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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

WESTERN DIVISION

MARVEL ENTERPRISES, INC. AND MARVEL CHARACTERS, INC.,

Plaintiffs,

v.

NCSOFT CORPORATION, CRYPTIC STUDIOS, INC. AND NC INTERACTIVE, INC.

Defendants.

Case No. 04CV9253 RGK (PLAx)

MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION OF DEFENDANTS NCSOFT CORPORATION AND NC INTERACTIVE, INC. TO DISMISS PLAINTIFFS' SECOND AMENDED COMPLAINT

Date: February 28, 2005
Time: 9:00 a.m.
Courtroom: 850 (Roybal)

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I. INTRODUCTION AND FACTUAL BACKGROUND

Kids with wandering imaginations have long decorated school notebooks with pictures of fantastic and supernatural beings of their own design. The ingenuity of individuals, as expressed through the creation of characters incorporating timeless themes of mythology, patriotism, "good," and "evil," has been a source of entertainment in the form of role-playing games for ages. In the face of technology that enables individuals to engage in such activities in a virtual, on-line context, Marvel Enterprises, Inc. and Marvel Characters, Inc. (collectively, "Marvel") have taken the unprecedented step of attempting to appropriate for themselves the world of fantasy-based characters, based upon alleged rights in works purportedly embodied in six comic books.

Marvel's Second Amended Complaint ("Complaint") rests on the theory that because defendants' "City of Heroes" game gives players wide latitude to design their own characters, defendants should be liable in the event any such characters infringe Marvel's copyrights. The Supreme Court rejected that theory 20 years ago when it upheld Sony's right to sell the Betamax video recorder, even though it could be used to make infringing copies of copyrighted broadcasts. Because the Complaint reveals that City of Heroes has what the Court called a "substantial noninfringing use" – allowing players to express their imaginations by creating original characters – it fails to state a claim against defendants.[1] Marvel's belated confession that much of the smattering of "infringements" it attributes to game users were *created by Marvel itself*[2] reveals how overreaching this claim is.

Marvel also objects to players' freedom to name their characters as "trademark infringement." Yet because Marvel does not, and cannot, allege that players offer or sell anything under those names, it has not stated a trademark

[1] Defendants NCsoft Corporation and NC Interactive, Inc. (together, the "NC Defendants") bring this motion, but the arguments here equally apply to defendant Cryptic Studios, Inc., as the Complaint treats them all the same.

[2] *See* NC Defendants' Motion to Strike, filed concurrently with this motion.

infringement claim. Marvel's third attempt at pleading should be dismissed without leave to amend.

A. Defendants' Online Game and Creative Tool, "City of Heroes"

The following facts come from Marvel's Complaint, with elaboration from the City of Heroes Game Manual referenced in the Complaint, of which the Court may take judicial notice. *See Van Buskirk v. CNN*, 284 F.3d 977, 980 (9th Cir. 2002); *Barron v. Reich*, 13 F.3d 1370, 1377 (9th Cir. 1994); Fed. R. Evid. 201. A copy of the Game Manual is submitted as Exhibit 1 to the Declaration of Adam L. Barea ("Barea Decl."); *see* the Request for Judicial Notice filed Jan. 10, 2005 in connection with the motion to dismiss Marvel's similar First Amended Complaint.

Defendants created, distribute, and facilitate the online play of the "City of Heroes" game. Complaint ¶ 1. City of Heroes is a "massively multiplayer online [MMO] game," by which players create customized avatars called "Heroes" which then enter "Paragon City" by way of defendants' Internet servers and interact with each other. *Id.* Players create their Heroes using the game's software, or "Creation Engine," guided by the Game Manual. *Id.* ¶¶ 1, 16.

