IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

APPLE INC., a California corporation,

Plaintiff,

v.

PSYSTAR CORPORATION, a Florida corporation, and DOES 1-10, inclusive,

Defendants.
_____/

No. C 08-03251 WHA

ORDER RE DEFENDANT'S MOTION TO COMPEL AND PLAINTIFF'S CROSS-MOTION FOR PROTECTIVE ORDER

INTRODUCTION

Defendant Psystar Corporation has moved to compel Apple Inc. to provide evidence regarding the injury Apple has allegedly suffered, including profit margins. In turn, Apple has filed a cross-motion for a protective order to prevent Psystar from seeking information regarding its profit margins on the sale of its computer models. Because Apple's profit margins are not required for either parties' claims or defenses in this action, Psystar's motion to compel is **DENIED**, and Apple's motion for a protective order is **GRANTED**.

STATEMENT

This discovery dispute began with the Rule 30(b)(6) deposition of Philip Schiller regarding Apple Inc.'s injury. In July, Psystar Corporation served Apple with a Rule 30(b)(6) deposition notice. Mr. Schiller was designated as Apple's corporate representative with respect to topic 3 in the deposition notice, which sought testimony as to the following:

The injury suffered by Apple as a result of the allegedly unlawful

> that Apple is likely to suffer if these acts continue, including but not limited to the amount and manner of calculation of any lost profits, and distinguishing between the injury caused by each unlawful act in which Apple alleges that Psystar engaged.

Apple responded that it would "provide a witness to testify on injury suffered by Apple as a result of the unlawful acts committed by Psystar that Apple complains about in this action." Mr. Schiller, although designated on the topic of injury, would not testify on the subject. After a discovery hearing on the cross motions at issue, the Court allowed the parties to submit supplemental briefing.

ANALYSIS

Psystar claims that Apple's profit margins are relevant to a number of claims and relief, namely (1) Apple's request for statutory damages for copyright infringement; (2) Psystar's claim for copyright misuse; (3) Psystar's defenses to claims with actual damages, particularly trademark infringement; and (4) Apple's request for permanent injunctive relief. Apple counters that its profit margin information is not relevant. Significantly, Apple does not seek lost profits as a measure of its actual damages in this action (Apple Supp. Br. 2).

1. COPYRIGHT INFRINGEMENT.

Psystar first contends that Apple's profit margins are relevant to statutory damages for copyright infringement. The Copyright Act provides that "an infringer of copyright is liable for either — (1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or (2) statutory damages, as provided by subsection (c)." 17 U.S.C. 504(a). Subsection (b) of the Act states that:

> The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

Subsection (c) of the Act provides, in pertinent part, that:

> [T]the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements

> involved in the action, with respect to any one work, for which any one infringer is liable individually . . . in a sum of not less than $750 or more than $30,000 as the court considers just.

Here, Apple has elected to seek either Psystar's profits or statutory damages rather than actual damages for its copyright infringement claim. Apple may elect statutory damages regardless of the adequacy of the evidence offered as to its actual damages and the amount of defendant's profits, and even if it has intentionally declined to offer such evidence, although it was available. *See* 4-14 NIMMER ON COPYRIGHT § 14.04 (2009); *see also L.A. News Serv. v. Reuters TV Int'l*, 149 F.3d 987, 996 (9th Cir. 1998) ("a plaintiff may recover statutory damages whether or not there is adequate evidence of the actual damages suffered by plaintiff or of the profits reaped by defendant").

The district court has wide discretion in assessing statutory damages. To determine the amount of statutory damages, courts consider such factors as

> (1) the expenses saved and the profits reaped; (2) the revenues lost by the plaintiff; (3) the value of the copyright; (4) the deterrent effect on others besides the defendant; (5) whether the defendant's conduct was innocent or willful; (6) whether a defendant has cooperated in providing particular records from which to assess the value of the infringing material produced; and (7) the potential for discouraging the defendant.

Microsoft Corp. v. Nop, 549 F. Supp. 2d 1235, 1237 (E.D. Cal. 2008). Notably, the factors include the *profits reaped by defendant* and the *revenues lost by plaintiff*, not the *plaintiff's profits*.

