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AT SEATTLE
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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

RealNetworks, Inc.,

Plaintiff,

v.

Streambox, Inc.,

Defendant.

No. C99-2070P

ORDER ON PLAINTIFF'S
MOTION FOR PRELIMINARY
INJUNCTION

INTRODUCTION

Plaintiff RealNetworks, Inc. ("RealNetworks") filed this action on December 21, 1999. RealNetworks claims that Defendant Streambox has violated provisions of the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. § 1201 *et seq.*, by distributing and marketing products known as the Streambox VCR and the Ripper. RealNetworks also contends that another Streambox product, known as the Ferret, is unlawfully designed to permit consumers to make unauthorized modifications to a software program on which RealNetworks holds the copyright.

On December 21, 1999, RealNetworks applied for a temporary restraining order to bar Streambox from manufacturing, distributing, selling, or marketing the VCR, the Ripper, and the Ferret. On December 23, 1999, Chief Judge Coughenour of this Court entered a Temporary Restraining Order, finding RealNetworks was likely to succeed on the merits of its claims and that it was suffering irreparable harm from Streambox's conduct. The Court also ordered Streambox to show cause as to why the restraints contained in the Temporary Restraining Order should not be continued as a preliminary injunction.

1 After expedited briefing, a show cause hearing was held on January 7, 2000 before the Court.
2 Both parties were permitted to submit overlength briefs in support of their arguments. The Court
3 further requested that both parties submit and highlight portions of the legislative history of the
4 DMCA that they believe to be relevant to interpreting the statute with respect to Plaintiff's claims
5 under the statute.

6 The Court, having considered the papers and pleadings filed herein and having heard oral
7 argument from the parties, concludes that a preliminary injunction should be entered to enjoin the
8 manufacture, distribution, and sale of the Streambox VCR and the Ferret during the pendency of this
9 action. The Court does not conclude that a preliminary injunction should be entered with respect to
10 the Ripper. Pursuant to Fed. R. Civ. P. 52(a), the Court's findings of fact and conclusions of law are
11 stated below.

12 FINDINGS OF FACT

13 RealNetworks

14 1. RealNetworks is a public company based in Seattle, Washington that develops and
15 markets software products designed to enable owners of audio, video, and other multimedia content
16 to send their content to users of personal computers over the Internet.

17 2. RealNetworks offers products that enable consumers to access audio and video
18 content over the Internet through a process known as "streaming." When an audio or video clip is
19 "streamed" to a consumer, no trace of the clip is left on the consumer's computer, unless the content
20 owner has permitted the consumer to download the file.

21 3. Streaming is to be contrasted with "downloading," a process by which a complete
22 copy of an audio or video clip is delivered to and stored on a consumer's computer. Once a
23 consumer has downloaded a file, he or she can access the file at will, and can generally redistribute
24 copies of that file to others.

25 4. In the digital era, the difference between streaming and downloading is of critical
26 importance. A downloaded copy of a digital audio or video file is essentially indistinguishable

1 from the original, and such copies can often be created at the touch of a button. A user who obtains
2 a digital copy may supplant the market for the original by distributing copies of his or her own. To
3 guard against the unauthorized copying and redistribution of their content, many copyright owners
4 do not make their content available for downloading, and instead distribute the content using
5 streaming technology in a manner that does not permit downloading.

6 5. A large majority of all Internet Web pages that deliver streaming music or video use
7 the RealNetworks' format.

8 RealNetworks' Products

9 6. The RealNetworks' products at issue in this action include the "RealProducer," the
10 "RealServer" and the "RealPlayer." These products may be used together to form a system for
11 distributing, retrieving and playing digital audio and video content via the Internet.

12 7. Owners of audio or video content may choose to use a RealNetworks product to
13 encode their digital content into RealNetworks' format. Once encoded in that format, the media
14 files are called RealAudio or RealVideo (collectively "RealMedia") files.

15 8. After a content owner has encoded its content into the RealMedia format, it may
16 decide to use a "RealServer" to send that content to consumers. A RealServer is software program
17 that resides on a content owner's computer that holds RealMedia files and "serves" them to
18 consumers through streaming.

19 9. The RealServer is not the only available means for distributing RealMedia files.
20 RealMedia files may also be made available on an ordinary web server instead of a RealServer. A
21 end-user can download content from an ordinary web server using nothing more than a freely
22 available Internet browser such as Netscape's Navigator or Microsoft's Internet Explorer.

