United States District Court
For the Northern District of California

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5   UNITED STATES DISTRICT COURT

6   NORTHERN DISTRICT OF CALIFORNIA

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8   SHUTTERFLY, INC.,   No. CR 12-3671 SI

9   Plaintiff,   **ORDER GRANTING TEMPORARY
                                                RESTRAINING ORDER AND ORDER
10   v.   TO SHOW CAUSE, AND EXPEDITED
                                                DISCOVERY; SETTING HEARING RE:
11 FOREVERARTS, INC. and   PRELIMINARY INJUNCTION**
    HENRY ZHENG,
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             Defendants.
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15   On July 13, 2012, plaintiff Shutterfly, Inc. filed a complaint against defendants ForeverArts, Inc.

16 and Henry Zheng. Shutterfly's complaint alleges, *inter alia*, copyright infringement of its photobook

17 website. Defendant Zheng is a former employee of Shutterfly. Shutterfly alleges that prior to leaving

    its employment, Zheng wrongfully copied Shutterfly's proprietary code and has recently used it to
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    establish American and Chinese competitor websites. The same day it filed the complaint, Shutterfly
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    filed an *ex parte* motion seeking a temporary restraining order to prevent Zheng from deleting any of
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    the code he uses related to Shutterfly, along with a request for expedited discovery prior to a preliminary
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    injunction hearing. For the foregoing reasons, and for good cause shown, the Court GRANTS
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    Shutterfly's request.
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                                   BACKGROUND
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26   Shutterfly describes itself as "an internet-based social expression and personal publishing

27 service." Compl. ¶ 8. It is traded on the NASDAQ stock exchange and based in Redwood City,

28 California. *Id.* Shutterfly's flagship product is a photo book line, which allows customers to order

1 prints of photos in professionally bound coffee table books. *Id.* Customers do so through Shutterfly's

2 website. The code that comprises the user interface, the "front end" of the website, is publically

3 accessible. It is also copyrighted. The website also has "back end" code, which is not made available

4 to the public. Compl. ¶ 11. Shutterfly states that the back end code is a trade secret that it protects

5 through the use of a secure office and requiring employees to sign confidentiality agreements barring

6 disclosure of information related to the code. Compl. ¶¶ 11-12.

7   Zheng was hired by Shutterfly in 2007. Compl. ¶ 14. When he was hired, Zheng signed an

8 "Employee Invention Assignment and Confidentiality Agreement," which prohibited him from using

9 or disclosing Shutterfly's proprietary information without the prior written consent of the company.

10 Compl. ¶ 14; Navin Decl., Ex. 2. The agreement also required Zheng to return any documents or

11 materials pertaining to his work to Shutterfly upon termination of his employment. *Id.* During his

12 employment, Zheng became a Senior Engineering Manager. On September 26, 2011, Zheng announced

13 to his colleagues that he was leaving Shutterfly for a "different career opportunity" and that his last day

14 would be October 7, 2011. Compl, ¶ 15. On that day, prior to leaving Shutterfly, Zheng signed a

15 "Proprietary Agreement Termination Certificate" which stated, *inter alia*, that he had not "failed to

16 return any devices, records, data, notes . . . [or] other documents or property or reproductions of any

17 aforementioned items belonging to Shutterfly." *Id.* Since leaving, Zheng has described himself on

18 employment related website Linked In as an "Entrepreneur at Stealth Startup." Compl. ¶ 15; Lerner

19 Decl. Ex. D.

20   Shutterfly states that its "Source Control Logs" show that on October 5, 2011, two days prior

21 to leaving the organization, Zheng accessed and downloaded its back end code. Freeman Decl. ¶ 5. The

22 IP addresses listed in the logs show that Zheng downloaded the code while at work and from an offsite

23 location. *Id.* ¶ 6.