To argue otherwise, Psystar primarily relies on *Bly v. Banbury Books, Inc.*, 638 F. Supp. 983 (E.D. Pa. 1986). But that decision does not support Psystar's argument. *Bly* stated: "While *it is clear that to require a plaintiff to adduce specific proof of actual damages or profits would contravene the purpose of the statutory damages provision*, this does not mean that it is irrelevant whether and to what extent a plaintiff has been harmed by a defendant's infringement." *Id.* at 987 (internal citations omitted) (emphasis added). *Bly* went on to say that some courts have held that statutory damages should bear some relation to actual damages suffered. In *Bly*, the plaintiff moved for summary judgment and sought statutory damages for copyright infringement. The defendant argued that statutory damages should not be awarded in

the absence of evidence of the losses to plaintiff or the gains to defendant resulting from defendant's infringement, and the plaintiff argued that such proof was not relevant. In ultimately deciding to award $250 as minimal statutory damages in the absence of any proof of plaintiff's actual damages, the *Bly* court pointed to the legislative history, which stated "the *plaintiff in an infringement suit is not obliged to submit proof of damages and profits* and may choose to rely on the provision for minimum statutory damages." *Id.* at 987–88 (*quoting* H.R. REP. NO. 1476, 94TH CONG., 2D SESS. 161 5777) (emphasis added). Likewise, Apple is not obliged to provide proof of its own profits when it has elected to seek statutory damages.

Psystar's other citations similarly did not explicitly require the copyright owner to provide proof of its profit margins when seeking statutory damages. *See, e.g.*, *Feltner v. Columbia Pictures TV*, 523 U.S. 340, 355 (1998) (providing "a right to a jury trial on all issues pertinent to an award of statutory damages under § 504(c) of the Copyright Act, including the amount itself"); *BMW of North America v. Gore*, 517 U.S. 559, 581 (1996) (addressing due-process challenges to a *punitive damages* award by examining the ratio of the punitive damages to the actual harm inflicted on the plaintiff).

In conclusion, Psystar has not demonstrated that evidence of Apple's profit margins is required for Apple to seek statutory damages for its copyright infringement claim.

2. TRADEMARK INFRINGEMENT.

Psystar also contends that Apple's profit margin information is relevant for Psystar's defenses to any claims for actual damages, specifically Apple's trademark-infringement claims. Psystar states that Apple had not yet made an election to limit its trademark claims to statutory damages. Apple, however, represents that it seeks only injunctive relief for its trademark-infringement claims (Reply Br. 1). As such, actual damages are not at issue for the trademark claims and Psystar's argument on this point is moot.

3. INJUNCTIVE RELIEF.

Psystar also argues that Apple's profit margins are relevant to Apple's request for a permanent injunction. The Supreme Court has stated that

> A plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff

> must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006).

Pursuant to the four-factor test, Apple must prove it has suffered irreparable harm. Other than for trademark infringement claims, there is no presumption of irreparable harm with respect to a permanent injunction. "[I]rreparable harm may not be presumed, but in run-of-the-mill copyright litigation, such proof should not be difficult to establish. Thus, [p]laintiffs may establish an irreparable harm stemming from the infringement (*e.g.*, loss of market share, reputational harm)." *MGM Studios, Inc. v. Grokster, Ltd.*, 518 F. Supp. 2d 1197, 1215 (C.D. Cal. 2007) (internal citations omitted). To obtain a permanent injunction, Apple contends it will attempt to show injury to its brand's goodwill and business reputation as well as try to prove that Psystar induced copyright infringement and circumvented Apple's protection measures in violation of the Digital Millennium Copyright Act.

Psystar cites to several Fifth Circuit decisions to support its argument that it needs Apple's lost profit data to show Apple has not suffered harm that is incalculable or irreparable. None of those decisions, however, expressly stated that a plaintiff must produce evidence of lost profits. In passing, *z4 Techs* stated that the plaintiff would not "suffer lost profits, the loss of brand name recognition or the loss of market share" and "[t]hese are the type of injuries that are often incalculable and irreparable." *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006). There, the plaintiff's motion for a permanent injunction was denied, because the plaintiff could be compensated for any harm by calculating a reasonable royalty for defendant's continued use of the product at issue. *Id.* at 441.

The other cited decisions merely stand for the proposition that the "lost goodwill of a business operated over a short period of time is usually compensable in money damages," and they did not address profit margin data in relation to lost goodwill. *See DFW Metro Line Servs. v. Southwestern Bell Tel. Co.*, 901 F.2d 1267, 1269 (5th Cir. 1990) (denying preliminary injunction where the plaintiff was only in business for one and a half years and any injury could

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