23 10. To download streaming content distributed by a RealServer, however, a consumer
24 must employ a "RealPlayer." The RealPlayer is a software program that resides on an end-user's
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1 computer and must be used to access and play a streaming RealMedia file that is sent from a
2 RealServer.

3 RealNetworks' Security Measures

4 11. RealNetworks' products can be used to enable owners of audio and video content to
5 make their content available for consumers to listen to or view, while at the same time securing the
6 content against unauthorized access or copying.

7 12. The first of these measures, called the "Secret Handshake" by RealNetworks, ensure
8 that files hosted on a RealServer will only be sent to a RealPlayer. The Secret Handshake is an
9 authentication sequence which only RealServers and RealPlayers know. By design, unless this
10 authentication sequence takes place, the RealServer does not stream the content it holds.

11 13. By ensuring that RealMedia files hosted on a RealServer are streamed only to
12 RealPlayers, RealNetworks can ensure that a second security measure, which RealNetworks calls t
13 "Copy Switch," is given effect. The Copy Switch is a piece of data in all RealMedia files that
14 contains the content owner's preference regarding whether or not the stream may be copied by end-
15 users. RealPlayers are designed to read this Copy Switch and obey the content owner's wishes. If
16 content owner turns on the Copy Switch in a particular RealMedia file, when that file is streamed,
17 end-user can use the RealPlayer to save a copy of that RealMedia file to the user's computer. If a
18 content owner does not turn on the Copy Switch in a RealMedia file, the RealPlayer will not allow
19 an end-user to make a copy of that file. The file will simply "evaporate" as the user listens to or
20 watches it stream.

21 14. Through the use of the Secret Handshake and the Copy Switch, owners of audio and
22 video content can prevent the unauthorized copying of their content if they so choose.

23 15. Content owners who choose to use the security measures described above are likely
24 be seeking to prevent their works from being copied without their authorization. RealNetworks ha
25 preferred declarations from copyright owners that they rely on RealNetworks security measures to
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1 protect their copyrighted works on the Internet. Many of these copyright owners further state that if
2 users could circumvent the security measures and make unauthorized copies of the content, they
3 likely would not put their content up on the Internet for end-users.

4 16. Many copyright owners make content available on their Web site as a means to attrac
5 end-users to the Web site; that is, to drive "traffic" to the Web site. The more traffic a Web site
6 generates, the more it can charge for advertisements placed on the Web site. Without RealNetworks
7 security measures, a copyright owner could lose the traffic its content generates. An end-user could
8 obtain a copy of the content after only one visit and listen to or view it repeatedly without ever
9 returning to the Web site. That end-user could also redistribute the content to others who would the
10 have no occasion to visit the site in the first instance.

11 17. Copyright owners also use Real Networks' technology so that end-users can listen to
12 but not record, music that is on sale, either at a Web site or in retail stores. Other copyright owners
13 enable users to listen to content on a "pay-per-play" basis that requires a payment for each time the
14 end-user wants to hear the content. Without the security measures afforded by RealNetworks, these
15 methods of distribution could not succeed. End-users could make and redistribute digital copies of
16 any content available on the Internet, undermining the market for the copyrighted original.

17 18. RealNetworks' success as a company is due in significant part to the fact that it has
18 offered copyright owners a successful means of protecting against unauthorized duplication and
19 distribution of their digital works.

20 The RealPlayer Search Functionality

21 19. In addition to its content playing and content protection capabilities, the RealPlayer
22 enables end-users to search the Internet for audio and video content. Currently, a company known
23 as Snap! LLC supplies the search services available to end-users through the RealPlayer under a
24 contract with RealNetworks.

1 RealServer requires before it will stream content. In other words, the Streambox VCR is able to
2 convince the RealServer into thinking that the VCR is, in fact, a RealPlayer.

3 25. Having convinced a RealServer to begin streaming content, the Streambox VCR,
4 like the RealPlayer, acts as a receiver. However, unlike the RealPlayer, the VCR ignores the Copy
5 Switch that tells a RealPlayer whether an end-user is allowed to make a copy of (i.e., download)
6 the RealMedia file as it is being streamed. The VCR thus allows the end-user to download
7 RealMedia files even if the content owner has used the Copy Switch to prohibit end-users from
8 downloading the files.