24   Around June 25, 2012, Shutterfly became aware of a competing website, foreverarts.com.

25 Compl. ¶ 17. The website for the California Secretary of State shows that the articles of incorporation

26 for ForeverArts, Inc. were filed on March 26, 2012, and have Jingbo Zheng listed as the agent for

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1   service of process. *Id.* Shutterfly believes Jingbo Zhen is an alias for defendant Henry Zheng. In

2   support, Shutterfly cites to comments made on various websites, including a posted statement that "A

3   friend in our tiny network (Henry) is starting a photobook startup http://www.foreverarts.com. If you

4   ever used Shutterfly to make a photobook, ForeverArts will be 10 times better." Compl. ¶ 18; Lerner

5   Decl., Ex. H.

6   Shutterfly alleges that the front end code used for foreverarts.com is simply a copy of its own

7   web code, replacing "Shutterfly" with "foreverarts" or "yinquduo". Compl. ¶ 20; Pfeffer Decl. ¶ 4.

8   Shutterfly provides examples of duplicate code from Shutterfly.com and foreverarts.com. Compl. ¶ 20;

9   Pl.'s Mot. for TRO (the "TRO Motion") at 5. Shutterfly believes that foreverarts also uses the back end

10 code of its website. Shutterfly alleges that "[w]ithout using Shutterfly's back end code it would be

11 difficult for the front and back end to communicate properly." Compl. ¶ 21.

12   Finally, Shutterfly states that a website called yinquduo.com was registered in February of 2011.

13 Compl. ¶ 22. The website allegedly appears to be using the same photo book application as

14 foreverarts.com. *Id.* The name of the registrant for the website is Jingo Zheng, and Zheng's address

15 is near Shanghai. *Id.*

16   Shutterfly asserts three claims: copyright infringement, misappropriation of trade secrets, and

17 breach of contract (against Zheng only). Compl. ¶¶ 23-44. In its motion, Shutterfly seeks a temporary

18 restraining order to prevent destruction of documents and code related to its products, along with

19 expedited discovery prior to the preliminary injunction hearing.

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21   **LEGAL STANDARD**

22   The legal standard for preliminary injunctive relief requires a party to demonstrate "that he is

23 likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary

24 relief, that the balance of equities tips in his favor, and that an injunction is in the public interest."

25 *Stormans, Inc. v. Selecky*, 586 F.3d 1109, 1127 (9th Cir. 2009) (*quoting Winter v. Natural Res. Def.*

26 *Council, Inc.*, 555 U.S. 7, 20 (2008). The standard for issuing a temporary restraining order is the same.

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1   *DHL Worldwide Network N.V./S.A. v. Tradebeam, Inc.*, 2005 WL 196529, *1 (N.D. Cal. Jan. 28, 2005)

2   (Smith, J.).

3   Pursuant to Fed. R. Civ. P. 65(b), a court may issue a temporary restraining order without written

4   or oral notice to the adverse party or its attorney only if "(A) specific facts in an affidavit or a verified

5   complaint clearly show that immediate and irreparable injury, loss, or damage will result to the movant

6   before the adverse party can be heard in opposition and (B) the movant's attorney certifies in writing

7   that any efforts made to give notice and the reasons why it should not be required."

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9   **DISCUSSION**

10   The Court finds that narrow, temporary injunctive relief is warranted here. Temporary

11   restraining orders and expedited discovery have been ordered in this District under similar

12   circumstances. *See KLA-Tencor Corp. v. Murphy*, 717 F. Supp. 2d 895, 898 (N.D. Cal. 2010) (Whyte,

13   J.) (in case alleging trade secret misappropriation by former employees, court ordered temporary

14   restraining order prohibiting defendants from destroying evidence and requiring defendants to preserve

15   electronic evidence).

16   First, Shutterfly has sufficiently established that it is likely to succeed on the merits of at least

17   its copyright claim. "To demonstrate infringement of a copyrighted computer code, Plaintiff has the

18   burden of showing (1) that it owns a valid copyright in the code it alleges to have been copied, and (2)

19   that Defendant copied constituent, original elements of that code." *KnowledgePlex, Inc. v. Placebase,*

20   *Inc.*, C 08-4267 JF (RS), 2008 WL 5245484, *9 (N.D. Cal. Dec. 17, 2008). Copying may be shown by

21   circumstantial evidence of access and substantial similarity of both the general ideas and expression

22   between the copyrighted work and the allegedly infringing work. *Apple Computer, Inc. v. Microsoft*

23   *Corp.*, 35 F.3d 1435, 1442 (9th Cir. 1994). Shutterfly has provided evidence that it has a registered

24   copyright for its code, and that the code was directly copied and used on the foreverarts.com website.

