. Verizon*
12 *Comm’ns, Inc.*, 694 F.3d 1312, 1339–40 (Fed. Cir. 2012) (no irreparable harm
13 because the plaintiff “broadly and extensively” pursued license fees for its
14 technology and “no fact finder could reasonably conclude that [plaintiff] would be
15 irreparably harmed by the payment of a royalty (a licensing fee)”).

16 In addition, Plaintiffs have been unable to offer evidence of any actual
17 complaints from their licensees concerning Redbox’s sales. In response to a
18 discovery request for communications representing complaints from licensees,
19 Plaintiffs only produced two written questions—not complaints—from their
20 licensees asking about Disney’s position concerning Redbox. *See* Appendix of
21 Sealed Documents Exs. B, C. And Ms. Marinelli testified at her deposition that
22 Disney’s negotiations with its licensees have not been affected by Redbox’s
23 behavior, that conversations about Redbox have been brief at most, and that after
24 Plaintiffs commenced this lawsuit, the licensees have not brought the issue up
25 again. Marinelli Dep. at 23:24–27:15; 34:6–36:16; 171:10–22. Thus, a preliminary
26 injunction is not necessary to preserve Plaintiffs’ relationships with their licensees.

27 In sum, Plaintiffs have failed to meet their burden of establishing irreparable
28 harm and are therefore not entitled to a preliminary injunction. In contrast, the harm

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1 to Redbox would be clear and substantial. Redbox has invested considerable time
2 and resources in launching the digital code product line at a cost to Redbox of over
3 \$700,000. Smith Decl. ¶ 15. An injunction would deprive Redbox from realizing
4 any return on that investment and would deprive Redbox of any potential profits.
5 An injunction would also delay Redbox’s entry into the market for digital
6 downloads while this case is pending.

7 The public interest is also not in favor of an injunction. Plaintiffs admit that
8 the goal of this lawsuit is to *increase* the prices that customers must pay for digital
9 copies. Marinelli Decl. ¶ 19. But the public has an interest in affordable
10 entertainment unaffected by Plaintiffs’ abuse of their limited monopoly rights. *See*
11 *Bobbs-Merrill Co.*, 210 U.S. at 341; *Omega S.A. v. Costco Wholesale Corp.*, 776
12 F.3d 692, 695 (9th Cir. 2015) (“copyright holders cannot use their rights to fix
13 resale prices in the downstream market”); *McGuire v. Times Mirror Co.*, 405 F.
14 Supp. 57, 65 (C.D. Cal. 1975) (“[T]he public interest ... is best served by providing
15 quality goods at the lowest possible price.”). Because Plaintiffs admit that
16 consumers would be harmed, the Court should decline to grant an injunction.

17 DATED: January 16, 2018

ROBINS KAPLAN LLP

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19 By: /s/ Michael A. Geibelson
Michael A. Geibelson

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