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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SOFTMAN PRODUCTS COMPANY,) Case No. CV 00-04161 DDP (AJWx)
LLC,)
)
Plaintiff,) **ORDER RE APPLICATION FOR**
) **PRELIMINARY INJUNCTION**
v.)
)
ADOBE SYSTEMS INC.; et al.,) [Motion filed on 8/27/01]
)
Defendants,)
)
)
AND RELATED COUNTERCLAIMS.)
)

This matter comes before the Court on the counter-claimant Adobe's application for a preliminary injunction. After reviewing and considering the materials submitted by the parties, and hearing oral argument, the Court adopts the following order.

I. Background

The counter-claimant Adobe Systems Inc. ("Adobe") is a leading software development and publishing company. The counter-defendant SoftMan Products Company ("SoftMan") is a Los Angeles-based company that distributes computer software products primarily through its

1 website, www.buycheapsoftware.com. Adobe alleges that since at
2 least November 1997, SoftMan has distributed unauthorized Adobe
3 software, including Adobe Educational software¹ and unbundled Adobe
4 "Collections."² By distributing the individual pieces of Adobe
5 Collections, Adobe contends that SoftMan is infringing Adobe's
6 copyright in these products and violating the terms of Adobe's
7 licenses. While SoftMan agrees that it is breaking apart various
8 Adobe Collections and distributing the individual pieces of them as
9 single products, SoftMan claims that it is entitled to distribute
10 Adobe software in this manner. There is no direct contractual
11 relationship between Adobe and SoftMan.

12 Adobe distributes its products through "licensing" agreements
13 with distributors.³ Each piece of Adobe software is also
14 accompanied by an End User License Agreement ("EULA"), which sets
15 forth the terms of the license between Adobe and the end user for
16 that specific Adobe product. The EULA is electronically recorded
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18 ¹ SoftMan agrees that, at one point, it sold Adobe
19 Educational software, but disputes that it has done so within the
past year. (SoftMan Opp. at 6.)

20 ² "Collections" are sets of individual Adobe products, such
21 as Adobe Photoshop or Illustrator on separate CD's, that are sold
together in a larger Adobe Retail Box. These Collections are
22 offered by Adobe at a discount from the individual retail products
comprising the Collection. (Adobe Mot. at 3.) "An example of an
23 Adobe Collection is the Adobe Publishing Collection, comprised of
Adobe PageMaker, Acrobat, Photoshop and Illustrator, for \$999.
24 Separately, these products retails as follows: Pagemaker - \$499,
Acrobat - \$249, Photoshop - \$609 and Illustrator - \$399." (Id.)

25 ³ Specific agreements include the Adobe Authorized Reseller
26 Agreement (for distribution of full Retail versions of Adobe
software), the Adobe Off-Campus Educational Reseller Agreement
27 ("OCRA") for distribution of Educational software, and the Original
Equipment Manufacturer Agreements ("OEM") (for distribution of
28 Adobe software coupled to hardware such as a scanner). (Snyder
Decl. ¶ 7, Ex. 2; Williams Decl. ¶ 3, Ex. 1.)

1 on the computer disk and customers are asked to agree to its terms
2 when they attempt to install the software. (SoftMan Opp. at 4.)

3 Adobe alleges, among other things, that SoftMan has infringed
4 on Adobe's trademark by distributing incomplete versions of Adobe
5 software. The central difference between these allegedly
6 incomplete products and the genuine Adobe software is that when
7 SoftMan unbundles a Collection and resells its component parts,
8 such individual pieces of software may not be accompanied by the
9 registration information which would entitle the bearer access to
10 Adobe's customer support and technical services. Adobe alleges
11 that customers may be confused about the connection between
12 authentic Adobe software and the unauthorized versions distributed
13 by SoftMan because a consumer may acquire a product from SoftMan as
14 a "Retail" version when, in fact, it is a piece of an unbundled
15 Adobe Collection.

16 On August 27, 2001, this Court granted a temporary restraining
17 order and seizure order against SoftMan. On September 10, 2001,
18 the Court entered a preliminary injunction, to be in effect for the
19 duration of the Court's review of the supplemental briefing
20 submitted by the parties following oral argument.

21

22 **II. Legal Standard**

23 "A party seeking a preliminary injunction must show 'either a
24 likelihood of success on the merits and the possibility of
25 irreparable injury, or that serious questions going to the merits
26 were raised and the balance of hardships tips sharply in its
27 favor.'" Micro Star v. Formgen Inc., 154 F.3d 1107, 1109 (9th Cir.
28 1998) (quoting Johnson Controls, Inc. v. Phoenix Control Sys.,

1 Inc., 886 F.2d 1173, 1174 (9th Cir. 1989)). In granting a
2 preliminary injunction, a district court must find that the movant
3 demonstrated either: (1) a combination of probable success on the
4 merits and the possibility of irreparable injury if relief is not
5 granted, or (2) the existence of serious questions going to the
6 merits and that the balance of hardships tips sharply in its favor.
7 Brookfield Communications, Inc. v. West Coast Entm't Corp., 174
8 F.3d 1036, 1046 (9th Cir. 1999). Irreparable injury may be
9 presumed from a showing of likelihood of success on the merits of a
10 trademark infringement claim. Id. at 1066 (citing Metro Publ'g v.
11 San Jose Mercury News, 987 F.2d 637, 640 (9th Cir. 1993)). The
12 traditional test for granting preliminary injunctive relief also
13 applies in the context of a trademark action. This test requires
14 the plaintiff to demonstrate: (1) a likelihood of success on the
15 merits; (2) a significant threat of irreparable injury; (3) that
16 the balance of hardships favors the plaintiff; and (4) whether any
17 public interest favors granting an injunction. Dollar Rent A Car
18 v. Travelers Indem. Co., 774 F.2d 1371, 1374 (9th Cir. 1985); see
19 also Schwarzer, et al., Federal Civil Procedure Before Trial,
20 § 13:44 (1999). The Ninth Circuit also uses an alternative test
21 which requires the plaintiff to demonstrate "serious questions
22 going to the merits and that the balance of hardships tips sharply
23 in its favor." See First Brands Corp. v. Fred Meyer, Inc., 809
24 F.2d 1378, 1381 (9th Cir. 1987).

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1 **III. Discussion**

2 **A. Copyright Infringement Claim**

3 1. Likelihood of Success on the Merits

4 To prevail on its copyright infringement claim, Adobe must
5 show (1) that it owns the copyright to the product at issue, and
6 (2) that SoftMan infringed Adobe's copyrights in these products.
7 Johnson Controls, 886 F.2d at 1175. With respect to the second
8 element, Adobe may prove infringement by showing that SoftMan has
9 violated one of Adobe's exclusive rights guaranteed to copyright
10 holders under 17 U.S.C. § 106(3).⁴ Sony Corp. of Am. v. Universal
11 City Studios, Inc., 464 U.S. 417, 433 (1984).