9 26. The only reason for the Streambox VCR to circumvent the Secret Handshake and
10 interact with a RealServer is to allow an end-user to access and make copies of content that a
11 copyright holder has placed on a RealServer in order to secure it against unauthorized copying. In
12 this way, the Streambox VCR acts like a "black box" which descrambles cable or satellite
13 broadcasts so that viewers can watch pay programming for free. Like the cable and satellite
14 companies that scramble their video signals to control access to their programs, RealNetworks has
15 employed technological measures to ensure that only users of the RealPlayer can access RealMedia
16 content placed on a RealServer. RealNetworks has gone one step further than the cable and
17 satellite companies, not only controlling access, but also allowing copyright owners to specify
18 whether or not their works can be copied by end-users, even if access is permitted. The Streambox
19 VCR circumvents both the access control and copy protection measures.

20 27. The Streambox VCR can be distinguished from a third-party product sold by
21 RealNetworks called GetRight. GetRight enables end-users to download RealAudio files that have
22 been placed on a web server, but not RealAudio files placed on a RealServer.

23 28. A copyright owner that places a RealMedia file onto a web server instead of a
24 RealServer does not make use of protections offered by the RealNetworks security system. Thus,
25 when GetRight is used to obtain such a file, it need not and does not circumvent RealNetworks'
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1 access control and copyright protection measures. GetRight cannot access materials available from
2 a RealServer because it cannot perform the requisite Secret Handshake. Unlike GetRight, the
3 Streambox VCR circumvents the Secret Handshake and enables users to make digital copies of
4 content that the copyright owner has indicated that it should not be copied.

5 29. Once an unauthorized, digital copy of a RealMedia file is created it can be
6 redistributed to others at the touch of a button.

7 30. Streambox's marketing of the VCR notes that end-users can "[d]ownload RealAudio
8 and RealMedia files as easily as you would any other file, then reap the benefits of clean,
9 unclogged streams straight from your hard drive" and that the product can be used by "savvy
10 surfers who enjoy taking control of their favorite Internet music/video clips."

11 31. The Streambox VCR poses a threat to RealNetworks' relationships with existing and
12 potential customers who wish to secure their content for transmission over the Internet and must
13 decide whether to purchase and use RealNetworks' technology. If the Streambox VCR remains
14 available, these customers may opt not to utilize RealNetworks' technology, believing that it would
15 not protect their content against unauthorized copying.

16 Streambox Ripper

17 32. Streambox also manufactures and distributes a product called the Streambox Ripper.
18 The Ripper is a file conversion application that allows conversion (adaptation) of files from
19 RealMedia format to other formats such as .WAV, .RMA, and MP3. The Ripper also permits
20 conversion of files between each of these formats, i.e., .WAV to .WMA and .WAV to MP3.

21 33. The Ripper operates on files which are already resident on the hard disk of the user's
22 computer. The Ripper permits users to convert files that they have already created or obtained
(presumably through legitimate means) from one format to another.

23 34. Streambox has proffered evidence that one potential use of the Ripper would be to
24 permit copyright owners to translate their content directly from the RealMedia format into other
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1 formats that they may wish to utilize for their own work. Streambox has provided examples of
2 various content owner who need a way to convert their own RealMedia files into different formats,
3 such as .WAV for editing, or .WMA to accommodate those users who wish to access the content
4 with a Windows Media Player instead of a RealPlayer. In addition, content which is freely
5 available, such as public domain material and material which users are invited and even
6 encouraged to access and copy, may be converted by the Ripper into a different file format for
7 listening at a location other than the user's computer.

8 Streambox Ferret

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10 35. Streambox manufactures, markets, and distributes a third product called the
11 Streambox Ferret. The Ferret may be installed as a "plug-in" application to the RealPlayer.

12 36. When a consumer installs the Ferret as a plug-in to the RealPlayer, the RealPlayer's
13 graphical user interface is configured with an added button, which allows the user to switch
14 between the Snap search engine and the Streambox search engine. The use of the Ferret may also
15 result in replacement of the "Snap.Com" logo that appears on the RealPlayer's graphical user
16 interface with a "Streambox" logo.

17 37. When consumers install the Ferret as a plug-in to the RealPlayer, the visual
18 appearance and operation of the RealPlayer is altered.

19 CONCLUSIONS OF LAW

20 1. The Court has jurisdiction over this action under 28 U.S.C. §§ 1331 and 1338.

21 2. The Court finds that RealNetworks has standing to pursue DMCA claims under 17
22 U.S.C. § 1203, which affords standing to "any person" allegedly injured by a violation of sections
23 1201 and 1202 of the DMCA.

