

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ZENIMAX MEDIA INC. and	§	
ID SOFTWARE, LLC,	§	
	§	
Plaintiffs,	§	
	§	
v.	§	Civil Action No. 3:14-CV-1849-K
	§	
OCULUS VR LLC, PALMER LUCKEY,	§	
FACEBOOK, INC., BRENDAN IRIBE,	§	
and JOHN CARMACK,	§	
	§	
Defendants.	§	

ORDER

Before the Court is Plaintiffs’ Motion for Entry of Permanent Injunction (Doc. No. 962). After careful consideration of the arguments of counsel, the relevant portions of the record, the evidence before the Court, and the applicable law, the Court **DENIES** the motion.

Plaintiffs ask the Court to “permanently enjoin Defendants from using or distributing products that constitute continued violations of the [breach of contract] and infringement of ZeniMax’s copyrights.” Plaintiffs further seek a permanent injunction prohibiting Defendants “from further public display of any materials that perpetuate the false narrative that Oculus — not ZeniMax — created the breakthrough technology that underlies Oculus’s existence.” Specifically, Plaintiffs seek the immediate removal of Defendants’ Kickstarter campaign video, which Plaintiffs contend remains online to-date.

The party seeking a permanent injunction bears the burden of demonstrating: “(1) that they have suffered an irreparable injury; (2) that remedies 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); *see Merritt Hawkins & Assocs., L.L.C v. Gresham*, 861 F.3d 143, 157-58 (5th Cir. 2017). “The decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court.” *eBay*, 547 U.S. at 391. Failure to sufficiently establish any one of the four factors requires this Court to deny the movant’s request for an injunction. *See Enter. Int’l, Inc. v. Corporacion Estatal Petrolera Ecuatoriana*, 762 F.2d 464, 472 (5th Cir. 1985).

Plaintiffs contend they are entitled to a permanent injunction based on their: (1) breach of contract claim, stemming from the breach of the Non-Disclosure Agreement (“NDA”); (2) copyright infringement claim, based on the copying of Plaintiffs’ source code; and (3) trademark infringement claim, related to the unauthorized use of the Plaintiffs’ marks by the Defendants. Plaintiffs argue that a permanent injunction is warranted on multiple grounds, that all four injunctive relief factors can be established with respect to each of those three claims, and that the jury’s liability findings on these three claims further support injunctive relief.

Breach of Contract

1. Contractual Provision

The Court first addresses Plaintiffs' argument that injunctive relief is warranted based upon a contractual provision in the NDA. Plaintiffs direct the Court to a clause in the NDA in which Oculus specifically agreed that Plaintiffs would be irreparably harmed by a breach of the NDA, and, as a result, Plaintiffs would be entitled to injunctive relief, among other remedies. This argument is not persuasive. Without more, the Court will not be bound to impose an injunction based merely on the parties' contractual provision for injunctive relief. *See Tex. Health & Human Svcs. Comm'n v. U.S.*, 166 F.Supp.3d 706, 712 (N.D. Tex. 2016)(Godbey, J.). Likewise, this Court will not find Plaintiffs suffered irreparable harm merely because the parties contractually stipulated that a breach by Oculus would cause Plaintiffs irreparable harm. *See id.* (citing *Dickey's Barbeque Rests., Inc. v. GEM Inv. Grp., L.L.C.*, Civ. Action No. 3:11-CV-2804-L, 2012 WL 1344352, at *4 (N.D. Tex. Apr. 18, 2012)(Lindsay, J.)). "[T]he decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles in equity. . . ." *eBay*, 547 U.S. at 394. The Court concludes the contractual provision does not provide a sufficient legal basis for this injunctive relief.

2. Irreparable Injury

Plaintiffs bear the burden of establishing they suffered irreparable injuries.