25   Lerner Decl., Ex. B., Pfeffer Decl. ¶ 4.

26   Second, Shutterfly will likely suffer irreparable harm in the absence of an injunction if

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1 defendants delete or destroy the sought after evidence. Shutterfly's concern is particularly focused on

2 the existence of a Chinese version of the allegedly infringing website. According to Shutterfly, "if

3 Defendants are not ordered to preserve the most crucial evidence, they can immediately delete all the

4 code files that exist in the United States, and transfer their operations to China. Shutterfly will be left

5 with little in the way of a meaningful remedy." Pl.'s Mot. at 10. The Court finds that this is a sufficient

6 showing of irreparable harm for this narrowly tailored injunction.

7 Regarding the balance of harms, the temporary restraining order seeks only to prevent

8 "destruction of any current or archived electronic logs, metadata, or directors that relate to Shutterfly,

9 including any Shutterfly code, as well as any emails and electronic documents that relate to Shutterfly."

10 Simply prohibiting the destruction of evidence will not burden defendants. Courts have held that where

11 "the injunctive relief sought [] is specific to the use of proprietary information" and "does not extend

12 to [] business activities or to relationships that are not predicated upon proprietary, confidential, or trade

13 secret information belonging to" plaintiffs, then the balance of hardships weigh in favor of granting a

14 temporary restraining order. *TMX Funding, Inc. v. Impero Techs., Inc.*, 2010 WL 1028254, *8 (N.D.

15 Cal. Mar. 8, 2010) (Fogel, J.); *Wyndham Resort Dev. Corp. v. Bingham*, 2010 WL 2720920, at *7 (E.D.
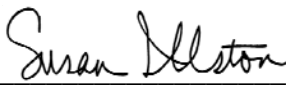
16 Cal. Jul. 8, 2010).

17 Parties may only seek a temporary restraining order *ex parte* if they can establish "specific facts

18 in an affidavit or a verified complaint [that] clearly show that immediate and irreparable injury, loss,

19 or damage will result to the movant before the adverse party can be heard in opposition." Fed. R. Civ.

20 P. 65(b). The Ninth Circuit has recognized a "very narrow band of cases in which ex parte orders are

21 proper because notice to the defendant would render fruitless the further prosecution of the action."

22 *Reno Air Racing Ass'n, Inc. v. McCord*, 452 F.3d 1126, 1131 (9th Cir. 2006). The Court finds that these

23 circumstances warrant such relief. The evidence currently before the Court suggests defendant ignored

24 signed obligations regarding the code at issue, and the existence of the duplicate Chinese website

25 suggests that defendants may be able to use the code to the injury of plaintiff even if it is destroyed here.

26 The Court therefore GRANTS plaintiff's request for a temporary restraining order. The Court

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1 hereby ENJOINS defendants from destroying any current or archived electronic logs, metadata, and

2 directories that relate to Shutterfly, including any Shutterfly code, as well as any emails and electronic

3 documents that relate to Shutterfly. Because the temporary restraining order is being issued without

4 notice, "the motion for a preliminary injunction must be set for hearing at the earliest possible time."

5 Fed. R. Civ. P. 65(b)(3). **The Court sets the preliminary injunction hearing for 9:00 a.m. on July**

6 **27, 2012,** and ORDERS DEFENDANTS TO SHOW CAUSE, on or before that date, why the

7 preliminary injunction should not issue. The Court also GRANTS plaintiff's request for limited

8 expedited discovery prior to the preliminary injunction hearing. This includes Shutterfly's request for

9 production of documents in the Lerner Declaration, Exhibit K, and a four hour deposition each of Henry

10 Zheng and ForeverArts, Inc.

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13   **IT IS SO ORDERED.**

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15 DATED: July 13, 2012   _____

                                          SUSAN ILLSTON

16   United States District Judge

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