The Creation Engine offers numerous attributes, powers, and appearances to choose from. First the player chooses one of five "origins" – "science," "technology," "mutant," "natural," or "magic." Complaint ¶ 17; Game Manual at 5-6. Then the player picks one of five "archetypes" that determine the genre of powers the Hero has – "blaster," "controller," "defender," "scrapper," or "tanker." Complaint ¶ 17; Game Manual at 6-8. The player then picks specific primary and secondary powers for the Hero. Complaint ¶ 17; Game Manual at 9, 30. Next the player chooses the Hero's gender and build. Complaint ¶ 17; Game Manual at 10.

The player then designs the Hero's looks from a wide variety of different skin tones, facial features, hairstyles, masks, helmets, and costumes. Complaint ¶ 17; Game Manual at 10-11. The Game Manual states there are millions of unique combinations. Game Manual at 10. Finally, the player names the Hero and can

then send it into Paragon City to interact with other Heroes. Complaint ¶ 20. The Creation Engine is simply a high-tech version of a box of crayons or a set of building blocks, from which players can turn their ideas into (virtual) reality.

The Game Manual depicts illustrations of numerous, differently-costumed heroes. Game Manual. One, named "Statesman," appears throughout the manual to give hints on game play, and on the game box. *Id.*; Complaint ¶ 30.

B. Marvel's Purported, Unspecified Intellectual Property Rights

Marvel is shrewdly vague about which of its rights have been violated. It alleges copying of "numerous Marvel Characters" of which there are "over 4,700," *see, e.g.,* Complaint ¶¶ 14, 32, yet it pleads copyright registrations in only six issues of comic books.[3] Although it names the titles of those comics, Marvel does not plead which of the "over 4,700" characters are protected by the registrations, nor does it provide any picture or description of any allegedly-infringed character, thus making it impossible to respond to the copyright claims.

Marvel also alleges four registered trademarks – the words CAPTAIN AMERICA, THE INCREDIBLE HULK, WOLVERINE, and X-MEN – for comic books and illustrated magazines.[4] Marvel suggests it owns common-law rights in a

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[3] The copyright registrations are:

- B958840, for the May 1962 issue of *The Incredible Hulk* (Complaint ¶ 25 and Exh. A).
- B51855, for the Sept. 1963 issue of *The X-Men* (Complaint ¶ 26 and Exh. E).
- B463904, for the Apr. 1968 issue of *Captain America* (Complaint ¶ 27 and Exh. F).
- B956186, for the Oct. 1974 issue of *Incredible Hulk* (Complaint ¶ 28 and Exh. G)
- B917811, for the Nov. 1961 issue of *The Fantastic Four* (Complaint ¶ 29 and Exh. H).
- B12121 for the Mar. 1963 issue of *Tales of Suspense* (Complaint ¶ and Exh. I).

[4] The trademark registrations are:

- 854655, for the words CAPTAIN AMERICA for "a magazine published periodically, particularly comic books and magazines" (Complaint ¶ 64; Exh. 3 to Barea Decl.).
- 890917, for the words THE INCREDIBLE HULK for "publications, particularly comic books and magazines and stories in illustrated form" (Complaint ¶ 64; Exh. 4 to Barea Decl.).
- 1395639, for the word WOLVERINE for "publications, particularly comic books and magazines and stories in illustrated form" (Complaint ¶ 64; Exh. 5 to Barea Decl.).
- 1161898, for the word X-MEN for "publications, particularly comic books and magazines and stories in illustrated form" (Complaint ¶ 64; Exh. 6 to Barea Decl.).

"star emblem that identifies Captain America," Complaint ¶ 66, but does not allege that it has used the emblem to identify its products, a basic requirement of a trademark. Its claims are thus limited to the four registered word marks.

C. Marvel's Untenable Theories For Seeking to Quash the Game

Marvel's primary claims are for copyright infringement (Counts 1-3) and trademark infringement (Counts 4-9). It also asserts a claim for interference with prospective advantage (Count 10) based on the copyright and trademark claims. Its last claim (Count 11) seeks a declaration that defendants have no defense under the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. § 512.