Plaintiffs' breach of contract claim is based on the disclosure of secret or proprietary information covered by the NDA. This breach occurred years prior to the trial of this case. The Court already concluded that irreparable harm cannot be established by a mere recitation in a contract that a breach would cause a party irreparable harm. *See Tex. Health*, 166 F.Supp.3d at 712. Therefore, Plaintiffs must establish this required element through evidence. Plaintiffs make a brief reference to an "ongoing breach of the NDA by continuing to use intellectual property that is owned by [Plaintiffs]." They fall short, however, in actually establishing how the breach is continuing or ongoing past the initial breach. (The copyright and trademark claims are addressed separately.) Apart from the original breach, there is no evidence establishing any ongoing or continued breach of the NDA that requires protection through a permanent injunction.

The Court finds the jury's verdict actually supports the conclusion there is no ongoing breach. The jury was specifically asked to determine the monetary amount, if any, to fairly compensate Plaintiffs for damages they might sustain in the future from Oculus's breach of the NDA. The jury answered \$0, essentially finding that whatever damage or injury Plaintiffs incurred from the breach was the result of the initial breach. This supports the Court's conclusion that Plaintiffs failed to establish there is irreparable injury being caused by a continuing or ongoing breach.

Plaintiffs argue that the act of breaching the NDA in and of itself amounts to irreparable harm. Plaintiffs essentially advance a *per se* rule that a breach of a

confidentiality agreement can never be cured, therefore irreparable harm always results. The Fifth Circuit has recognized that no such rule exists; instead, courts should examine the facts of each case to determine whether such a breach could be cured. *See ITT Educ. Servs., Inc. v. Arce*, 533 F.3d 342, 347 (5th Cir. 2008). Considering the facts of this case, the Court concludes the mere act of breaching the NDA in this case does not amount to irreparable harm.

Plaintiffs did not establish irreparable harm from the breach of the NDA justifying a permanent injunction.

3. Inadequate Remedies Available

Even if the Court had concluded there was irreparable harm, Plaintiffs failed to establish they have no adequate remedies at law. It is well-established that damages capable of being measured provide an adequate remedy at law for the injured party, therefore, precluding the need for injunctive relief. *See Dresser-Rand Co. v. Virtual Automation Inc.*, 361 F.3d 831, 848-49 (5th Cir. 2004). The jury in this case was asked to determine the amount of money that would reasonably compensate Plaintiffs for their injuries, both past and future, related to Defendants' breach of the NDA. The jury awarded Plaintiffs \$200,000,000.00 for injuries they sustained as a result of Oculus's breach of the NDA; the jury awarded \$0 for future damages Plaintiffs might incur as a result of the breach. The jury found that \$200,000,000.00 sufficiently compensates Plaintiffs for the breach. Plaintiffs offer no substantive argument, let alone binding legal support, for the argument that the monetary

damages the jury awarded for the breach are inadequate.

Plaintiffs make a general argument that the money damages awarded by the jury are an inadequate remedy for the ongoing harm they are suffering. The Court has already determined Plaintiffs did not sufficiently establish there is an ongoing breach of the NDA, therefore that general argument fails. Although the responsive briefing is unclear, it appears to the Court that Plaintiffs contend the damages were difficult to calculate. In support of this, Plaintiffs cite the Court to one case out of the District of South Carolina. *Woods v. Boeing Co.*, Civ. No. 2:11-CV-02855-RMG, 2013 WL 5332620 (D.S.C. Sept. 23, 2013). In that case, the defendant filed a counterclaim for breach of contract against the plaintiff, a former employee. That court found defendant was entitled to a permanent injunction requiring plaintiff to return defendant's proprietary documents he took and failed to return upon his termination as required by the confidentiality agreement. *Id.* at *4-5. In finding injunctive relief was warranted, the court stated that defendant "put forward undisputed evidence that its damages have been difficult to determine." *Id.* at *4. Plaintiffs made no such showing in this case. Plaintiffs do not even identify or articulate why the damages related to their breach of contract claim were difficult to determine. The record establishes the damages were capable of being calculated, which the jury did. Without more, the Court cannot conclude that the monetary damages Plaintiffs were awarded are inadequate.

