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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

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DESIGN FURNISHINGS, INC., a
California corporation,

NO. CIV. 2:10-02765 WBS GGH

Plaintiff,

v.

MEMORANDUM AND TEMPORARY
RESTRAINING ORDER

ZEN PATH LLC, a Nevada limited
liability company and DOES 1
through 20, inclusive,

Defendant.

_____ /

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Plaintiff Design Furnishings, Inc. filed this action in state court against defendant Zen Path LLC alleging federal and state law claims arising from defendant's notices to eBay that plaintiff's auctions for wicker patio furniture infringe on defendant's pending copyright applications for the furniture designs and photographs of the furniture. Defendant has removed the action to this court, and plaintiff now requests to continue the state court's temporary restraining order ("TRO") based on the filings in state court. This court heard oral arguments on

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1 the request from counsel for both sides on October 18, 2010. The
2 state court's TRO expires on October 22, 2010, when a state court
3 hearing for a preliminary injunction was to be held.

4 I. Factual and Procedural Background

5 Both plaintiff and defendant sell wicker patio
6 furniture from the same Chinese manufacturer on eBay. (Hayes
7 Decl. ¶ 2 (Docket No. 1 Ex. 8).) In or about June of 2010,
8 defendant contacted plaintiff, indicating that plaintiff's sale
9 of the furniture violated copyright or patent law and plaintiff's
10 pictures of the furniture violated copyright law. (Id. ¶ 3.)
11 Jennifer Hayes, the owner and president of plaintiff, stopped
12 using the pictures, but refused to stop selling the furniture
13 unless presented with proof of defendant's intellectual property
14 rights in the furniture. (Id. ¶¶ 4-5.) On August 27, 2010,
15 defendant filed copyright applications for (1) a round sectional
16 wicker furniture collection, (2) a U-shaped sectional wicker
17 furniture collection, (3) a modern boxy sectional wicker
18 furniture collection, and (4) a Capri sectional wicker furniture
19 collection. (Banuelos Decl. ¶ 2 (Docket No. 1 Ex. 9).) The
20 applications identified the works as "sculpture/3-D artwork,
21 Ornamental Design" and attached pictures of the furniture.¹ (Id.
22 Exs. A-E.)

23 On September 22, 2010, defendant notified eBay that
24 plaintiff was selling furniture within the scope of the
25 copyrights. (Messenger Decl. ¶ 3 (Docket No. 1 Ex. 10).) Even
26 if a seller does not intend to cause eBay to temporarily or

27 ¹ There are many black-and-white photocopies of the
28 pictures, some more viewable than others.

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1 permanently suspend another seller's account, eBay temporarily
2 and permanently suspends a seller's account based on notices of
3 claimed infringement. (Hayes Decl. ¶ 9.)

4 Pursuant to eBay's policies, plaintiff has had
5 approximately thirty-five auctions terminated and been prevented
6 from listing new items, even non-furniture items.² (Id. ¶ 13.)

7 Plaintiff alleges that defendant is still submitting notices to
8 eBay, sixty-three as of the motion for a TRO in state court, and
9 has caused plaintiff's policy violation rating with eBay to go
10 from "high" to "very low" on one account and "high" to "low" on a
11 second account. (Id. ¶ 14.) The owner and president of

12 plaintiff states:

13 If Defendant is not stopped from submitting repeated
14 notices of claimed infringement when there is absolutely
15 no basis to claim that DFI's auctions are infringing on
16 Defendant's intellectual property rights, then eBay could
17 very well permanently suspend DFI's accounts. If that
18 occurs, then my entire business will cease to exist since
19 I rely on eBay for 95% of the company's revenues. I will
20 be out of work and I will be forced to lay off DFI's
21 employees.

22 (Id. ¶ 15.)

23 In its Complaint originally filed in state court,
24 plaintiff asserts claims for (1) misrepresentation of
25 intellectual property infringement in violation of 17 U.S.C. §
26 512(f) of the Digital Millennium Copyright Act ("DMCA"), (2)
27 tortious interference with a contract, (3) tortious interference
28 with prospective economic advantage, (4) a violation of
California's Unfair Competition Law, Cal. Bus. & Prof. Code §§
17200-17210, and (5) declaratory and injunctive relief. (Docket

² It is not clear whether plaintiff is still unable to
list new items.