1. Copyright-Based Claims

The central theme of Marvel's copyright-based claims is that by selecting from the millions of choices the Creation Engine provides, it is possible for players to infringe. Complaint ¶ 19. Its objection that City of Heroes "brings the world of comic books alive," *id.* ¶ 1, assumes *Marvel* owns the world of comic books, and that budding artists should be denied a creative tool.

Marvel's theory of how a player might create a character that purportedly resembles its "Wolverine" shows that City of Heroes, far from "encouraging" copying of Marvel characters, offers numerous creation options to design a Hero using general attributes or themes (e.g., a specialty in combat, regeneration powers) that cannot be monopolized under copyright. Complaint ¶¶ 19, 20. Indeed, the screen shots attached to the Complaint as Exhibits J, K, O, and Q show various Heroes that Marvel does not contend infringe, thus demonstrating the substantial noninfringing use of the game.

Marvel has one claim of direct infringement by defendants: that Statesman infringes Captain America. Complaint ¶ 32. Marvel fails to plead what Captain America looks like, however, in an apparent attempt to hide the fact that the two are not at all substantially similar.

2. Trademark-Based Claims

Echoing its copyright theory, Marvel's trademark claims are based primarily on the idea that because City of Heroes lets players name their Heroes, players might give them names of Marvel characters. Complaint ¶ 20. Marvel concedes that it is not possible to give Heroes the names "Wolverine" or "The Hulk," and only pleads use of names at best similar to its own. *Id.* ¶¶ 20, 43. Nevertheless, trademarks by definition are names or symbols used in commerce to identify goods or services. Names players give their Heroes are not trademarks, because the Heroes are not products or services offered for sale by the players.

Marvel also charges defendants with direct infringement of a registered mark, making the remarkable assertion that the name "Statesman" is likely to be confused with the word trademark CAPTAIN AMERICA. *Id.* ¶ 66. Marvel also claims the star on Statesman's chest is likely to cause confusion with its Captain America character even though the two otherwise bear little resemblance. *Id.* ¶ 95.

3. Interference with Prospective Advantage Claim

Marvel's claim for "intentional interference with actual and prospective advantage" is based on the allegations of copyright and trademark infringement. Complaint ¶¶ 123. Marvel appears to contend that City of Heroes impairs its ability to license its characters for competing software games. *Id.* ¶¶ 121-23.

4. Declaratory Relief Claim

Defendants have a DMCA procedure under 17 U.S.C. § 512(c), by which copyright owners may seek redress for alleged infringements. Marvel wants the Court to rule that defendants may not invoke the safe harbor provisions of the DMCA as a defense to Marvel's copyright claims, Complaint ¶¶ 129-30, even though defendants have not yet asserted that defense.

II. LEGAL STANDARD FOR RULE 12(B)(6) MOTIONS

Under Rule 12(b)(6) of the Federal Rules of Civil Procedure, a complaint may be dismissed for failure to state a claim on which relief may be granted. On

such a motion, a court must accept well-pleaded factual allegations as true, *Cahill v. Liberty Mut. Ins. Co.*, 80 F.3d 336, 337-38 (9th Cir. 1996), but not those that are unwarranted deductions of fact based on unreasonable inferences or conclusory statements. *Sprewell v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001).

III. ARGUMENT

A. Marvel Has Failed to State a Claim for Copyright Infringement

The Complaint contains three claims for copyright infringement, all of which fail. Count 1, for direct infringement, fails because Marvel has not pleaded that defendants committed any act of infringement. Count 2, for contributory infringement, fails because Marvel has not pleaded underlying infringement and defendants' knowledge. Count 3, for vicarious infringement, fails because Marvel has not pleaded underlying infringement, nor direct financial benefit to defendants.

1. Count 1 Fails Because Marvel Has Not Pleaded Any Act of Direct Copyright Infringement By Defendants

The premise of Count 1 is that defendants themselves – as opposed to players of their game – copied Marvel's copyrighted works. Although Marvel makes the broad charge that defendants "copied numerous Marvel Characters," Complaint ¶ 32, the only allegedly infringing work it identifies adequately under Fed. R. Civ. P. 8 is the "Statesman" character in the Game Manual and packaging.[5] But Marvel fails to plead facts showing that "Statesman" infringes Marvel's copyrights, and a review of the two characters reveals that it does not.