4. Conclusion

Plaintiffs have failed to demonstrate irreparable harm from an ongoing or continuing breach of the NDA for which there are no adequate remedies at law. The Court need not address the remaining factors as to this claim. *See Enter. Int'l*, 762 F.2d at 472 (failure to sufficiently establish any one of the four factors requires this Court to deny request for injunctive relief).

Copyright Infringement

1. Inadequate Remedies Available

Plaintiffs allege that Defendants' ongoing use of their copyrighted material, which was disclosed by Defendants' breach of the NDA, is an injury for which monetary damages are inadequate. Just as with their breach of contract claim, Plaintiffs assert that the damages were difficult to determine on their copyright claims, so any available remedies are necessarily inadequate. The jury was instructed that damages for copyright infringement could be measured by determining a reasonable royalty. Because Plaintiffs had not previously licensed their copyrighted virtual reality software, they argue that the jury's task of determining a reasonable royalty was difficult. According to Plaintiffs, the difficulty faced by the jury satisfies the required showing that the available remedies at law, including the monetary damages awarded, are inadequate to compensate Plaintiffs for their injury. Plaintiffs are mistaken in the standard which is applied. The Court looks to whether monetary damages are inadequate to compensate for an injury; not whether calculating

monetary damages is difficult. *See eBay*, 547 U.S. at 391. Plaintiffs' argument is, therefore, without merit.

Even if this argument was valid, Plaintiffs undermine it with another argument made in a later section of their motion. Plaintiffs advanced an alternative argument to their request for injunctive relief, asking the Court to award them an ongoing royalty if they are not entitled to an injunction. Plaintiffs suggest an ongoing royalty of 20% for ten years on products using Plaintiffs' source code. As the basis for this suggestion, Plaintiffs direct the Court to the testimony of Plaintiffs' damages expert, Mr. Daniel L. Jackson.

The Court finds Plaintiffs' two arguments to be inconsistent. On one hand, Plaintiffs argue that, because they had previously never licensed this software, it was difficult for the jury to determine a reasonable royalty rate in measuring damages for copyright infringement, and this fact alone conclusively establishes the available remedies at law are inadequate. On the other hand, Plaintiffs then advance an argument that the royalty rate can be determined by looking to their expert witness's testimony on a specific royalty rate that would be reasonable. The Court fails to understand why the jury would have encountered difficulty calculating a reasonable royalty rate with the benefit of hearing this expert witness's testimony, whereas the Court, with this same testimony, could easily determine a 20% royalty rate to be reasonable for this technology.

As the Court previously stated, it is well-established that damages capable of

being measured provide an adequate remedy at law for the injured party, therefore, precluding the need for injunctive relief. *See Dresser-Rand*, 361 F.3d at 848-49. This jury was asked to determine the amount of actual damages suffered by Plaintiffs because of Defendants' copyright infringement, to which the jury answered \$50,000,000.00. The jury was also asked what profits Defendants earned as a result of their infringement that was not considered in the actual damages award, to which the jury answered \$0. The Court concludes that the record establishes the damages were capable of being calculated, and the jury did just that. Plaintiffs failed to carry their burden on establishing the available remedies at law, such as monetary damages, are inadequate to compensate them for their injuries.

2. Irreparable Injury

Plaintiffs argue they continue to suffer irreparable harm from Defendants' ongoing copyright infringement of Plaintiffs' source code.

A finding of ongoing or threatened copyright infringement by the Defendants would support a finding that Plaintiffs, the copyright owners, are suffering irreparable harm. *See eBay*, 547 U.S. at 392; *see also* 17 U.S.C. §502(a). The determination of whether there is irreparable harm is a fact issue that can be submitted to a jury. *Molex, Inc. v. Nolen*, 759 F.2d 474, 478 (5th Cir. 1985). However, when a party does not seek a finding of irreparable harm by the jury, the court sits as fact finder for that issue. *Id.*; *see* FED. R. CIV. P. 49(a)(3). In this case, Plaintiffs did not request a submission of the irreparable harm fact issue to the jury. Nor did Plaintiffs object to

the absence of this issue in the charge submitted to the jury. *See Molex Inc.*, 759 F.2d at 478. Consequently, the Court may now act as the finder of fact on this issue. *Id.*; FED. R. CIV. P. 49(a)(3).