12 a. Copyright Ownership

13 Adobe's products consist of original material which is
14 copyrightable subject matter under 17 U.S.C. § 102. There is no
15 dispute that Adobe is the registered owner of the copyrights for
16 all the products in question in this action.

17 b. Unauthorized Copying of a Protected Work

18 Copyright infringement exists when any of the rights granted
19 under 17 U.S.C. § 106 are violated. Buck v. Jewell-La Salle
20 Realty, 283 U.S. 191 (1931). Title 17 U.S.C. § 106(3) grants a
21 copyright holder the exclusive right to distribute, and to
22 authorize distribution of, its copyrighted work. Adobe chooses to
23 distribute copies of its products through licensing agreements with
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26 ⁴ Title 17 U.S.C. § 106(3) provides that the owner of a
27 copyright has "the exclusive rights . . . to distribute copies or
28 phonorecords of the copyrighted work to the public by sale or other
transfer of ownership, or by rental, lease, or lending." 17 U.S.C.
§ 106(3).

1 various distributors and dealers.⁵ It is not disputed that SoftMan
2 has no licensing agreement with Adobe.

3 In addition, each piece of Adobe software is accompanied by
4 the EULA.⁶ Once the products are distributed to the end-user, the
5 EULA prohibits the individual distribution of software that was
6 originally distributed as part of a Collection. Specifically, the
7 Adobe EULA provides that the end user may "transfer all [his]
8 rights to the Use of the Software to another person or legal entity
9 provided that (a) [he] also transfer this Agreement, the Software

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11 ⁵ These agreements are signed licenses between Adobe and the
12 named distributor. Adobe's general distribution agreement provides
13 in part: "Distributor acknowledges that the Software Products are
14 to be licensed to End Users in accordance with the terms and
15 conditions of the current End User License Agreement. . . .
16 Distributor shall distribute the Software Products solely in the
17 form and packaging in which they were obtained from Adobe."
18 (Soriano Decl., Ex. 1 at p. 7.) Adobe's Reseller Agreement states
19 that: "Reseller acknowledges that the structure and organization of
20 the Software is proprietary to Adobe and that Adobe retains
21 exclusive ownership of the Software and the Trademarks." (Navarro
22 Suppl. Decl., at p. 3, ¶ 9.)

23 Most computer program and database product copies are
24 distributed with standard form terms in a document characterized as
25 a "license". The standard terms purport, among other things: to
26 specify permitted uses of a copy, e.g., consumer or personal versus
27 commercial; to prohibit certain uses of a computer program copy,
28 e.g., reverse engineering of the computer program code; to forbid
any use that is not expressly authorized, e.g., commercial
processing of third party data or business records; and to bar
transfer of a copy and the "license" to another person. (Rice
Decl. ¶ 5.)

⁶ The EULA states in part: "The receiving party accepts the
terms and conditions of this Agreement (EULA) and any other terms
and conditions upon which [the end user] legally purchased a
license to the Software." (Adobe EULA ¶ 4, attached to Palma
Decl., Ex. 1.) Adobe's EULA permits an end user, subject to
certain restrictions, to transfer the software, media, and
documentation to another end user. The restrictions relating to an
end user's ability to transfer include that the EULA must also be
transferred and that "[t]he Software and all other software or
hardware bundled or pre-installed with the Software, including all
copies, Updates, and prior verison, and all copies of font software
converted into other formats." (Id.)

1 and all other software or hardware bundled or pre-installed with
2 the Software.”⁷ (Palma Decl., Ex. 1.)

3 In this case, Adobe alleges that by distributing unbundled
4 Collections, SoftMan has exceeded the scope of the EULA and has
5 infringed Adobe’s copyrights, specifically Adobe’s § 106 right to
6 distribute and control distribution. SoftMan contends that the
7 first sale doctrine allows for the resale of Adobe’s Collection
8 software.

9 (1) First Sale Doctrine

10 The “first sale” doctrine was first analyzed by the United
11 States Supreme Court in Bobbs-Merrill Co. v. Straus, 210 U.S. 339
12 (1908). The Court held that the exclusive right to “vend” under
13 the copyright statute applied only to the first sale of the
14 copyrighted work. The doctrine has been codified at 17 U.S.C. §
15 109(a). It states in relevant part: “the owner of a particular
16 copy . . . lawfully made under this title . . . is entitled,
17 without the authority of the copyright owner, to sell or otherwise
18 dispose of the possession of that copy.” 17 U.S.C. § 109(a). One
19 significant effect of § 109(a) is to limit the exclusive right to
20 distribute copies to their first voluntary disposition, and thus
21 negate copyright owner control over further or “downstream”
22 transfer to a third party. Quality King Distrib. v. L’Anza
23 Research Int’l, Inc., 523 U.S. 135, 142-44 (1998). (See Rice Decl.

24

25 ⁷ The parties have made much of the change to Adobe’s EULA
26 that occurred in April 2000. The Court finds that, under the
27 current language of the EULA, Adobe’s clear intent is to prohibit
28 the unbundling activity. Therefore, assuming arguendo that the
prior agreement did not prohibit the conduct at issue, the current
EULA does clearly state that the “unbundling activities” are
barred. (See Maier Decl. ¶ 3.)

1 ¶ 11.) The first sale doctrine vests the copy owner with statutory
2 privileges under the Act which operate as limits on the exclusive
3 rights of the copyright owners.

4 Adobe argues that the first sale doctrine does not apply
5 because Adobe does not sell or authorize any sale of its software.
6 Adobe characterizes each transaction throughout the entire stream
7 of commerce as a license.⁸ Adobe asserts that its license defines
8 the relationship between Adobe and any third-party such that a
9 breach of the license constitutes copyright infringement. This
10 assertion is not accurate because copyright law in fact provides
11 certain rights to owners of a particular copy. This grant of
12 rights is independent from any purported grant of rights from
13 Adobe. The Adobe license compels third-parties to relinquish
14 rights that the third-parties enjoy under copyright law.⁹

15 In short, the terms of the Adobe EULA at issue prohibit
16 licensees from transferring or assigning any individual Adobe
17 product that was originally distributed as part of a Collection
18 unless it is transferred with all the software in the original
19 Collection. This license provision conflicts with the first sale
20 doctrine in copyright law, which gives the owner of a particular
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22 ⁸ "From Adobe's distributors through the end users, every
23 party along the way receives only a license. Since no party can
24 transfer more rights than it acquired, it follows that there was no
25 "first sale" in the transfer to SoftMan, and SoftMan's unbundling
of Adobe software is copyright infringement as a matter of law."
(Adobe Suppl. Brief at 5.)