To claim copyright infringement, Marvel must plead that: (1) it owns a valid copyright, and (2) defendants copied its protectible expression or violated another of the exclusive rights of copyright. *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp.2d 1146, 1165-66 (C.D. Cal. 2002); *see generally* 17 U.S.C §§ 106 *et*

[5] *Calloway v. Marvel Entertainment Group*, 82CV8697, 1983 U.S. Dist. LEXIS 15688 at *8 (S.D.N.Y. July 5, 1983). "Plaintiffs must … state by what act or acts on what dates defendants infringed the copyrights."

seq. One can show copying by substantial similarity between the parties' works and that the defendant had access to the plaintiff's work, *Langman Fabrics v. Graff Californiawear, Inc.*, 160 F.3d 106, 115 (2d Cir. 1998) (citing 4 M. NIMMER AND D. NIMMER, NIMMER ON COPYRIGHT § 13.01[B]), but Marvel has not done so.

A copyright registration is a prerequisite to an infringement action. 17 U.S.C. § 411(a). Although Marvel labels Statesman a "blatant rip-off of Marvel's Captain America," Complaint ¶ 32, it pleads no details about any copyrighted work embodying that character that would allow one to determine similarity. "[A] claim of infringement must state ... which specific original work is the subject of the copyright claim, that plaintiff owns the copyright, that the work in question has been registered in compliance with the statute and by what acts and during what time defendant has infringed the copyright." *Marvel Entertainment Group*, 1983 U.S. Dist. LEXIS 15688 at *7.[6]

What sketchy information Marvel offers about Captain America is not enough to plead that it and Statesman are substantially similar. The only alleged similarity is the white star on their chests and "patriotic qualities," Complaint ¶¶ 32, 66, and that is not enough to state a claim for direct infringement. Marvel does not allege that a costume with a white star on the chest is an original work of authorship that it owns. And a white star, like on the American flag, is a standard emblem anyone can use, unlike Superman's distinctive "S" emblem or Batman's Bat logo (neither of which are options the Creation Engine gives players).

Nor can Marvel allege copyright in "patriotic qualities." Patriotism is an idea, not copyrightable expression, and motifs of a flag used to express it are time-worn "scenes a faire" — features used to depict a common idea — that no one can

[6] *See also Hartman v. Hallmark Cards, Inc.*, 639 F.Supp. 816, 820 (W.D. Mo. 1986) (Rule 8 requires that "a claim of infringement must state ... which specific original work is the subject of the copyright claim," quoting *Gee v. CBS, Inc.*, 471 F. Supp. 600, 643 (E.D.Pa. 1979)); *Sharp v. Patterson*, 03CV8772, 2004 U.S.Dist.LEXIS 22311 at *48 (S.D.N.Y. Nov. 3, 2004) ("The obligation to identify the infringing and infringed works in a pleading is not satisfied by alleging a mass infringement of 69 different copyrighted letters by five different novels").

monopolize. *Ets-Hokin v. Skyy Spirits, Inc.*, 225 F.3d 1068, 1082 (9th Cir. 2000); *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1444 (9th Cir. 1994).

Moreover, the two differ in that Statesman has a helmet; Captain America does not. Complaint ¶ 16. Marvel's failure to plead any other details about its work is an attempt to conceal the numerous other differences that defeat its claim. By taking judicial notice of how Marvel depicts Captain America on its web site, the Court can see those differences, which show there is no infringement.[7]

Form-fitting costumes with chest emblems are common to the superhero genre, and not unique to Captain America. *Warner Bros., Inc. v. American Broadcasting Cos.*, 654 F.2d 204, 210 (2d Cir. 1981). Even if Statesman were reminiscent of Captain America, "[s]tirring one's memory of a copyrighted character is not the same as appearing to be substantially similar to that character, and only the latter is infringement." *Warner Bros., Inc. v. American Broadcasting Cos.*, 720 F.2d 231, 242 (2d Cir. 1983). The idea that Statesman is an infringement of Captain America is absurd. Count 1 should be dismissed.