There is insufficient evidence to support a finding of ongoing infringement of Plaintiffs' copyrights to establish irreparable harm. Plaintiffs' expert witness, Dr. David Dobkin, testified regarding his analysis of Defendants' infringement of Plaintiffs' source code in Defendants' source code that was used to operate the Oculus Rift. During his testimony, Dr. Dobkin discussed portions of the source code, his application of the abstract-filtration-comparison test, and his final determination of substantial similarity between Plaintiffs' source code and Defendants' source code. His testimony mostly related to early versions of Defendants' source code from 2012 and 2013. Dr. Dobkin acknowledged his testimony about the features of Defendants' source code was not the current version of Defendants' source code, but was "an exemplary version" that "is representative of many versions." Moreover, he testified there had been multiple versions of Defendants' source code between the version he was discussing and the one currently in use. In a conclusory manner, Dr. Dobkin stated that his analysis of the old version of the source code applied to many versions of the source code, without any elaboration or explanation. Trial Tr. vol. 10B, 24:3-16; 43:13-16; 49:19-20; 52:1-2; 55:13-14; 57:7-8; 59:25-60:5; 70:23-71:3. Dr. Dobkin gave no examples supporting his determination of copyright infringement in the current version of Defendants' source code.

These conclusory statements by Dr. Dobkin were the only evidence presented at trial that could support a determination of ongoing infringement or irreparable harm. Contrast those conclusory statements to what was shown at trial: (1) that, between 2012 and the time of trial, Defendants' generated multiple versions of the source code for the Oculus Rift; (2) that there were substantial differences between these versions; and, (3) that the newest versions of the Oculus Rift and its source code were incompatible with the early versions. Trial Tr. vol. 2, 259:10-264:13; vol. 16, 78:18-80:13. In light of this record, there is insufficient evidence to support a finding of ongoing infringement as to the current version of Defendants' source code. As Plaintiffs did not establish ongoing copyright infringement, this weighs against a finding that they are suffering any irreparable harm because there is no ongoing infringing activity to enjoin. The Court finds Plaintiffs have not proven the required element of irreparable harm as to their copyright infringement claim.

3. The Copyright Act

Plaintiffs also argue the Copyright Act specifically authorizes entry of a permanent injunction based on Defendants' infringement of Plaintiffs' copyrights; therefore, a permanent injunction should be entered on this statutory basis.

The Copyright Act provides that, in an infringement action, a court may grant a final injunction "to prevent or restrain infringement of a copyright." 17 U.S.C. § 502(a). Initially, the Court notes the clear language of the statute reveals this is permissive, not mandatory. *See id.* Additionally, the Court's statutory authority to

enter an injunction in copyright infringement cases is insufficient without more. Even where a specific statute provides for injunctive relief in copyright cases, the Supreme Court recently held that a plaintiff must still satisfy the four-factor test for injunctive relief. *See eBay*, 547 U.S. at 391. The Court has already determined Plaintiffs failed to establish two of the factors. Finally, the Copyright Act provides for injunctive relief “to prevent or restrain” infringing activity. 17 U.S.C. § 502(a). As the Court has already determined, the record does not establish any ongoing or continuing infringement of Plaintiffs’ source code. Without more, the Court’s authority under the Copyright Act is insufficient to establish that Plaintiffs have suffered irreparable injury, justifying entry of a permanent injunction. *See eBay*, 547 U.S. at 391.

4. Conclusion

Plaintiffs failed to establish ongoing copyright infringement that would demonstrate they are at risk of suffering irreparable harm from copyright infringement. Plaintiffs also failed to establish why there are no adequate remedies at law. The Court need not address the remaining factors as to this claim. *See Enter. Int’l*, 762 F.2d at 472 (failure to sufficiently establish any one of the four factors requires this Court to deny request for injunctive relief).