26 ⁹ See, e.g., Mark A. Lemley, Intellectual Property and
27 Shrinkwrap Licenses, 68 S. Cal. L. Rev. 1239 (1995) ("Software
28 vendors are attempting en masse to 'opt out' of intellectual
property law by drafting license provisions that compel their
customers to adhere to more restrictive provisions than copyright
law would require.").

1 copy of a copyrighted work the right to dispose of that copy
2 without the permission of the copyright owner.

3 (2) Sale v. License

4 (a) Historical Background

5 Historically, the purpose of "licensing" computer program copy
6 use was to employ contract terms to augment trade secret protection
7 in order to protect against unauthorized copying at a time when,
8 first, the existence of a copyright in computer programs was
9 doubtful, and, later, when the extent to which copyright provided
10 protection was uncertain. (See Rice Decl. ¶ 6.) Computer program
11 copy use "licensing" continued after federal courts interpreted the
12 Copyright Act to provide substantial protection for computer
13 programs as literary works. (Id. at ¶ 7.) In Step-Saver Data
14 Systems, Inc. v. Wise Technology, the Third Circuit examined the
15 historical development of the use of licensing in the software
16 industry and concluded that subsequent changes to the Copyright Act
17 had rendered the need to characterize the transaction as a license
18 "largely anachronistic." 939 F.2d 91, 96 n.7 (3d Cir. 1991).¹⁰

19
20 ¹⁰ The court in Step-Saver explained: "When these form
21 licenses were first developed for software, it was, in large part,
22 to avoid the federal copyright law first sale doctrine. . . . Under
23 this doctrine, one could purchase a copy of a computer program, and
24 then lease it or lend it to another without infringing the
25 copyright on the program. . . . Consumers, instead of purchasing
26 their own copy of the program, would simply rent a copy of the
27 program, and duplicate it. . . . [S]oftware producers wanted to sue
28 the companies that were renting the copies of the program to
individual consumers, rather than the individual consumers. The
first sale doctrine, though, stood as a substantial barrier to
successful suit against these software rental companies, even under
a theory of contributory infringement. By characterizing the
original transaction between the software producer and the software
rental company as a license, rather than a sale, and by making the
license personal and non-transferable, software producers hoped to
avoid the reach of the first sale doctrine and to establish a basis
(continued...)

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(b) Adobe Sells its Software

A number of courts have held that the sale of software is the sale of a good within the meaning of Uniform Commercial Code. Advent Sys. Ltd. v. Unisys Corp., 925 F.2d 670, 676 (3d Cir. 1991); Step-Saver, 929 F.2d at 99-100; Downriver Internists v. Harris Corp., 929 F.2d 1147, 1150 (6th Cir. 1991). It is well-settled that in determining whether a transaction is a sale, a lease, or a license, courts look to the economic realities of the exchange. Microsoft Corp. v. DAK Indus., 66 F.3d 1091 (9th Cir. 1995); United States v. Wise, 550 F.2d 1180 (9th Cir. 1977). In DAK, Microsoft and DAK entered into a license agreement granting DAK certain nonexclusive license rights to Microsoft's computer software. The agreement provided that DAK would pay a royalty rate per copy of computer software that it distributed. Subsequently, DAK filed a petition for bankruptcy, and failed to pay the final two out of a total of five installments. Microsoft filed a motion for the payment of an administrative expense, claiming that it should be compensated for DAK's post-bankruptcy petition use of the license

¹⁰ (...continued)
in state contract law for suing the software rental companies directly. Questions remained, however, as to whether the use of state contract law to avoid the first sale doctrine would be preempted either by the federal copyright statute (statutory preemption) or by the exclusive constitutional grant of authority over copyright issues to the federal government (constitutional preemption). [Citations.] Congress recognized the problem, and, in 1990, amended the first sale doctrine as it applies to computer programs and phonorecords. [Citations.] As amended, the first sale doctrine permits only non-profit libraries and educational institutions to lend or lease copies of software and phonorecords. [citations.] (Under the amended statute, a purchaser of a copy of a copyrighted computer program may still sell his copy to another without the consent of the copyright holder.)" 939 F.2d at 96, n.7.

1 agreement. On appeal, the Ninth Circuit held that the economic
2 realities of the agreement indicated that it was a sale, not a
3 license to use. Thus, Microsoft simply held an unsecured claim and
4 not an administrative expense. The court found that the agreement
5 was best characterized as a lump sum sale of software units to DAK,
6 rather than a grant of permission to use an intellectual property.
7 The court in DAK noted:

8 Because we look to the economic realities of the agreement,
9 the fact that the agreement labels itself a "license" and
10 calls the payments "royalties," both terms that arguably imply
11 periodic payment for the use rather than sale of technology,
12 does not control our analysis.

13 DAK, 66 F.3d at 1095, n.2. Other courts have reached the same
14 conclusion: software is sold and not licensed. See, e.g., RRX
15 Indus., Inc. v. Lab-Con, Inc., 772 F.2d 543, 546 (9th Cir. 1985);
16 Applied Info. Mgmt., Inc. v. Icart, 976 F. Supp. 149, 155 (E.D.N.Y.
17 1997) (finding that whether a transaction denominated a "license"
18 was in fact a sale conveying ownership was a disputed question of
19 fact); Novell, Inc. v. CPU Distrib., Inc., 2000 U.S. Dist. Lexis
20 9975 (S.D. Tex. 2000). In Novell, a software manufacturer was
21 pursuing a discount retailer for copyright infringement. Like
22 Adobe, CPU argued that it purchased the software from an authorized
23 source and was entitled to resell it under the first sale doctrine.
24 Novell claimed that it did not sell software but merely licensed it
25 to distribution partners. The court held that these transactions
26 constituted sales and not a license, and therefore that the first
27 sale doctrine applied. 2000 U.S. Dist. Lexis 9975 at *18.

28 Adobe frames the issue as a dispute about the ownership of
intellectual property. In fact, it is a dispute about the
ownership of individual pieces of Adobe software. Section 202 of

1 the Copyright Act recognizes a distinction between tangible
2 property rights in copies of the work and intangible property
3 rights in the creation itself.¹¹ In this case, no claim is made
4 that transfer of the copy involves transfer of the ownership of the
5 intellectual property within. (See SoftMan's Suppl. Brief at
6 9-10) ("Adobe has ownership rights in the copyright of [its]
7 software.") What is at stake here is the right of the purchaser
8 to dispose of that purchaser's particular copy of the software.