2. Count 2, For Contributory Infringement, Fails Because Marvel Has Pleaded Neither a Primary Infringement Nor Defendants' Knowledge

To plead contributory copyright infringement, Marvel must allege (1) direct infringement by a primary infringer; (2) knowledge thereof; and (3) material contribution to the infringement. *Ellison v. Robertson*, 357 F.3d 1072, 1076-77 (9th Cir. 2004). Marvel has not sufficiently pleaded the first two elements.

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[7] Captain America's signature weapon is his shield; Statesman has no shield. *Id.;* Game Manual (Exh. 1 to Barea Decl.), cover. Captain America has an elastic half-mask with a prominent letter "A" on the forehead and winglets above the ears; Statesman lacks these distinctive motifs. *See* Depictions of Captain America from Marvel Website (Exh. 7 to Barea Decl.); Game Manual, cover; City of Heroes Game Box (Exh. 2 to Barea Decl.). Statesman's costume is primarily red, with sides of blue and white stars along the upper arms. Game Manual, cover. Captain America's is all blue, with red and white stripes across the abdomen and a piece of scaled armor around the upper torso. Exh. 7 to Barea Decl. Captain America's body has grossly exaggerated muscular definition; Statesman's does not. Exh. 7 to Barea Decl.; Game Manual, cover.

a. Marvel Has Failed To Plead A Primary Infringement

A primary infringement requires "(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). Copying may be inferred from access to the work and substantial similarity. *Apple Computer*, 35 F.3d at 1442. There is no allegation that any player copied from any of the six comic books and no well-pleaded allegation of substantial similarity.

Marvel asserts that there are "literally thousands of infringing Heroes roaming through the streets of Paragon City at any given moment," Complaint ¶ 40, but anyone who plays the game online will see that players are overwhelmingly creative in designing unique Heroes. Indeed, Marvel could only come up with 11 examples of those "thousands of infringing Heroes," *id.* ¶ 43, and we now know that five were concocted by Marvel itself. Specifically, Marvel has admitted that it created the "imitation Wolverine" in Exhibit M, page 300; the "imitation" of "The Thing" in Exhibit N, page 302; and the two "imitations of The Incredible Hulk" in Exhibit O, pages 303-04. In addition, the "imitation Incredible Hulk" in Exhibit Q, page 306, is evidently the same one in Exhibit O (although Marvel has yet to confirm this). *See* NC Defendants' Memorandum in Support of Motion to Strike at pp. 2-3. In other words, nearly half of the 11 alleged "infringements" by "users" on which Marvel bases its third attempt to state a claim are not infringements at all, but rather characters created by Marvel to avoid dismissal.

Of the others, Marvel's failure to plead the works they "infringed" makes it impossible to test whether they indeed are substantially similar, and yet a simple visit to Marvel's web site shows that its claims of similarity are far overstated. For example, Marvel alleges that the character "Liberty's Son" "bears a nearly identical uniform to Captain America." Exhibit J to the Complaint depicts Liberty's Son, but as with the "Statesman" claim, there is no picture of Captain America. Assuming that the image of Captain America on the Marvel web site, of

which the Court may take judicial notice (Barea Decl. Exh. 7), is what the pleaded copyright covers, there is no substantial similarity.

Captain America has a white star on his chest; Liberty's Son has a red, white, and blue shield. Captain America has an "A" on his forehead; Liberty's Son does not. Captain America wields his signature shield; Liberty's Son has none. At most, they share symbols evocative of the U.S. flag, staples of patriotic themes that have been around since Uncle Sam and are not Marvel's property.