1 **Preliminary Injunction Standard**

2 3. To obtain a preliminary injunction, a party must show either (1) a combination of
3 probable success on the merits and the possibility of irreparable harm, or (2) that serious questions
4 are raised and the balance of hardships tips in its favor. *Apple Computer v. Formula Int'l, Inc.*, 725
5 F.2d 521, 523 (9th Cir. 1984). These are not separate tests, but rather "opposite ends of a single
6 'continuum in which the required showing of harm varies inversely with the required showing of
7 meritoriousness.'" *Rodeo Collection v. West Seventh*, 812 F.2d 1215, 1217 (9th Cir. 1987); *Cadence*
8 *Design Sys., Inc. v. Avant! Corp.*, 125 F.3d 824, 826 (9th Cir. 1997), *cert denied*, 118 S.Ct. 1795
9 (1998) (quotation omitted).

10 4. RealNetworks argues that a plaintiff who demonstrates a reasonable likelihood of
11 success on claims under section 1201 of the DMCA is entitled to a presumption of irreparable
12 harm. In support of this argument, RealNetworks cites cases in which such a presumption was
13 afforded to plaintiffs who brought copyright infringement claims. *See Cadence Design Sys., Inc. v.*
14 *Avant! Corp.*, 125 F.3d 824, 827 (9th Cir. 1997), *cert. denied*, 118 S. Ct. 1795, and *Triad Sys. Corp.*
15 *v. Southeastern Express*, 64 F.3d 1330, 1335 (9th Cir. 1995).

16 5. RealNetworks' claims against the Streambox VCR and the Ripper, by contrast, arise
17 under section 1201 of the DMCA, and thus do not constitute copyright "infringement" claims. *See*
18 *1 Nimmer on Copyright* (1999 Supp.), § 12.A17[B] (noting that section 1201 of the DMCA
19 occupies "a niche distinct from copyright infringement" and that section 1201 is removed from the
20 Act's definition of copyright infringement.) Because the DMCA is a recently-enacted statute, there
21 appears to be no authority holding that a plaintiff seeking a preliminary injunction who shows a
22 reasonable likelihood of success on a claim arising under section 1201 of the DMCA is entitled to a
23 presumption of irreparable harm.
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1 RealNetworks Has Demonstrated a Reasonable Likelihood of Success on its DMCA Claims
2 With Respect to the Streambox VCR

3 6. The DMCA prohibits the manufacture, import, offer to the public, or trafficking in
4 any technology, product, service, device, component, or part thereof that: (1) is primarily designed
5 or produced for the purpose of circumventing a technological measure that effectively "controls
6 access to" a copyrighted work or "protects a right of a copyright owner;" (2) has only limited
7 commercially significant purpose or use other than to circumvent such technological protection
8 measures; or (3) is marketed for use in circumventing such technological protection measures. 17
9 U.S.C. §§ 1201(a)(2), 1201(b).

10 Parts of the VCR Are Likely to Violate Sections 1201(a)(2) and 1201(b)

11 7. Under the DMCA, the Secret Handshake that must take place between a RealServer
12 and a RealPlayer before the RealServer will begin streaming content to an end-user appears to
13 constitute a "technological measure" that "effectively controls access" to copyrighted works. See 17
14 U.S.C. § 1201(a)(3)(B) (measure "effectively controls access" if it "requires the application of
15 information or a process or a treatment, with the authority of the copyright holder, to gain access to
16 the work"). To gain access to a work protected by the Secret Handshake, a user must employ a
17 RealPlayer, which will supply the requisite information to the RealServer in a proprietary
18 authentication sequence.

19 8. In conjunction with the Secret Handshake, the Copy Switch is a "technological
20 measure" that effectively protects the right of a copyright owner to control the unauthorized copying
21 of its work. See 17 U.S.C. § 1201(b)(2)(B) (measure "effectively protects" right of copyright holder
22 if it "prevents, restricts or otherwise limits the exercise of a right of a copyright owner"); 17 U.S.C.
23 §106(a) (granting copyright holder exclusive right to make copies of its work). To access a
24 RealMedia file distributed by a RealServer, a user must use a RealPlayer. The RealPlayer reads the
25 Copy Switch in the file. If the Copy Switch in the file is turned off, the RealPlayer will not permit
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1 the user to record a copy as the file is streamed. Thus, the Copy Switch may restrict others from
2 exercising a copyright holder's exclusive right to copy its work.