9 The Court finds that the circumstances surrounding the
10 transaction strongly suggests that the transaction is in fact a
11 sale rather than a license. For example, the purchaser commonly
12 obtains a single copy of the software, with documentation, for a
13 single price, which the purchaser pays at the time of the
14 transaction, and which constitutes the entire payment for the
15 "license." The license runs for an indefinite term without
16 provisions for renewal. In light of these indicia, many courts and
17 commentators conclude that a "shrinkwrap license" transaction is a
18 sale of goods rather than a license.¹²

19
20 ¹¹ "Ownership of a copyright, or of any of the exclusive
21 rights under a copyright, is distinct from ownership of any
22 material object in which the work is embodied." 17 U.S.C. § 202.

22 ¹² The term "shrinkwrap license" refers to the fact that the
23 license begins when the purchaser reads its terms and tears open
24 the transparent plastic wrapping, or "shrinkwrap," that encloses
25 the software product. "Although early shrinkwrap licenses often
26 were visible prior to purchase, and could be read before the
27 purchaser tore open the software's wrapping, more recent variants
28 place the license within the software's packaging or on the disk
itself." Stephen P. Tarolli, The Future of Information Commerce
under Contemporary Contract and Copyright Principles, 46 Am. U.L.
Rev. 1639, 1647-48 (1997)(footnote omitted); see also ProCD, Inc.
v. Zeidenberg, 86 F.3d 1447, 1450 (7th Cir. 1996) ("The 'shrinkwrap
license' gets its name from the fact that retail software packages
are covered in plastic or cellophane 'shrinkwrap' . . . vendors
(continued...)

1 The reality of the business environment also suggests that
2 Adobe sells its software to distributors. Adobe transfers large
3 amounts of merchandise to distributors. The distributors pay full
4 value for the merchandise and accept the risk that the software may
5 be damaged or lost.¹³ The distributors also accept the risk that
6 they will be unable to resell the product.¹⁴ The distributors then
7 resell the product to other distributors in the secondary market.
8 The secondary market and the ultimate consumer also pay full value
9 for the product, and accept the risk that the product may be lost
10 or damaged. This evidence suggests a transfer of title in the
11 good. The transfer of a product for consideration with a transfer
12 of title and risk of loss generally constitutes a sale. VWP of
13 Am., Inc. v. United States, 175 F.3d 1327, 1338-39 (Fed. Cir.
14 1999). Professor Raymond Nimmer writes:

15
16 _____
17 ¹² (...continued)
18 . . . have written licenses that become effective as soon as the
19 customer tears the wrapping from the package. Vendors prefer
20 'end user license' . . .").

21 ¹³ "In purchasing Adobe software from authorized
22 distributors, I always understood that SoftMan was obtaining title
23 to the particular copies it purchased. . . . SoftMan paid fair
24 value for the product and assumes the risk of loss or damage upon
25 receipt. SoftMan also assumed the risk of loss if it was unable to
26 resell the software." (Dracup Decl. ¶ 8.)

27 ¹⁴ SoftMan points to the language of Adobe's distribution
28 agreements, which includes sale terms and states that the
distributor assumes the risk of loss or damage of the product.
(Soriano Decl., Ex. 1 at 5.7-5.14.) Therefore, SoftMan argues,
Adobe transfers title in the software to its distributors subject
to a license restricting the distributor's rights and the manner in
which the distributor may sell the software. In addition, SoftMan
argues that even if title does not pass to the distributors, the
distributors may still transfer title in individual copies subject
to the terms of the EULA. A consumer may obtain good title from a
distributor who has not perfected title. Unif. Comm. Code
§ 2-403(2).

1 Ownership of a copy should be determined based on the actual
2 character, rather than the label, of the transaction by which
3 the user obtained possession. Merely labeling a transaction
4 as a lease or license does not control. If a transaction
5 involves a single payment giving the buyer an unlimited
6 period in which it has a right to possession, the transaction
7 is a sale. In this situation, the buyer owns the copy
8 regardless of the label the parties use for the contract.
9 Course of dealing and trade usage may be relevant, since they
10 establish the expectations and intent of the parties. The
11 pertinent issue is whether, as in a lease, the user may be
12 required to return the copy to the vendor after the expiration
13 of a particular period. If not, the transaction conveyed not
14 only possession, but also transferred ownership of the copy.

9 Raymond Nimmer, The Law of Computer Technology § 1.18[1] p. 1-103
10 (1992). The Court agrees that a single payment for a perpetual
11 transfer of possession is, in reality, a sale of personal property
12 and therefore transfers ownership of that property, the copy of the
13 software.

14 Other commentators have urged courts to look at the substance
15 rather than the form of licensing agreements. See, e.g., David A.
16 Rice, Licensing the Use of Computer Program Copies and the
17 Copyright Act First Sale Doctrine, 30 *Jurimetrics* J. 157 (1990).
18 In particular, the following factors require a finding that
19 distributing software under licenses transfers individual copy
20 ownership: temporally unlimited possession, absence of time limits
21 on copy possession, pricing and payment schemes that are unitary
22 not serial, licenses under which subsequent transfer is neither
23 prohibited nor conditioned on obtaining the licensor's prior
24 approval (only subject to a prohibition against rental and a
25 requirement that any transfer be of the entity), and licenses under
26 which the use restrictions principal purpose is to protect
27 intangible copyrightable subject matter, and not to preserve
28 property interests in individual program copies. Id. at 172.

1 Adobe relies primarily on two cases to support its proposition
2 that software is licensed and not sold. In Microsoft Corp. v.
3 Harmony Computers & Elecs., Inc., 846 F. Supp. 208, 212 (E.D.N.Y.
4 1994), the court assumed without analysis that the transaction was
5 a license rather than a sale and held that distribution outside the
6 scope of a license agreement constituted copyright infringement.
7 The Court finds Harmony's facts to be distinguishable. In that
8 case, the defendants were selling counterfeit Microsoft products.
9 Here, Adobe does not allege that SoftMan sells counterfeit Adobe
10 software.

11 Adobe also relies on Adobe Sys. Inc. v. One Stop Micro, Inc.,
12 84 F. Supp. 2d 1086, 1093 (N.D. Cal. 2000). The court held that
13 One Stop's distribution of Educational versions of Adobe software
14 to non-educational end users was outside the scope of Adobe's
15 license and in violation of Adobe's exclusive right to distribute
16 under § 106(3). In One Stop, an unlicensed reseller admitted to
17 adulterating the packaging for Adobe Educational software and
18 transferring it as retail Adobe products for prices below the
19 street price of the retail product. Id. The court further held
20 that One Stop could not claim to have title for first sale purposes
21 while the end user only obtained a license. The Court finds the
22 facts of One Stop to be distinguishable from the instant case. In
23 One Stop, the issue was peeling off and destroying the "Education
24 version" stickers on software, as well as destroying bar code and
25 serial numbers on the software, and then reselling it as commercial
26 software. Id. at 1088. To the extent that the court in One Stop
27 found that the transaction at issue was in fact a license, and not
28 a sale, this Court simply declines to adopt that analysis. In One

1 Stop, the court placed great weight on the declarations of Adobe's
2 experts that licensing is the preferred method of distributing
3 software. The Court understands fully why licensing has many
4 advantages for software publishers. However, this preference does
5 not alter the Court's analysis that the substance of the
6 transaction at issue here is a sale and not a license.