Marvel's failure to identify the allegedly infringed works is not a mere technicality. The Creation Engine is designed for players to use their imagination to make unique, original Heroes. Even if they used it to fashion versions of Marvel characters, however, that might well be a fair use under the four factors of 17 U.S.C. § 107. Marvel's failure to identify its works prevents defendants from comparing them to players' Heroes in order to test a critical factor of the fair use test -- the "amount and substantiality of the portion used in relation to the copyrighted work as a whole." *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 578-79 (1994). Thus the fair use test cannot be analyzed properly without an adequate pleading of the allegedly-infringed works. To avoid a chilling effect and to allow pleading a fair use defense where it applies, Marvel must identify precisely the works it claims were infringed.

b. Marvel Has Not Pleaded Defendants' Knowledge Of Any Direct Infringement

Even if Marvel had pleaded infringement by players, its failure to allege defendants' *knowledge* and *failure to act on it* defeats its claim.

The substantial and commercially significant noninfringing uses of the Creation Engine, as evidenced by Marvel's own allegations, defeat Marvel's claim of contributory copyright infringement. If a product is not capable of such noninfringing uses, the defendant's constructive knowledge is enough to sustain a claim of infringement. *A&M Records v. Napster*, 239 F.3d 1004, 1027 (9th Cir.

2001); *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 441-42 (1984). But if it is capable of such uses, the plaintiff must show the defendant had reasonable knowledge of specific infringements and failed to act on that knowledge to prevent the same. *Id.*

Playing the game for 30 minutes is enough to see that it is a tool for creativity, and that players use it to be original. Even Marvel's description of how players create Heroes from the many options provided shows that the game is capable of such noninfringing uses. Complaint ¶¶ 17-21. Indeed, although Marvel alleges that "virtually all of the Marvel Characters" fall into the "Mutant" genre, Complaint ¶ 17, the game provides four other "Origins" from which to choose. *See* Game Manual (Exh. 1 to Barea Decl.); City of Heroes Game (Exh. 9 to same).

Moreover, Marvel has not yet created every comic book hero that there is to be created, and it is also not the only producer of comics. "In an action for *contributory* infringement against the seller of copying equipment, the copyright holder may not prevail unless the relief he seeks affects only his [works], or unless he speaks for virtually all copyright holders with an interest in the outcome." *Sony,* 464 U.S at 446 (emphasis in original). Like the plaintiff studios in *Sony* who therefore had no claim, Marvel does not speak for all creators of comic heroes.

Thus Marvel must plead that defendants reasonably knew of *specific infringements* of *copyrighted works* and failed to act on that knowledge to stop them. Instead, it merely charges that defendants "knew or should have known that a significant number" of players were infringing the "Marvel Characters." Complaint ¶ 42. Yet if "Liberty's Son" – which is quite unlike Captain America – is an example, there is no reason to believe defendants had such knowledge.

For a server operator like defendants to have knowledge, a copyright owner must "provide the necessary documentation to show there is likely infringement." *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.,* 907 F.Supp. 1361, 1374 (N.D. Cal. 1995). The Complaint does not do so. As the Ninth Circuit

instructs, "To enjoin simply because a computer network allows for infringing use would, in our opinion, violate *Sony* and potentially restrict activity unrelated to infringing use." *Napster,* 239 F.3d at 1021.

In short, Marvel wants this Court to conclude that the over 4,700 "Marvel Characters" are protected by the six pleaded registrations, that some players of City of Heroes have in fact copied them, and that defendants are aware of these purported infringements of unspecified works, yet did not act. Such conclusions are insufficient to plead a claim. *See Marvel Entertainment Group*, 1983 U.S. Dist. LEXIS 15688 at *7; *Hartman*, 639 F.Supp. at 820; *Gee*, 471 F.Supp. at 643.