Trademark Infringement/False Designation

Plaintiffs’ brief is unclear whether they seek injunctive relief on their trademark infringement and false designation claims, or just false designation. Out of

an abundance of caution, the Court will assume Plaintiffs rely on both claims.

The Court has determined in a separate memorandum opinion and order that Defendants are entitled to judgment as a matter of law on Plaintiffs' false designation claim. Because the jury verdict on this claim no longer stands, the Court need not analyze injunctive relief on this claim, and will turn to trademark infringement.

I. Irreparable Injury and Inadequate Legal Remedies

Plaintiffs did not demonstrate they will suffer any irreparable injury from ongoing trademark infringement if the permanent injunction is not granted. Defendants' use of Plaintiffs' trademarks relate to the Kickstarter video and investor presentation materials. The record before the Court does not support a finding that these items are still being used today or likely will be in the future to warrant a finding of irreparable harm. *See Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1390 (5th Cir. 1996). The Court is inclined to agree with Defendants that they are unlikely to have any future need for the Kickstarter video and investor presentation materials. The record establishes these items served a discrete purpose of raising capital for the launch of Oculus. Plaintiffs provided no evidence, or even argument, demonstrating these items continue to be used or shown by Defendants beyond the initial showings, which pre-date the trial. *See Retractable Techs., Inc. v. Becton Dickinson & Co.*, 842 F.3d 883, 902 (5th Cir. 2016)(plaintiff seeking permanent injunction for Lanham Act violation "must show a real and immediate threat of future or continuing injury apart from any past injury."). The mere fact that the

Kickstarter video may still be accessible somewhere on the Internet, without more, is insufficient to establish irreparable harm. Plaintiffs did not meet their burden of establishing they will suffer irreparable harm related to infringement of their trademarks if the Court does not grant the permanent injunction.

Even if Plaintiffs had shown irreparable injury, Plaintiffs failed to demonstrate that monetary damages would be inadequate to compensate them for any injury.

2. The Lanham Act

Plaintiffs also argue the Lanham Act specifically authorizes entry of a permanent injunction based on Defendants' infringement of Plaintiffs' copyrights; therefore, a permanent injunction is justified on this basis.

The Lanham Act provides that a court has power to grant a final injunction "to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title." 15 U.S.C. § 1116. Just as with the Copyright Act, the clear language of the statute reveals this is permissive, not mandatory. *See id.* In addition, the Court's statutory authority to enter an injunction in trademark infringement cases without more is insufficient. Even where a specific statute provides for injunctive relief in trademark cases, the Supreme Court recently held that a plaintiff must still satisfy the four-factor test for injunctive relief. *See eBay*, 547 U.S. at 391. Finally, the Lanham Act provides for injunctive relief "to prevent or restrain" infringing activity. 17 U.S.C. § 502(a). As the Court has already

determined, Plaintiffs did not establish any ongoing or continuing infringement of Plaintiffs' trademarks by Defendants. Without more, the Court's authority under the Lanham Act is insufficient to establish that Plaintiffs have suffered irreparable injury, justifying entry of a permanent injunction. *See eBay*, 547 U.S. at 391.

Conclusion

In conclusion, Plaintiffs did not meet their burden of establishing they are entitled to entry of a permanent injunction because they did not demonstrate they will suffer irreparable injury or that money damages would be insufficient to remedy any harm. *See Enter. Int'l*, 762 F.2d at 472 (movant must sufficiently establish each of the four factors otherwise the court must deny the request for injunctive relief); *eBay*, 547 U.S. at 391 (even where injunctive relief provided for under specific statute, party must still satisfy four-factor test for injunctive relief). Therefore, the Court **DENIES** Plaintiffs' motion for entry of permanent injunction.

SO ORDERED.

Signed June 27th, 2018.



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UNITED STATES DISTRICT JUDGE