7

8 (c) EULA Terms

9 Adobe argues that the EULA requires construction of the
10 transaction as a license rather than a sale. The Court finds that
11 SoftMan is not bound by the EULA because there was no assent to its
12 terms.

13 i) Assent

14 Adobe contends that the EULA limits the consumer's ability to
15 transfer the software after buying it. According to SoftMan, a
16 hard copy of the EULA agreement is not enclosed with the individual
17 Adobe software disk. Instead, consumers are asked to agree to its
18 terms as part of the installation process. (Dracup Decl. ¶ 7.)

19 Courts have required that assent to the formation of a
20 contract be manifested in some way, by words or other conduct, if
21 the contract is to be effective. E. Allan Farnsworth, Farnsworth
22 on Contracts § 3.1 (2d ed. 2000). As the court noted in Specht v.
23 Netscape Communications Corp., 150 F. Supp. 2d 585 (S.D.N.Y. 2001):
24 "The case law on software licensing has not eroded the importance
25 of assent in contract formation. Mutual assent is the bedrock of
26 any agreement to which the law will give force. Defendants'
27 position, if accepted, would so expand the definition of assent as
28 to render it meaningless." Id. at 596.

1 In the instant case, the Court finds that there is only
2 assent on the part of the consumer, if at all, when the consumer
3 loads the Adobe program and begins the installation process. It is
4 undisputed that SoftMan has never attempted to load the software
5 that it sells. Consequently, the Court finds that SoftMan is not
6 subject to the Adobe EULA.

7 Adobe fails to offer a compelling rationale for how SoftMan
8 becomes subject to Adobe's licenses if SoftMan never loads the
9 software onto computers. Adobe claims that the EULA is enforceable
10 against SoftMan because the boxes containing Adobe software
11 (including Collections) clearly indicate that use is subject to the
12 consumer's agreement to the terms contained in EULA inside.
13 See, e.g., ProCD, 86 F.3d at 1451. Like the CD boxes in ProCD,
14 Adobe's EULAs state that the product can be returned if the terms
15 are not agreed to by the end user. The Adobe Collections boxes
16 state: "NOTICE TO USERS: This product is offered subject to the
17 license agreement included with the media." (Navarro Decl. at
18 p. 2.) However, the existence of this notice on the box cannot
19 bind SoftMan. Reading a notice on a box is not equivalent to the
20 degree of assent that occurs when the software is loaded onto the
21 computer and the consumer is asked to agree to the terms of the
22 license.

23 Adobe further asserts that whether SoftMan is characterized as
24 a distributor or reseller, SoftMan would be bound by the terms of
25 these license agreements, which state that Adobe retains ownership
26 of its software products, as well as the media upon which these
27 software products are distributed. It is undisputed that SoftMan
28 is not a signatory to any licensing agreements. Yet Adobe claims

1 that although SoftMan has never signed an agreement with Adobe, the
2 terms of Adobe's distribution agreements all apply to SoftMan.

3 In One Stop, the court stated that although One Stop was not a
4 signatory to an Adobe licensing agreement, it was nevertheless
5 subject to the restrictions of those agreements. 84 F. Supp. 2d at
6 1092. The court found that by obtaining Adobe software from a
7 party to an Adobe licensing agreement, One Stop was bound by any
8 restrictions imposed by that agreement. Id. at 1093. In Harmony,
9 the court found that "to the extent that defendants bought their
10 Microsoft Products from authorized Microsoft licensees, they were
11 subject to the same licensing restrictions under which those
12 licensees operated." Harmony, 846 F. Supp. at 213. The Court
13 declines to adopt the analysis of these cases.

14 The Court finds that Adobe's EULA cannot be valid without
15 assent. Therefore, SoftMan is not bound by the EULA because it has
16 never loaded the software, and therefore never assented to its
17 terms of use.

18 ii) Shrinkwrap Licenses In General

19 Whether contracts such as Adobe's EULA, often referred to as
20 "shrinkwrap" licenses, are valid is a much-disputed question.¹⁵ A
21 number of courts that have addressed the validity of the shrinkwrap
22 license have found them to be invalid, characterizing them as
23 contracts of adhesion, unconscionable, and/or unacceptable pursuant
24 to the Uniform Commercial Code. Step-Saver, 939 F.2d 91; Vault
25 Corp. v. Quaid Software Ltd., 847 F.2d 255 (5th Cir. 1988). These

26
27 ¹⁵ The enforceability of use restrictions and transfer
28 prohibitions set forth in standard form, non-negotiated, computer
program copy "licenses" has been the subject of substantial
academic and other controversy. (Rice Decl. ¶ 28.)

1 courts have refused to recognize a bargain in shrinkwrap license
2 that is not signed by the party against whom it is enforced. In
3 Step-Saver, the Third Circuit found that the terms of a contract
4 were formed when the parties shipped, received and paid for the
5 product. Therefore, the software shrinkwrap agreement constituted
6 additional terms to the contract, and under Uniform Commercial Code
7 § 2-207 (governing commercial counter-offers), these terms were
8 invalid without express assent by the purchaser. In contrast,
9 other courts have determined that the shrinkwrap license is valid
10 and enforceable. ProCD, 86 F.3d at 1453; Harmony, 846 F. Supp. at
11 212.

12 The Court finds it unnecessary to reach the question of the
13 general validity of shrinkwrap licenses at this stage because the
14 Court has determined that SoftMan is not bound by the EULA because
15 there was no assent to its terms.

16

17 2. New York Times Co., Inc. v. Tasini

18 Adobe claims that even if there was a first sale of the Adobe
19 Collections, SoftMan's unbundling of the Collections and
20 redistribution of the individual component parts still constitutes
21 copyright infringement. Adobe cites New York Times Co. Inc. v.
22 Tasini, 121 S.Ct. 2381 (2001), for the proposition that the
23 distribution of an individual component of a collective work
24 infringes the copyright in the underlying individual work.