3. Count 3, for Vicarious Copyright Infringement, Fails Because Marvel Has Pleaded Neither A Primary Infringement Nor A Direct Financial Benefit to Defendants

Vicarious copyright infringement has three elements: (1) direct infringement by a primary party; (2) a direct financial benefit to the defendant; and (3) the right and ability to supervise the infringers. *Napster*, 239 F.3d at 1013, 1022. Marvel fails to plead the first two, warranting dismissal of Count 3.

a. Marvel's Failure to Plead a Primary Violation Defeats Its Claim

As set forth above, Marvel has not properly alleged specific acts of direct copyright infringement by any users of City of Heroes, and thus its claim fails.

b. Marvel's Failure To Plead A Direct Financial Benefit From Infringing Activity Likewise Defeats Its Claim

Marvel's sole allegation of a financial benefit to defendants is that users of City of Heroes pay $14.95 per month to play the game. Complaint ¶ 53. This Circuit has, however, endorsed the view of Congress that "receiving a one-time set-up fee and flat periodic payments for service ... [ordinarily] would not constitute receiving a 'financial benefit directly attributable to the infringing activity.'" *Ellison*, 357 F.3d at 1079 (citing S. Rep. 105-190, at 44). Thus, the *Ellison* court found that America Online ("AOL") was not liable for users' posting of copyrighted items on a newsgroup. *Id.*

The exception is that "where the value of the service lies in providing access to infringing material," courts might find such fees to constitute a direct financial benefit. *Id.* An example is the swap meet in *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 263-64 (9th Cir. 1996), where the sale of pirated recordings was a "draw" for customers. *Ellison*, 357 F.3d at 1078. The central question "is whether the infringing activity constitutes a draw for subscribers, not just an added benefit." *Id.* at 1079.

If City of Heroes had two sets of character options, one "generic" set, and another "premium" set with unique costumes, logos, and powers of copyrighted characters, and charged an extra price for access to the premium set, Marvel might have an argument that defendants derive a direct financial benefit from allegedly infringing activity. But Marvel does not allege that. The Complaint lacks any well-pleaded allegation that City of Heroes players are drawn to the game in order to infringe or to access infringing material, as opposed to play the game using their own characters. The fee players pay is no different from the fee AOL users paid for their service, and not a financial interest directly attributable to infringement.

B. Marvel Has Failed To State A Trademark Infringement Claim

The Complaint asserts six claims under the Lanham Trademark Act: Count 4 for direct infringement of federally-registered marks, Count 5 for contributory infringement of registered marks, Count 6 for vicarious infringement of registered marks, Count 7 for direct infringement of common law marks, Count 8 for contributory infringement of common law marks, and Count 9 for vicarious infringement of common law marks. All are insufficient.

1. Counts 4 and 7, For Direct Trademark Infringement, Fail Because Marvel Has Not Alleged Defendants' Use Of An Infringing Mark

In Counts 4 and 7, Marvel alleges that defendants' use of the name "Statesman" and the Statesman character in the City of Heroes game infringes

trademark rights associated with its "Captain America."[8] The only difference is that Count 4 is brought under Section 32(1)(a) of the Lanham Act, 15 U.S.C. § 1114(1)(a), which requires a federal trademark registration, and Count 7 is brought under Section 43 of the Lanham Act, 15 U.S.C. § 1125, which does not.

a. Count 4, For Direct Infringement Of A Registered Mark, Fails Because "Statesman" Cannot Infringe "Captain America"

In Count 4, Marvel objects to the "Statesman" character, charging that "Defendants' use of the star emblem that identifies Captain America, together with the use of the name 'Statesman,' which suggests the patriotic qualities of Captain America, is likely to cause confusion, mistake, or deception, in violation of 15 U.S.C. § 1114(1)(a)." Complaint ¶ 66. The claim is frivolous.

Section 32(1)(a) creates liability for use of any "reproduction, counterfeit, copy, or colorable imitation" of a registered mark that is likely to cause confusion. 15 U.S.C. § 1114(1)(a). To state a claim for infringement of the CAPTAIN AMERICA mark, Marvel must allege that defendants' use of the term "Statesman" is likely to cause confusion or mistake as to the origin of the goods. *New West Corp. v. NYM Co. of California, Inc.*, 595 F.2d 1194, 1201 (9th Cir. 1979). If the pleadings show that confusion is unlikely, the claim should be dismissed. *See Murray v. Cable NBC*, 86 F.3d 858, 860 (9th Cir. 1996) (citing *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 790-791 (9th Cir. 1981)).

