

Macrovision v. Sima Products Corp.
S.D.N.Y.,2006.

United States District Court,S.D. New York.
MACROVISION, a Delaware corporation, Plaintiff,
v.

SIMA PRODUCTS CORPORATION, an Illinois
corporation, Defendant.
No. 05 Civ. 5587(RO).

April 20, 2006.

MEMORANDUM & ORDER

[OWEN](#), J.

*1 Plaintiff Macrovision seeks a preliminary injunction to prevent Defendant Sima Products Corporation from selling certain "video enhancer" products, which may be used to circumvent Macrovision's Digital Versatile Disc (DVD) copy protection technology. Also before me is Sima's March 2, 2006 motion to clarify the record of the January 27, 2006 oral hearing.

Background

Macrovision holds patents on certain types of "Analog Copy Protection" ("ACP), which is a technology designed to prevent the copying of copyrighted DVDs. Macrovision also holds patents on methods of circumventing various types of ACP. The ACP signals are imprinted on DVDs that contain copyrighted works, under license from Macrovision. DVD players convert a disc's digital information to an analog signal. DVD players sold in this country contain, also under license from Macrovision, circuitry that allows the ACP to be applied to the analog signal. ACP inserts additional information in the non-visible portion of the analog signal, the practical effect of which is to render videotaped copies of the analog signal so visually degraded as to be unwatchable, but to allow for unencumbered viewing directly from the DVD itself.

Sima manufactures, markets, and sells several hardware products, most under the monikers "CopyThis!" and "GoDVD," that eliminate Macrovision's ACP from an analog signal.^{[FN1](#)} The consumer can then make a suitable recording of the analog signal on videotape or other recording

device.^{[FN2](#)} The devices in their current form were first brought to market in 2003. Sima contends that the devices are intended primarily to allow the consumer to make so-called "fair use" backup copies of his or her DVD collection, or to allow the transfer of copyrighted videotape movies to DVD. Another stated purpose is to allow the consumer to transfer home videos to DVD. Several of the models offer additional features, such as color adjustment, conversion to black-and-white, and conversion between the "NTSC" and "PAL" video standards. The ACP removal function is effectuated by a single chip, often the SA7114 or a similar chip manufactured by Philips. Macrovision contends, and Sima does not dispute, that the devices could be fitted with an alternate chip manufactured by Philips, that, under license from Macrovision, recognizes the ACP and does not allow for its circumvention.

[FN1](#). The disputed products are the "CT-1", "CT-Q1", "CT-100", "CT-2", "CT-200", "SCC", and "SCC-2."

[FN2](#). The resulting copies are of a lesser quality than the DVD itself and are on par with VHS tapes. The copies also lack additional features of the DVD, such as the menu functions. An additional drawback is that to copy an entire DVD, the whole DVD must be played. The devices can also eliminate Macrovision's ACP from protected videotapes.

Macrovision brought this lawsuit on June 14, 2005. Macrovision settled with co-Defendant Interburn, on December 22, 2005. It moved for a preliminary injunction on November 23, 2005, under two distinct theories: first, that Sima's devices infringe two of Macrovision's method patents^{[FN3](#)} for circumventing ACP, and Macrovision is irreparably harmed thereby; and second, that an injunction should issue pursuant to the Digital Millennium Copyright Act of 1998 ("DMCA"), [17 U.S.C. § 1201 et seq.](#) Because Plaintiffs clearly are entitled to an injunction under the DMCA, I do not address the patent issues at this time.

[FN3](#). The patent claims at issue are claim 25 of [U.S. Pat. No. 4,695,901](#) and claim 1 of [U.S. Pat. No. 6,516,132](#).

Digital Millennium Copyright Act

*2 The DMCA reads in relevant part:

No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that-

(A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

(B) has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under this title; or

(C) is marketed by that person or another acting in concert with that person with that person's knowledge for use in circumventing a technological measure that effectively controls access to a work protected under this title.

[17 U.S.C. § 1201\(a\)\(2\)](#). “Any person injured by a violation of [section 1201](#) ... may bring a civil action in an appropriate United States district court for such violation” [and] “the court ... may grant temporary and permanent injunctions on such terms as it deems reasonable to prevent or restrain a violation...” [17 U.S.C. § 1203\(a\), \(b\)\(1\)](#). Under the DMCA, “injunctive relief is appropriate if there is a reasonable likelihood of future violations absent such relief and, in cases brought by private plaintiffs, if the plaintiff lacks an adequate remedy at law.” [Universal City Studios, Inc. v. Reimerdes](#), 111 F.Supp.2d 294, 343 (S.D.N.Y.2000).

The DMCA does provide for a limited “fair use” exception for certain users of copyrighted works, see [17 U.S.C. § 1201\(a\)\(B\)](#), but this exception does not apply to manufacturers or traffickers of the devices prohibited by [17 U.S.C. § 1201\(a\)\(2\)](#). See [Universal Studios, Inc. v. Corley](#), 273 F.3d 429, 440-41 (2d Cir.2001).