25 In Tasini, the Court held that print and electronic publishers
26 infringed on the copyrights of freelance authors when the
27 publishers placed the authors' articles in electronic databases.
28 The Court rejected the publishers' assertions that they were

1 protected by the reproduction and distribution privilege accorded
2 collective work copyright owners by 17 U.S.C. § 201(c).¹⁶ Adobe's
3 reliance on Tasini is misplaced. The critical distinction is that
4 Tasini does not address, as does the instant case, the fate of an
5 individual copy of any work under the first sale doctrine. The
6 Tasini Court reaffirmed that the owner of the copyright in the
7 collective work is presumed to have acquired only the privilege of
8 distributing the contribution as part of that particular collective
9 work.¹⁷

10 In contrast, what Adobe alleges here is quite different. In
11 this case, Adobe seeks to control the resale of a lawfully acquired
12 copy of its software. Adobe's position in this action would be
13 more akin to a journalist who claimed that ownership of the
14 copyright to an article allowed him or her to control the resale of
15 a particular copy of a newspaper that contained that article. The
16 Court finds that Tasini is not applicable to the facts at issue.

17

18

19

20 ¹⁶ "Copyright in each separate contribution to a collective
21 work is distinct from copyright in the collective work as a whole,
22 and vests initially in the author of the contribution. In the
23 absence of an express transfer of the copyright or of any rights
24 under it, the owner of copyright in the collective work is presumed
to have acquired only the privilege of reproducing and distributing
the contribution as part of that particular collective work, any
revision of that collective work, and any later collective work in
the same series." 17 U.S.C. § 201(c).

25 ¹⁷ The Court held: "The publishers are not sheltered by
26 § 201(c) . . . because the databases reproduce and distribute
27 articles standing alone and not in context, not 'as part of that
28 particular collective work' to which the author contributed, 'as
part of . . . any revision' thereof, or 'as part of . . . any later
collective work in the same series.' Both the print publishers and
the electronic publishers, we rule, have infringed the copyrights
of the freelance authors." Tasini, 121 S.Ct. at 2384-85.

1 3. Copyright Infringement Conclusion

2 In short, the transfer of copies of Adobe software making up
3 the distribution chain from Adobe to SoftMan are sales of the
4 particular copies, but not of Adobe's intellectual rights in the
5 computer program itself, which is protected by Adobe's copyright.
6 SoftMan is an "owner" of the copy and is entitled to the use and
7 enjoyment of the software, with the rights that are consistent with
8 copyright law. The Court rejects Adobe's argument that the EULA
9 gives to purchasers only a license to use the software. The Court
10 finds that SoftMan has not assented to the EULA and therefore
11 cannot be bound by its terms. Therefore, the Court finds that
12 Adobe has not demonstrated a likelihood of success on the merits of
13 its copyright infringement claim.

14

15 a. Irreparable Injury

16 Since the Court finds that Adobe has not made a showing of a
17 likelihood of success on the merits of its copyright claim, no
18 presumption of irreparable harm is raised. See Micro Star, 154
19 F.3d at 1109. Parties seeking pretrial injunctive relief must
20 demonstrate they will be exposed to some "significant risk of
21 irreparable injury" if such relief is denied. Associated Gen.
22 Contractors of Cal. v. Coalition for Econ. Equity, 950 F.2d 1401,
23 1410 (9th Cir. 1991). Before a preliminary injunction may issue,
24 the court must identify the harm which a preliminary injunction
25 might cause the defendant and balance it against plaintiff's
26 threatened injury. Armstrong v. Mazurek, 94 F.3d 566, 568 (9th Cir.
27 1996).

28

1 Adobe contends it will suffer irreparable injury for the
2 following reasons: dilution of customer goodwill, price erosion of
3 Adobe software due to SoftMan's resale activities, the Adobe name
4 will be tarnished and consumers may stop acquiring Adobe products,
5 loss of annual sales,¹⁸ and dilution of trademarks. Adobe also
6 contends that it is faced with a "Hobson's Choice" between
7 upholding distribution agreements and denying consumers Adobe
8 services (satisfying Adobe's "legitimate" distribution partners at
9 the expense of customer goodwill), or providing services to
10 consumers holding so-called "pirated" products.

11 Irreparable injury and probability of success on the merits
12 "are not really two entirely separate tests, but that they are
13 merely extremes of a single continuum." Benda v. Grand Lodge of
14 Int'l Ass'n of Machinists & Aerospace Workers, 584 F.2d 308, 315
15 (9th Cir. 1978). In this case, the Court finds that Adobe has not
16 demonstrated probable success on the merits of its copyright claim.
17 Nor has Adobe made a showing of irreparable injury sufficient to
18 obtain preliminary injunctive relief. Adobe presents no specific
19 evidence relating to dilution of customer goodwill or the direct
20 loss of annual sales. There must be evidence of actual injury to
21 support claims of "irreparable injury." Speculative losses are
22 insufficient. Goldie's Bookstore, Inc. v. Superior Court, 739 F.2d
23 466, 472 (9th Cir. 1984); Caribbean Marine Serv. Co v. Baldrige,
24 844 F.2d 668, 674 (9th Cir. 1988). Significantly, Adobe also
25 admits that it discovered SoftMan's allegedly unauthorized

26

27 ¹⁸ Adobe alleges that SoftMan grossed \$700,000 from the sale
28 of Adobe products between October 2000 and May 2001. (Van Voorhis
Decl. ¶ 7, Ex. 7.)

1 distribution of Adobe software in November 1997. (Adobe Mot. at
2 6.) This delay further supports the Court's conclusion that Adobe
3 has failed to demonstrate immediate threatened harm. The Court
4 finds that Adobe has failed to show that it will suffer irreparable
5 injury in the absence of preliminary injunctive relief.

6

7 b. Balance of Hardships

8 In deciding whether to grant a preliminary injunction, the
9 Court may also balance the potential hardships that each party may
10 suffer if the Court grants or denies Adobe's motion. See
11 International Jensen, Inc. v. MetroSound U.S.A., 4 F.3d at 819, 827
12 (9th Cir. 1993). Given that neither Adobe nor SoftMan has
13 submitted any evidence of economic loss except broad, general
14 statements, the Court considers the balance of hardships to be a
15 neutral factor.

16

17 c. Public Interest

18 Traditionally, courts have looked to public policy
19 considerations in determining whether to grant preliminary
20 injunctive relief. Chalk v. United States Dist. Court, Cent. Dist.
21 of Cal., 840 F.2d 701, 711 (9th Cir., 1988) ("We recognize that the
22 public interest is one of the traditional equitable criteria which
23 a court should consider in granting injunctive relief."). In this
24 case, the Court finds that important public policy considerations
25 weigh on each side.

26 The Court finds that the provisions contained in Adobe's EULA
27 purport to diminish the rights of customers to use the software in
28 ways ordinarily enjoyed by customers under copyright law.