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1 No. 1 Ex. 1.) On October 1, 2010, the state court granted a
2 motion for a TRO to enjoin defendant until October 22, 2010, from
3 (1) submitting notices to eBay that plaintiff's auctions infringe
4 on defendant's intellectual property rights and (2) defaming
5 plaintiff. (Docket No. 1 Ex. 15.) The state court denied
6 plaintiff's request to order defendant to notify eBay that
7 plaintiff has not infringed on defendant's intellectual property
8 rights. (Id.) Defendant removed the action to this court, and
9 plaintiff now requests to continue the state court's TRO based on
10 the filings in state court.

11 II. Discussion

12 "A plaintiff seeking a preliminary injunction must
13 establish that he is likely to succeed on the merits, that he is
14 likely to suffer irreparable harm in the absence of preliminary
15 relief, that the balance of equities tips in his favor, and that
16 an injunction is in the public interest."³ Winter v. Natural
17 Res. Defense Council, Inc., --- U.S. ----, 129 S. Ct. 365, 374
18 (2008). In Winter, the Court reaffirmed the traditional standard
19 for granting a preliminary injunction and rejected the Ninth
20 Circuit's variations of the standard, such as requiring only a
21 "possibility" of irreparable harm if the plaintiff shows a strong
22 likelihood of prevailing on the merits. Id. at 375.

23 A. Likelihood of Success on the Merits

24 The DMCA provides that "[a]ny person who knowingly
25 materially misrepresents under this section . . . that material

26 _____
27 ³ TROs are governed by the same standard applicable to
28 preliminary injunctions. See Cal. Indep. Sys. Operator Corp. v.
Reliant Energy Servs., Inc., 181 F. Supp. 2d 1111, 1126 (E.D.
Cal. 2001).

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1 or activity is infringing . . . shall be liable for any damages .
2 . . . incurred by the alleged infringer . . . who is injured by
3 such misrepresentation, as the result of the service provider . .
4 . removing or disabling access to the material or activity
5 claimed to be infringing" 17 U.S.C. § 512(f). Liability
6 does not extend to when "an unknowing mistake is made, even if
7 the copyright owner acted unreasonably in making the mistake.
8 Rather, there must be a demonstration of some actual knowledge of
9 misrepresentation on the part of the copyright owner." Rossi v.
10 Motion Picture Ass'n of Am. Inc., 391 F.3d 1000, 1005 (9th Cir.
11 2004) (internal citation omitted).

12 To establish copyright infringement, a plaintiff must
13 show (1) ownership of the copyright, and (2) copying of the
14 protected expression by the defendant. Sun Microsystems, Inc. v.
15 Microsoft Corp., 188 F.3d 1115, 1119 (9th Cir. 1999). A valid
16 certificate of copyright registration creates a presumption of
17 originality of the work for five years from the date of
18 registration. Swirksy v. Carey, 376 F.3d 841, 851 (9th Cir.
19 2004).⁴ "[T]his presumption is fairly easy to rebut because the
20 Copyright Office tends toward cursory issuance of registrations."
21 Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc.,
22 Nos. 07-2180, 09-1437, 2010 WL 3278404, at *7 (4th Cir. Aug. 20,
23 2010) (hereinafter Universal II) (despite earlier upholding of a
24

25 ⁴ Here, defendant has applied for but not yet received
26 valid registrations. In the Ninth Circuit, an applicant may
27 bring an infringement claim before receiving a valid registration
28 certificate. Cosmetic Ideas, Inc. v. IAC/Interactivecorp., 606
F.3d 612, 621 (9th Cir. 2010).

1 denial of a preliminary injunction, finding copyright claim
2 infringement). “[T]he presumption of validity may be rebutted
3 where other evidence in the record casts doubt on the question,”
4 such as “evidence that the work had been copied from the public
5 domain or by evidence that the work was a non-copyrightable
6 utilitarian article.” Fonar Corp. v. Domenick, 105 F.3d 99, 104
7 (2d Cir. 1997) (internal citations and quotation marks omitted).