3 9. Under the DMCA, a product or part thereof "circumvents" protections afforded a
4 technological measure by "avoiding, bypassing, removing, deactivating or otherwise impairing" the
5 operation of that technological measure. 17 U.S.C. §§ 1201(b)(2)(A), 1201(a)(2)(A). Under that
6 definition, at least a part of the Streambox VCR circumvents the technological measures
7 RealNetworks affords to copyright owners. Where a RealMedia file is stored on a RealServer, the
8 VCR "bypasses" the Secret Handshake to gain access to the file. The VCR then circumvents the
9 Copy Switch, enabling a user to make a copy of a file that the copyright owner has sought to protect.

10 10. Given the circumvention capabilities of the Streambox VCR, Streambox violates the
11 DMCA if the product or a part thereof: (i) is primarily designed to serve this function; (ii) has only
12 limited commercially significant purposes beyond the circumvention; or (iii) is marketed as a means
13 of circumvention. 17 U.S.C. §§ 1201(a)(2)(A-C), 1201(b)(b)(A-C). These three tests are
14 disjunctive. *Id.* A product that meets only one of the three independent bases for liability is still
15 prohibited. Here, the VCR meets at least the first two.

16 11. The Streambox VCR meets the first test for liability under the DMCA because at least
17 a part of the Streambox VCR is primarily, if not exclusively, designed to circumvent the access
18 control and copy protection measures that RealNetworks affords to copyright owners. 17 U.S.C. §§
19 1201(a)(2)(A), 1201(b)(c)(A).

20 12. The second basis for liability is met because portion of the VCR that circumvents the
21 Secret Handshake so as to avoid the Copy Switch has no significant commercial purpose other than
22 to enable users to access and record protected content. 17 U.S.C. § 1201(a)(2)(B), 1201(b)(d)(B).
23 There does not appear to be any other commercial value that this capability affords.

24 13. Streambox's primary defense to Plaintiff's DMCA claims is that the VCR has
25 legitimate uses. In particular, Streambox claims that the VCR allows consumers to make "fair use"
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1 copies of RealMedia files, notwithstanding the access control and copy protection measures that a
2 copyright owner may have placed on that file.

3 14. The portions of the VCR that circumvent the secret handshake and copy switch
4 permit consumers to obtain and redistribute perfect digital copies of audio and video files that
5 copyright owners have made clear they do not want copied. For this reason, Streambox's VCR is not
6 entitled to the same "fair use" protections the Supreme Court afforded to video cassette recorders
7 used for "time-shifting" in *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

8 15. The *Sony* decision turned in large part on a finding that substantial numbers of
9 copyright holders who broadcast their works either had authorized or would not object to having
10 their works time-shifted by private viewers. See *Sony*, 464 U.S. at 443, 446. Here, by contrast,
11 copyright owners have specifically chosen to prevent the copying enabled by the Streambox VCR by
12 putting their content on RealServers and leaving the Copy Switch off.

13 16. Moreover, the *Sony* decision did not involve interpretation of the DMCA. Under the
14 DMCA, product developers do not have the right to distribute products that circumvent
15 technological measures that prevent consumers from gaining unauthorized access to or making
16 unauthorized copies of works protected by the Copyright Act. Instead, Congress specifically
17 prohibited the distribution of the tools by which such circumvention could be accomplished. The
18 portion of the Streambox VCR that circumvents the technological measures that prevent
19 unauthorized access to and duplication of audio and video content therefore runs afoul of the
20 DMCA.

21 17. This point is underscored by the leading treatise on copyright, which observes that the
22 enactment of the DMCA means that "those who manufacture equipment and products generally can
23 no longer gauge their conduct as permitted or forbidden by reference to the *Sony* doctrine. For a
24 given piece of machinery might qualify as a stable item of commerce, with a substantial
25 noninfringing use, and hence be immune from attack under *Sony's* construction of the Copyright Act
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1 – but nonetheless still be subject to suppression under Section 1201.” 1 *Nimmer on Copyright* (1999
2 Supp.), § 12A.18[B]. As such, “[e]quipment manufacturers in the twenty-first century will need to
3 vet their products for compliance with Section 1201 in order to avoid a circumvention claim, rather
4 than under *Sony* to negate a copyright claim.” *Id.*

5 18. Streambox also argues that the VCR does not violate the DMCA because the Copy
6 Switch that it avoids does not “effectively protect” against the unauthorized copying of copyrighted
7 works as required by § 1201(a)(3)(B). Streambox claims this “effective” protection is lacking
8 because an enterprising end-user could potentially use other means to record streaming audio content
9 as it is played by the end-user’s computer speakers. This argument fails because the Copy Switch, in
10 the ordinary course of its operation when it is on, restricts and limits the ability of people to make
11 perfect digital copies of a copyrighted work. The Copy Switch therefore constitutes a technological
12 measure that effectively protects a copyright owner’s rights under section. 1201(a)(3)(B).