1 Therefore, these restrictions appear to be inconsistent with the
2 balance of rights set forth in intellectual property law.¹⁹
3 Commentators have noted that the arguments for enforcing this
4 balance are particularly persuasive in the context of shrinkwrap
5 licenses because the balance of rights in intellectual property law
6 is already tilted heavily in favor of the intellectual property
7 owner. "The only countervailing forces favoring users are those
8 rights specifically granted to users by federal law. In this
9 context more than any other, therefore, it is justifiable to fear
10 that removing or eviscerating those user rights may bring the whole
11 edifice crumbling down."²⁰

12 This is an area fraught with conflicting policy
13 considerations. Software publishers are desirous of augmenting the
14 protections offered under copyright law. In this case, through the
15 use of licensing, Adobe seeks a vast and seemingly unlimited power
16 to control prices and all channels of distribution. On the other
17 hand, in the absence of copyright law violations, the market can
18 often best regulate prices and all subsequent transactions that
19 occur after the first sale. Sound policy rationales support the

21 ¹⁹ Scholars have suggested that Congress contemplated that
22 parties might attempt to contract out of a first sale right.
23 "Congress was explicit in the context of section 109(a) that it
24 intended for vendors who 'contract around' the first sale doctrine
25 to be limited to contract remedies. The approach of shrinkwrap
26 licenses - to attempt to extend vendor rights by contract while
27 retaining the panoply of copyright remedies - was explicitly
28 disavowed by the Committee Note." Mark A. Lemley, Intellectual
Property and Shrinkwrap Licenses, 68 S. Cal. L. Rev. 1239, 1283
(1995) (citing H.R. Rep. 94-1476 (1976) (providing that the parties
may contract around the first sale doctrine in 17 U.S.C. 109(a),
but limiting the copyright owner to contract rather than copyright
remedies if they do so)).

28 ²⁰ Lemley, Intellectual Property, at 1283.

1 analysis of those courts that have found shrinkwrap licenses to be
2 unenforceable. A system of "licensing" which grants software
3 publishers this degree of unchecked power to control the market
4 deserves to be the object of careful scrutiny.

5 For the reasons stated above, the Court finds that this factor
6 weighs in favor of the counter-defendants.

7

8 **B. Trademark Claims**

9 1. Likelihood of Success on the Merits

10 To prevail on its trademark infringement claims under the
11 Lanham Act, Adobe must prove: (1) that it is the owner of a
12 protectible trademark, and (2) a likelihood of consumer confusion
13 as to the source, sponsorship, or origin of the goods. Ocean
14 Garden, Inc. v. Marktrade Co., Inc., 953 F.2d 500, 506 (9th Cir.
15 1991).

16 a. Validity of Adobe's Marks

17 Under the Lanham Act, registration of a trademark "shifts the
18 burden of proof from the plaintiff, who would have to establish his
19 right to exclusive use," to the defendant, who must rebut the
20 presumption of the plaintiff's right to protected use. Vuitton et
21 Fils S.A. v. J. Young Enters., Inc., 644 F.2d 769, 775 (9th Cir.
22 1981). All of Adobe's trademarks at issue in this suit are

23 registered with the U.S. Patent and Trademark Office. SoftMan does
24 not dispute that the Adobe trademarks are valid, protectible marks.

25 b. Likelihood of Confusion

26 Courts apply an eight-factor test in determining whether a
27 likelihood of confusion exists between the plaintiff's mark and the
28 allegedly infringing mark. The relevant factors may include:

- 1 1. strength of the mark;
- 2 2. proximity of the goods;
- 3 3. similarity of the marks;
- 4 4. evidence of actual confusion;
- 5 5. marketing channels used;
- 6 6. type of goods and the degree of care likely
- 7 to be exercised by the purchaser;
- 8 7. defendant's intent in selecting the mark; and
- 9 8. likelihood of expansion of the product lines.

10 AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979).

11 In applying the Sleekcraft factors, the Ninth Circuit has cautioned
12 that although all of the factors are relevant, some factors may be
13 more significant depending upon the facts of the case at bar. See
14 Brookfield, 174 F.3d at 1053. Further, the Sleekcraft court noted
15 that it did not provide an exhaustive list of relevant factors.
16 "Other variables may come into play depending on the particular
17 facts presented." Sleekcraft, 599 F.2d at 348 n.11.

18 Evidence of actual confusion is not necessary in order to
19 establish a likelihood of confusion. See id. at 353 (stating that
20 failure to prove actual confusion is not dispositive); Lois
21 Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867, 874
22 (2d Cir. 1986). "In assessing the likelihood of confusion to the
23 public, the standard used by the courts is the typical buyer
24 exercising ordinary caution." Sleekcraft, 599 F.2d at 353. As the
25 Sleekcraft court explained, "[w]hen the alleged infringer knowingly
26 adopts a mark similar to another's, reviewing courts presume that
27 the defendant can accomplish his purpose: that is, that the public
28 will be deceived." Id. at 354. The court also noted that, "[g]ood
faith is less probative of the likelihood of confusion, yet may be
given considerable weight in fashioning a remedy." Id.

1 In the instant case, the parties do not dispute that SoftMan
2 is reselling genuine, albeit repackaged, Adobe software. The
3 resale of genuine trademarked goods generally does not constitute
4 infringement. See, e.g., NEC Elecs. v. CAL Circuit Abco, 810 F.2d
5 1506, 1509 (9th Cir. 1987). Under the first sale doctrine, resale
6 by the first purchaser of the original article under the producer's
7 trademark is generally neither trademark infringement nor unfair
8 competition. See Sebastian Int'l, Inc. v. Longs Drug Stores Corp.,
9 53 F.3d 1073, 1074 (9th Cir. 1995). The rationale behind the rule
10 is that "trademark law is designed to prevent sellers from
11 confusing or deceiving consumers about the origin or make of a
12 product, which confusion ordinarily does not exist when a genuine
13 article bearing a true mark is sold." NEC Elecs., 810 F.2d at 1509
14 (sale of genuine trademarked product by seller unauthorized to sell
15 not a violation of Lanham Act). Moreover, "[t]he 'first sale' rule
16 is not rendered inapplicable merely because consumers erroneously
17 believe the reseller is affiliated with or authorized by the
18 producer." Sebastian, 53 F.3d at 1076.

19 The first sale doctrine does not apply, however, when an
20 alleged infringer sells trademarked goods that are materially
21 different than those sold by the trademark owner. When the
22 reseller's conduct goes beyond the mere resale of trademarked
23 goods, such conduct may be sufficient to support a cause of action
24 for infringement. Id. A materially different product is not
25 genuine, and therefore its unauthorized sale constitutes trademark
26 infringement. See Enesco Corp. v. Price/Costco Inc., 146 F.3d
27 1083, 1087 (9th Cir. 1998) (noting that a non-conforming product is
28 not genuine and ". . . its distribution constitutes trademark

1 infringement'" (quoting Warner-Lambert Co. v. Northside Dev. Corp.,
2 86 F.3d 3, 6 (2d Cir. 1996))). In this case, SoftMan's conduct
3 goes beyond the mere resale of trademarked goods.