8 The Copyright Act excludes from copyright protection
9 any “useful article,” defined as an article having “an intrinsic
10 utilitarian function that is not merely to portray the appearance
11 of the article or to convey information.” 17 U.S.C. § 101. The
12 Act extends copyright protection to “pictorial, graphic, and
13 sculptural works.” Id. The Act provides that “the design of a
14 useful article . . . shall be considered a pictorial, graphic, or
15 sculptural work only if, and only to the extent that, such design
16 incorporates pictorial, graphic, or sculptural features that can
17 be identified separately from, and are capable of existing
18 independently of, the utilitarian aspects of the article.” Id.

19 Thus, a “purely utilitarian article--such as bedroom
20 furniture--receives no protection.” Amini Innovation Corp. v.
21 Anthony Cal., Inc., 439 F.3d 1365, 1369 (Fed. Cir. 2006)
22 (applying Ninth Circuit copyright law and upholding copyright
23 protection of ornamental carvings on furniture, not the furniture
24 as a whole). Nonetheless, “if the shape of a utilitarian article
25 incorporates features, such as artistic sculpture, carving, or
26 pictorial representation, which can be identified separately and
27 are capable of existence independently as a work of art, such
28

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1 features will be eligible for registration." Fabrica Inc. v. El
2 Dorado Corp., 697 F.2d 890, 893 (9th Cir. 1983); see also
3 Superior Form Builders, Inc. v. Dan Chase Taxidermy Supply Co.,
4 74 F.3d 488, 493 (4th Cir. 1996) ("Thus, the industrial design of
5 a unique, aesthetically pleasing chair cannot be separated from
6 the chair's utilitarian function and, therefore, is not subject
7 to copyright protection. But the design of a statue portraying a
8 dancer, created merely for its expressive form, continues to be
9 copyrightable even when it has been included as the base of a
10 lamp which is utilitarian."); Universal II, 2010 WL 3278404, at
11 *7 (despite earlier upholding of the denial of a preliminary
12 injunction, finding the ornamental design on the furniture to be
13 original and conceptually distinct from the utilitarian aspects
14 of the furniture); Universal Furniture Int'l., Inc. v. Collezione
15 Europa USA, Inc., 196 Fed. App'x 166, 172 (4th Cir. 2006)
16 (hereinafter Universal I) (upholding the denial of a preliminary
17 injunction and expressing concern that finding designs
18 copyrightable would "potentially enlarge the law of copyright
19 beyond its intended borders by extending copyright protection to
20 two entire furniture collections based on their 'ornate, opulent'
21 look alone").

22 Here, defendant's applications for copyright protection
23 claimed the works were sculptures or 3-D artwork or ornamental
24 designs, indicating that defendant knew the limits of copyright
25 protection. The pictures of the furniture, though, suggest that
26 defendant impermissibly sought protection of the "industrial
27 design" of the furniture. Moreover, the internal contradiction
28 in the applications raises a strong inference that defendant

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1 subjectively knew it did not have a copyright infringement claim
2 when it notified eBay. Accordingly, the court finds that
3 plaintiff has a likelihood of success on the merits.

4 B. Likelihood of Irreparable Harm

5 Mere monetary harm "will not usually support injunctive
6 relief." Am. Trucking Ass'ns v. City of L.A., 559 F.3d 1046,
7 1057 (9th Cir. 2009); see also Cal. Pharmacists Ass'n v.
8 Maxwell-Jolly, 563 F.3d 847, 851-52 (9th Cir. 2009) ("Typically,
9 monetary harm does not constitute irreparable harm. . . .
10 [E]conomic damages are not traditionally considered irreparable
11 *because the injury can later be remedied by a damage award.*")
12 (internal citations omitted). However, intangible injuries that
13 are incapable of measurement, like reputation, advertising
14 efforts, or goodwill, may constitute irreparable harm.
15 Rent-A-Center, Inc. v. Canyon Television & Appliance Rental,
16 Inc., 944 F.2d 597, 603 (9th Cir. 1991). The threatened loss of
17 prospective customers also constitutes irreparable harm.
18 Stuhlbarq Int'l Sales Co. v. John D. Brush & Co., 240 F.3d 832,
19 841 (9th Cir. 2001) (trademark case); Super-Krete Int'l, Inc. v.
20 Sadleir, No. CV 10-01966, 2010 WL 1688533, at *8 (C.D. Cal. Apr.
21 22, 2010) ("Even without this presumption [of irreparable harm in
22 a trademark case], Plaintiff has demonstrated irreparable injury
23 based on the threatened loss of prospective customers who would
24 be diverted away from its website should it be unable to gain
25 control over the domain name."). The harm must be "likely" and
26 thus "merely speculative" harm will not support injunctive
27 relief. Am. Trucking Ass'ns, 559 F.3d at 1058.