On the record before me, Macrovision has made a clear showing that Sima is in violation of each prong of [§ 1201\(a\)\(2\)](#) of the DMCA, to Macrovision's detriment.^{FN4} Sima does not dispute that it manufactures a product that can circumvent Macrovision's ACP, which is “a technological measure that effectively controls access to a work protected” under the DMCA. [17 U.S.C. § 1201\(a\)\(2\)\(A\)](#). Sima argues that it does not violate [§ 1201\(a\)\(2\)\(A\)](#) because the “primary purpose” of its devices is not circumvention. However, on this record, Sima's argument is not persuasive. Though

some of the devices have some auxiliary functions, it has not been argued that it is necessary for the device to be able to circumvent Macrovision's ACP in order to perform these functions. Sima has not argued that using the Macrovision-licensed Philips chips would prevent the devices from performing the auxiliary functions or facilitating the copying of non-protected works, such as home videos. The devices therefore have “only limited commercially significant purpose or use other than to circumvent” the ACP. [17 U.S.C. § 1201\(a\)\(2\)\(B\)](#). Sima markets its products “for use in circumventing a technological measure that effectively controls access to a work protected” under the DMCA. [17 U.S.C. § 1201\(a\)\(2\)\(C\)](#). On its own website, Sima touts the devices' capability of circumventing copy protection on copyrighted works. (Hollar Aff. at 4). And Sima's defense that it only intends to enable “fair use” copying of copyrighted works is no defense at all as stated above, the DMCA provides no exception to its prohibition of the manufacture of these devices. See [Paramount Pictures Corporation v. 321 Studios, No. 03-CV-8970 \(RO\)](#), 2004 WL 402756, *1 (S.D.N.Y. Mar. 3, 2004). Furthermore, Sima cites no authority, and this Court is aware of none, for the proposition that “fair use” includes the making of a backup copy. See [17 U.S.C. § 107](#); cf. [Corley](#), 273 F.3d 429, 459 (“Fair use has never been held to be a guarantee of access to copyrighted material in order to copy it by the fair user's preferred technique or in the format of the original). It is also irrelevant that the resulting copies are of slightly lesser quality than the DVD itself; the devices nonetheless enable a useable copy to be made by improperly circumventing a technology covered by the DMCA.

FN4. Violation of any one of these prongs is prohibited by the DMCA.

*3 Injunctive relief is appropriate in this instance. Macrovision has made a clear showing that it is likely to succeed on the merits. Sima has not stated that it intends to stop selling the contested devices in the absence of an injunction, so it is likely that future violations will continue. Macrovision lacks an adequate remedy at law, because its business model rests upon its being able to prevent the copying of copyrighted works. If it is unable to prevent the circumvention of its technology, its business goodwill will likely be eroded, and the damages flowing therefrom extremely difficult to quantify. See [Tom Doherty Associates, Inc. v. Saban Entertainment, Inc.](#), 60 F.3d 27, 38 (2d Cir.1995). The balance of hardships tilts decidedly in

Macrovision's favor. In the event that Sima prevails at trial, Macrovision can compensate it for loss of sales and depreciation of inventory, which are much easier to quantify than Macrovision's damages.

Sima's remaining defense is that Macrovision is not entitled to a preliminary injunction, because it delayed in filing this lawsuit and in moving for the injunction. Sima contends that the alleged delay speaks against there being any irreparable harm to Macrovision. However, Macrovision has been vigorously pursuing its rights against numerous other defendants in courts throughout the country, including this court, since Sima's products were launched in 2003. Macrovision states that upon learning of the contested products by about August 2004,^{FN5} it sent Sima a letter stating that certain of Sima's products violated the DMCA. Sima replied in a letter by Lynn Alstadt, Esq., contending that the GoDVD products were "not being sold for the purpose of circumventing copy protection technology." (Mem.Opp., Ex. 4.) For the next several months, Macrovision pursued 321 Studios before this court, a case ultimately resolved on September 16, 2005. Macrovision contends that after it filed the instant lawsuit on June 14, 2005, it waited to move for a preliminary injunction, pending the outcome of settlement discussions. These discussions were fruitful with respect to co-defendant Interburn, which stipulated to a default judgment and permanent injunction, issued on December 22, 2005, barring it from selling its DVD-copying software. Macrovision filed the instant motion on November 23, 2005, before the resolution of the case as against Interburn.

^{FN5} Sima contends that Macrovision knew of the precursor product to the CT-1, the "SED-CM", as early as 1996.

There is no requirement that Plaintiffs pursue all potential defendants at the same time. Cf. *Polymer Technologies, Inc. v. Bridwell*, 103 F.3d 970, 976 (Fed.Cir.1996).^{FN6} I hold that the alleged "delay" in filing this motion was reasonable under the circumstances and does not affect Macrovision's entitlement to injunctive relief.

^{FN6} Though *Polymer Technologies* is a patent case, its holding is analogous to the present situation. There, the Federal Circuit held that a patent holder's failure to pursue all defendants at once did not negate the *presumption* of irreparable harm upon

infringement of a patent. I find no authority that violation of the DMCA leads to a similar presumption of irreparable harm. See, e.g., *RealNetworks, Inc. v. Streambox, Inc.*, No. 2:99CV02070, 2000 WL 127311 (W.D.Wash., Jan 18, 2000) (unreported case). However, regardless of whether the presumption exists in this case, Macrovision has made a clear showing that it is being irreparably harmed, and the alleged delay does not rebut this showing.

Conclusion

Given the foregoing findings of fact and conclusions of law, plaintiff's motion is granted, and Sima is hereby preliminarily enjoined from selling the CT-1, CT-Q1, CT-100, CT-2, CT-200, SCC, and SCC-2 products, and any other products that circumvent Macrovision's copyright protection technologies in violation of the DMCA, conditioned upon Macrovision posting a bond in the amount of \$100,000 Pursuant to *Rule 65(c) of the Federal Rules of Civil Procedure*. Defendant's Motion to Clarify the Record is denied, because it is too late.

*4 So Ordered.