13 19. In addition, the argument ignores the fact that before the Copy Switch is even
14 implicated, the Streambox VCR has already circumvented the Secret Handshake to gain access to a
15 unauthorized RealMedia file. That alone is sufficient for liability under the DMCA. *See* 17 U.S.C.
16 §1201(i)(e).

17 20. Streambox’s last defense to liability for the VCR rests on Section 1201(c)(3) of the
18 DMCA which it cites for the proposition that the VCR is not required to respond to the Copy Switch.
19 Again, this argument fails to address the VCR’s circumvention of the Secret Handshake, which is
20 enough, by itself, to create liability under Section 1201(a)(2).

21 21. Moreover, Section 1201(c)(3) states that “[n]othing in this section shall require . . . a
22 response to any particular technological measure, so long as . . . the product . . . does not otherwise
23 fall within the prohibitions of subsections (a)(2) or (b)(1).” 17 U.S.C. §1201(c)(3). As the
24 remainder of the statute and the leading copyright commentator make clear, Section 1201(c)(3) does
25 not provide immunity for products that circumvent technological measures in violation of Sections
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1 1201 (a)(2) or (b)(1). See 17 U.S.C. §1201(c)(3) (a product need not respond to a particular measure
2 "so long as such...product...does not otherwise fall within the prohibitions of subsections (a)(2) or
3 (b)(1)." (emphasis added); 1 *Nimmer on Copyright* (1999 Supp.), §12A.05[C]. If the statute meant
4 what Streambox suggests, any manufacturer of circumvention tools could avoid DMCA liability
5 simply by claiming it chose not to respond to the particular protection that its tool circumvents.

6 22. As set forth above, the Streambox VCR falls within the prohibitions of sections
7 1201(a)(2) and 1201(b)(1). Accordingly, Section 1201(c)(3) affords Streambox no defense.

8 **RealNetworks is Likely to Suffer Irreparable Harm With Respect to the VCR**

9 23. RealNetworks argues that because it has demonstrated a reasonable likelihood of
10 success on its DMCA claims concerning the VCR, it is entitled to a presumption of irreparable harm.
11 As noted above, however, this point is not settled.

12 24. Assuming that a plaintiff who demonstrates a reasonable likelihood of success with
13 respect to claims arising under section 1201 of the DMCA is entitled to a presumption of irreparable
14 harm, RealNetworks would be entitled to such a presumption.

15 25. In the event that such a presumption is not applicable, RealNetworks has
16 demonstrated that it would likely suffer irreparable harm if the Streambox VCR is distributed. The
17 VCR circumvents RealNetworks' security measures, and will necessarily undermine the confidence
18 that RealNetworks' existing and potential customers have in those measures. It would not be
19 possible to determine how many of RealNetworks' existing or potential customers declined to use the
20 company's products because of the perceived security problems created by the VCR's ability to
21 circumvent RealNetworks' security measures.

22 26. An injunction against the VCR also would serve the public interest because the
23 VCR's ability to circumvent RealNetworks' security measures would likely reduce the willingness of
24 copyright owners to make their audio and video works accessible to the public over the Internet.

1 **RealNetworks Has Not Demonstrated that It Is Reasonably Likely to Succeed on its DMCA**
2 **Claim With Respect to the Ripper.**

3 27. RealNetworks also alleges that Streambox's marketing and distribution of the Ripper
4 violates section 1201(b) (but not section 1201(a)(2)) of the DMCA.

5 28. RealNetworks maintains that the primary purpose and only commercially significant
6 use for the Ripper would be to enable consumers to prepare unauthorized "derivatives" of
7 copyrighted audio or video content in the RealMedia format in violation of 17 U.S.C. § 106(2).

8 29. The Ripper has legitimate purposes and commercially significant uses. For example,
9 the Ripper may be used by content owners, including copyright holders, to convert their content
10 from the RealMedia format to other formats. Streambox has submitted evidence that at least some
11 content owners would use the Ripper for this legitimate purpose. The Ripper may also be used by
12 consumers to convert audio and video files that they acquired with the content owner's permission
13 from RealMedia to other formats. RealNetworks has not demonstrated that it is likely to succeed on
14 its claims that the Ripper violates sections 1201(b)(1)(A) or (B) of the DMCA.