28 Here, defendant's repeated notices to eBay that

1 plaintiff has infringed on defendant's intellectual property
2 rights have driven plaintiff's policy violation ratings down on
3 its two accounts. While the court cannot determine with
4 certainty, additional notices from defendant will likely result
5 in eBay's suspension of plaintiff's accounts. A suspension of
6 plaintiff's accounts would cause plaintiff to lose prospective
7 customers and any goodwill it has acquired with existing
8 customers. A suspension of its accounts may also reflect
9 adversely on its reputation. Thus, plaintiff will suffer
10 intangible injuries that are incapable of measurement.
11 Accordingly, the court finds a likelihood of irreparable harm to
12 plaintiff.

13 C. Balance of Equities

14 "A preliminary injunction is an extraordinary remedy
15 never awarded as of right." Winter, 129 S. Ct. at 376. "In each
16 case, a court must balance the competing claims of injury and
17 must consider the effect on each party of the granting or
18 withholding of the requested relief." Amoco Prod. Co. v. Vill.
19 of Gambell, Alaska, 480 U.S. 531, 542 (1987).

20 Plaintiff has indicated that eBay auctions account for
21 ninety-five percent of its sales. The likely suspension by eBay
22 will likely cause plaintiff to lose prospective customers,
23 goodwill, and its reputation. Defendant claims that the
24 furniture at issue constitutes seventy-five percent of
25 defendant's sales and that plaintiff's eBay auctions have
26 "substantially reduced" those sales. (Messenger Decl. ¶ 7.) The
27 court, nonetheless, finds the balance of equities weighs in
28 plaintiff's favor because of the irreparable harms that would

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1 result from the likely suspension of plaintiff's eBay accounts.

2 D. Public Interest

3 "In exercising their sound discretion, courts of equity
4 should pay particular regard for the public consequences in
5 employing the extraordinary remedy of injunction." Weinberger v.
6 Romero-Barcelo, 456 U.S. 305, 312 (1982). "The public interest
7 analysis for the issuance of a preliminary injunction requires
8 [the court] to consider 'whether there exists some critical
9 public interest that would be injured by the grant of preliminary
10 relief.'" Indep. Living Ctr. of So. Cal., Inc. v. Maxwell-Jolly,
11 572 F.3d 644, 659 (9th Cir. 2009) (quoting Hybritech Inc. v.
12 Abbott Lab., 849 F.2d 1446, 1458 (Fed. Cir. 1988)).

13 Here, the public interest is in fact benefitted by
14 granting a TRO, because absent eBay's policies, designed to avoid
15 eBay's liability for intellectual property infringement, it would
16 be the claimed copyright holder who would bear the burden of
17 proving the copyright infringement. See, e.g., Universal I, 196
18 Fed. App'x at 172. That burden is essentially shifted under
19 eBay's policy. To withhold a TRO would allow anyone to
20 effectively shut down a competitor's business on eBay simply by
21 filing the notice that the seller's product allegedly infringes
22 on the complaining party's copyright.

23 IT IS THEREFORE ORDERED that plaintiff's request to
24 continue the state court's temporary restraining order be, and
25 the same hereby is, GRANTED. Pending hearing on the motion for
26 preliminary injunction, defendant is temporarily restrained and
27 enjoined from submitting notices of claimed infringement to eBay
28 stating that plaintiff's auctions of wicker patio furniture

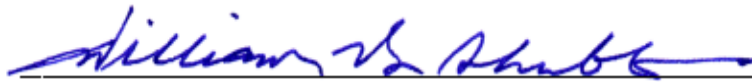
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1 violate defendant's intellectual property rights.

2 Plaintiff shall file a motion for preliminary
3 injunction on or before November 8, 2010. Defendant shall file
4 its opposition by November 22, 2010, and plaintiff shall file its
5 reply by November 29, 2010. The court will hear plaintiff's
6 motion for a preliminary injunction on December 6, 2010, at 2
7 p.m. in Courtroom 5.

8 IT IS SO ORDERED.

9 DATE: October 20, 2010

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12 WILLIAM B. SHUBB
13 UNITED STATES DISTRICT JUDGE
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