4 Clearly, not just any difference will cause consumer
5 confusion. A material difference is one that consumers consider,
6 on average, relevant to a decision about whether to purchase a
7 product. See Martin's Herend Imps., Inc. v. Diamond & Gem Trading
8 USA, Co., 112 F.3d 1296 (5th Cir. 1997). In this case, the sale of
9 software without access to customer support and technical services
10 is a difference that an average consumer would consider relevant to
11 a decision about whether to purchase a product.

12 According to both parties, the copies of Adobe software that
13 SoftMan distributes are identical to lawful copies of these
14 products. Adobe claims that SoftMan repackages and resells the
15 Adobe software without "crucial registration elements such as a
16 registration card." (Adobe Mot. at 13.) Adobe further argues that
17 the copies lack customer support and technical support information.
18 Even if the software does contain these documents, Adobe claims,
19 "customer service and technical support may be denied." (Id. at
20 17.) In short, Adobe contends that the crucial difference between
21 the Adobe-packaged software and the SoftMan-packaged Adobe software
22 is that the SoftMan version lacks the necessary registration
23 capabilities. Adobe has submitted evidence that its investigators
24 purchased Adobe products from SoftMan that lacked a registration
25 and quick reference card. (Palma Decl. ¶ 12.) Without the ability
26 to register a product, Adobe states that customers cannot receive
27 technical support. Therefore, Adobe argues, customers who buy
28 unbundled Adobe software from SoftMan may be deceived or confused

1 as to whether they are entitled to the customer support and
2 technical services normally associated with the purchase of
3 software.

4 SoftMan disputes that unbundled collections of Adobe software
5 are ineligible for support. According to SoftMan:

6 In fact, the registration process is individual to each
7 program in the collection. Each program has an individual
8 serial number. The number is the only thing required to
9 register a program and become eligible for customer support.
10 A consumer who purchases a collection can register the
11 programs contained therein by listing each serial number on a
12 registration card or by going on-line and entering each serial
13 number at the designated web site. A consumer who purchases a
14 single program from SoftMan can similarly register that
15 program by entering the serial number contained on each disk
16 in the designated web site.

17 (SoftMan Suppl. Brief at 13-14.)

18 The Court finds that customer support and technical services
19 are intertwined functions that may be required to insure a
20 "genuine" Adobe product. If the software sold by SoftMan lacked
21 the capacity for registration, then the copies sold by SoftMan
22 would not be "genuine" insofar as they failed to include access to
23 Adobe's technical support and customer service. In such a case,
24 when the altered products bear Adobe's name and are in fact actual
25 Adobe-manufactured software, the Court concludes that these end-
26 products, re-shrinkwrapped by SoftMan, could create customer
27 confusion and could infringe Adobe's trademarks.

28 There are a number of factual disputes to be resolved,
29 however, before the question of whether a material difference
30 exists between SoftMan's repackaged Adobe software and Adobe's
31 standard software. Whether consumers in fact can and do access
32 Adobe customer support when they buy Adobe software from SoftMan is
33 disputed. At oral argument, Adobe's counsel seemed to indicate

1 that customer service and support might be unavailable to consumers
2 who purchased Adobe software from SoftMan, but that such decisions
3 were made on an ad hoc basis. Adobe does not demonstrate a
4 likelihood of success on the merits of this claim because questions
5 of fact predominate as to the central issue. In a situation where
6 each party makes opposing representations as to a disputed fact
7 going directly to Adobe's likelihood of success on the merits, the
8 Court will assign no weight to this factor.

9 2. Irreparable Injury

10 The Court will not presume irreparable injury to Adobe in this
11 case because Adobe fails to make a showing of likelihood of success
12 on the merits of its trademark infringement claim. Brookfield, 174
13 at 1066. For the reasons stated above, the Court finds that
14 preliminary injunctive relief is not necessary in this case to
15 prevent to irreparable injury in the form of harm to Adobe's
16 trademark.²¹

18 ²¹ Adobe also brings claims for Unfair Competition under
19 Section 43(a) of the Lanham Act and Unfair Competition under
20 California Business & Professional Codes Section 17200 et seq.
21 Section 43(a) of the Lanham Act prohibits the use of any false
22 designation of origin which is likely to cause confusion as to the
23 origin of the goods. 15 U.S.C. § 1125(a). Section 43(a) protects
24 qualifying registered trademarks. Two Pesos, Inc. v. Taco Cabana,
25 Inc., 505 U.S. 763, 768 (1992). Adobe asserts that by unbundling
26 Collections software and then re-shrinkwrapping them and
27 distributing them as individual pieces of Retail software, SoftMan
28 is using Adobe's trademarks in a manner calculated to mislead and
to deceive consumers concerning the affiliation, connection, or
association of SoftMan with the true owner of the Adobe trademarks.
For the reasons stated above relating to the existence of factual
disputes on the question of consumer confusion (questions that
preclude a finding that Adobe has demonstrated a likelihood of
success on the merits of its trademark infringement claim), the
Court finds that Adobe has not demonstrated a likelihood of success
on the merits or irreparable injury on these additional claims.
The Court denies Adobe's request for preliminary injunctive relief
on these additional grounds.

1 3. Public Policy

2 The Ninth Circuit has held that public policy favors granting
3 an injunction when an infringing product is likely to cause
4 consumer confusion. See Anti-Monopoly, Inc. v. General Mills Fun
5 Group, 611 F.2d 296, 300-02 (9th Cir. 1979), cert. denied, 459 U.S.
6 1227 (1983). As discussed above, the Court does not find that
7 Adobe has demonstrated a likelihood of success on the merits of the
8 question of consumer confusion. Therefore, public policy
9 considerations do not weigh in favor of granting Adobe's request
10 for a preliminary injunction.

11
12 **IV. Conclusion**

13 As set forth above, the Court finds that Adobe has not
14 demonstrated a likelihood of success on the merits of its trademark
15 or copyright claims. The Court finds that Adobe has not
16 demonstrated that it will suffer irreparable injury in the absence
17 of preliminary injunctive relief, particularly in light of Adobe's
18 own admissions that it has known about SoftMan's activities since
19 1997. The Court denies Adobe's application for a preliminary
20 injunction. The Court hereby ORDERS that the preliminary
21 injunction entered by this Court on September 10, 2001 be VACATED.

22
23 IT IS SO ORDERED.

24
25
26 Dated: _____

DEAN D. PREGERSON
United States District Judge