15 30. RealNetworks' DMCA claims with respect to the Ripper rely largely on its argument
16 that the proprietary RealMedia format constitutes a technological measure that effectively protects a
17 right of a copyright owner because it prevents end-users from making derivative works based on
18 audio or video content that a consumer obtains in RealMedia format. RealNetworks did not offer
19 this argument in any detail in its opening memorandum.

20 31. There is little evidence that content owners use the RealMedia format as a
21 "technological measure" to prevent end-users from making derivative works. In any case,
22 RealNetworks has not introduced evidence that a substantial number of content owners would objec
23 to having end-users convert RealMedia files that they legitimately obtain into other formats.

24 32. Similarly, RealNetworks has not submitted substantial evidence that the Ripper's
25 alleged violations of section 1201(b) will cause RealNetworks injury. None of the numerous
26 declarations submitted by RealNetworks' customers or recording industry employees express

1 concern that the Ripper will permit RealMedia files to be converted to other formats. Instead,
2 persons who submitted these declarations indicate that they are concerned that unnamed Streambox
3 products will permit consumers to acquire unauthorized copies of copyrighted works that are made
4 available only in the streaming format. These concerns appear to relate to the functions of the
5 Streambox VCR, not to the functions of the Ripper. The Ripper functions as a "converter," not as a
6 copier. As such, these declarations do not suggest that the Ripper's alleged violations of section
7 1201(b) will result in any injury to RealNetworks in the form of lost customers or business.

8 33. RN further alleges that Streambox's marketing of the Ripper violates section
9 1201(b)(1)(C) of the DMCA. The brief quotes from Streambox's promotional materials that
10 RealNetworks references do not appear to urge consumers to buy the Ripper in order to create
11 derivative works in violation of the Copyright Act. The evidence submitted by RealNetworks is not
12 sufficient to show a reasonable likelihood of success on its claims under section 1201(b)(1)(C).

13 34. In light of Streambox's demonstration that the Ripper has legitimate and commercially
14 significant uses, RealNetworks has not shown that it is likely to succeed on its DMCA claims with
15 respect to the product.

16 35. Even if RealNetworks had raised a "serious question" about the Ripper's alleged
17 violation of the DMCA, RealNetworks has not demonstrated that the balance of hardships tips
18 sharply in its favor. As noted above, RealNetworks has not submitted evidence that the sale of the
19 Ripper would cause it to lose customers or goodwill. By contrast, enjoining the Ripper would
20 deprive Streambox of the ability to market a potentially valuable product with legitimate uses.

21 **RealNetworks Has Demonstrated that It Is Entitled to a Preliminary Injunction with Respect**
22 **to the Ferret**

23 36. Finally, RealNetworks claims that Streambox commits contributory and/or vicarious
24 copyright infringement by distributing the Ferret product to the public. In order to prevail on such
25 claims, RealNetworks must demonstrate that consumers who use the Ferret as a plug-in to the
26

1 RealPlayer infringe RealNetworks' rights as a copyright owner. RealNetworks alleges that
2 consumers who install the Ferret as a plug-in application to a RealPlayer create an unauthorized
3 derivative of the RealPlayer, thus violating RealNetwork's rights under 17 U.S.C. § 106(2).
4

5 37. RealNetworks holds a valid copyright registration for version 7 of the RealPlayer,
6 which constitutes prima facie evidence that RealNetworks is the owner of the copyright to the
7 program. See *Apple Computer, Inc. v. Formula Int'l, Inc.*, 725 F.2d 521, 523 (9th Cir. 1984).
8

9 38. Streambox does not dispute that consumers who use the Ferret as a plug-in to a
10 RealPlayer create a change the RealPlayer user interface by adding a clickable button that permits
11 the user to access the Streambox search engine, rather than the Snap search engine.
12

13 39. Streambox claims that changes that the Ferret makes to the RealPlayer do not
14 constitute the creation of a derivative work. To support this argument, Streambox cites generally the
15 Ninth Circuit's decision in *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, 964 F.2d 965 (9th
16 Cir. 1992). As RealNetworks notes, however, the court in *Galoob* held that the manufacturer of a
17 product that altered the audiovisual displays of a Nintendo game did not commit contributory
18 copyright infringement because the "[t]he altered displays do not incorporate a portion of a
19 copyrighted work in some concrete or permanent form." *Id.* at 968. Here, by contrast, the
20 alterations to the RealPlayer assume a more concrete form than the altered displays at issue in
21 *Galoob*.

22 40. However, the Court is not persuaded that RealNetworks has demonstrated that it is
23 likely to succeed on its contributory/vicarious copyright infringement claims with respect to the
24 Ferret. The facts and issues presented in the principal case that RealNetworks relies upon, *Micro
25 Star v. Formgen, Inc.*, 154 F.3d 1107 (9th Cir. 1998), do not appear to be completely analogous to the
26

1 situation here. In addition, RealNetworks' argument that consumers who install the Ferret breach a
2 license agreement that they must agree to in order to obtain the RealPlayer was first raised in
3 RealNetworks' reply brief.
4

5 41. Nonetheless, the Court concludes that RealNetworks has raised serious questions
6 going to the merits of its claim. It is undisputed that consumers who install the Ferret as a plug-in
7 application to the RealPlayer cause the graphical interface of the RealPlayer to be modified, arguably
8 creating a derivative work under 17 U.S.C. § 106(2) without the copyright owner's authorization. In
9 addition, RealNetworks has proffered evidence that end users who install the Ferret are violating a
10 license agreement with RealNetworks.

11 42. A plaintiff seeking a preliminary injunction who raises serious questions going to the
12 merits of its claim is entitled to an injunction if the balance of hardships tips sharply in its favor. *See*
13 *Micro Star v. Formgen, Inc.*, 154 F.3d 1107, 1109 (9th Cir. 1998).

14 43. The balance of hardships here clearly favors RealNetworks. The Ferret's ability to
15 permit consumers to modify the RealPlayer jeopardizes RealNetworks' exclusive relationship with
16 Snap. In addition, each time a consumer opts to use the Streambox search engine that is present on a
17 modified RealPlayer rather than the Snap search engine that is present on an unmodified RealPlayer
18 costs RealNetworks royalty payments from Snap, and it would be difficult if not impossible to
19 calculate the lost revenue to RealNetworks.
20

21 44. By contrast, the hardship that Streambox would experience if an injunction issued
22 against the product would not be nearly as severe. The Ferret plug-in simply provides consumers
23 with a way to access the Streambox search engine through the RealPlayer. The Streambox search
24 engine is already accessible to consumers in other places. If the Ferret is not available for
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1 distribution as a plug-in to the RealPlayer, consumers will still have the ability to conveniently
2 access and use the Streambox search engine.

3
4 CONCLUSION

5 Consistent with the findings of fact and conclusions of law above, the Court hereby
6 ORDERS that:

7 During the pendency of this action, Defendant Streambox, Inc. and its officers, agents,
8 servants, employees and attorneys, and those persons in active concert and participation with
9 Streambox, Inc. who receive actual notice of this Preliminary Injunction, are restrained and enjoined
10 from manufacturing, importing, licensing, offering to the public, or offering for sale:

11 a) versions of the Streambox VCR or similar products that circumvent or attempt to
12 circumvent RealNetworks' technological security measures, and from participating or assisting in
13 any such activity;

14 b) versions of the Streambox Ferret or similar products that modify RealNetworks'
15 RealPlayer program, including its interface, its source code, or its object code, and from participatin
16 or assisting in any such activity.

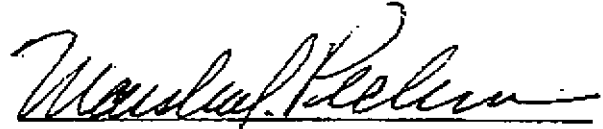
17 Plaintiff's motion for a preliminary injunction with respect to the Streambox Ripper is
18 DENIED.

19 This Order shall be effective immediately, on the condition that RealNetworks continues to
20 maintain security with the Clerk in the amount of \$1,000,000 for the payment of such costs and
21 damages as may be incurred by Streambox if it is found that Streambox was wrongfully enjoined by
22 this Order.
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1 The TRO entered by Judge Coughenour on December 23, 1999, and extended by the Court
2 until 5:00 p.m. on January 18, 2000, is hereby VACATED by this Order.

3 The clerk is directed to provide copies of this order to all counsel of record.
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5 Dated: January 18, 2000.

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8 Marsha J. Pechman
9 United States District Judge
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