Marvel's registration for CAPTAIN AMERICA is only for the words themselves, not any design or logo. Registration No. 854655, Exh. 3 to Barea Decl. The allegation that both characters sport a "star emblem" is irrelevant: the comparison is of the words "Statesman" and CAPTAIN AMERICA.

The name "Statesman" obviously is not a "reproduction, counterfeit, copy, or colorable imitation" of the words CAPTAIN AMERICA. The terms sound and

[8] In Count 4, Marvel adds that it owns registrations for the marks WOLVERINE, X-MEN, and HULK, Complaint ¶¶ 63-64, but does not allege infringement thereof. Id. ¶¶ 65-66.

look different, and have different meanings. Since a finding of likely confusion would be unreasonable, the Court should dismiss Count 4 with prejudice.

b. Count 7, For Direct Infringement Of A Common Law Mark, Likewise Fails Because Marvel Has Failed To Identify A Protectible Mark

Count 7 is based on Lanham Act section 43(a)(1)(A), which provides a cause of action for use in commerce of false designations of origin likely to cause confusion with another's goods or services. 15 U.S.C. § 1125(a)(1)(A); *Sebastian Int'l, Inc. v. Russolillo*, 186 F. Supp.2d 1055, 1069 (C.D. Cal. 2000). To state a claim, Marvel must plead: (1) that it owns "a valid, protectable" mark, and (2) that defendants are using a mark that is "confusingly similar" to Marvel's mark. *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1046 (9th Cir. 1999) As to the first element, Marvel must plead a symbol or device it has used in commerce, and that such mark is sufficiently distinctive to serve as an indicator of the source of its goods or services. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1995).

The key problem is that Marvel has not pleaded what has been infringed. If it is the word mark CAPTAIN AMERICA, the word "Statesman" is so dissimilar that there is no likelihood of confusion as a matter of law, as shown above. To the extent Marvel argues it has trademark rights beyond the words themselves, the claim is defective because it has not pleaded what those rights are.

Marvel calls Statesman "a character that clearly is derivative of Marvel's Captain America," Complaint ¶ 94, and says that the "use of the star emblem that identifies Captain America, together with the use of the name 'Statesman,' which suggests the patriotic qualities of Captain America," is likely to cause confusion. *Id.* ¶ 95. Yet there is no specific allegation of what the claimed mark is, other than that it has a star emblem. Is it an illustration of the Captain America character? If so, what does it look like? Or is the mark a logo? Does the logo contain words?

Nor is there an allegation of use as a mark. An illustration of Captain

America as it might appear inside a comic is just story artwork and not a source identifier. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9. The claim fails.

2. Counts 5 and 8, For Contributory Infringement, Fail For Lack Of A Primary Violation, Because A Player's Naming A Hero Is Not An Infringement

The theory behind Marvel's Counts 5 and 8 is that the Creation Engine allows players to give Heroes "names that violate Marvel's trademarks in the Marvel Characters." Complaint ¶¶ 72, 101. Marvel ignores the well-established rule that use of a name other than on or in connection with goods or services is not trademark use, and cannot be infringement.

Naming a game player is not an infringement because the Lanham Act only applies to words or other symbols used to identify goods or services in commerce. *See* 15 U.S.C. § 1114(1) (civil liability arises when a person uses a mark "in commerce" which is likely to cause confusion); 15 U.S.C. § 1125(a)(1) (civil liability arises when a person uses a mark "in commerce" which is likely to cause confusion). A "trademark" is a word or symbol one uses "to identify or distinguish his or her goods . . . and to indicate the source of the goods." 15 U.S.C. § 1127.

In *Lucasfilm Ltd., v. High Frontier,* 622 F. Supp. 931, 934 (D.D.C. 1985), defendants used plaintiffs' "Star Wars" mark in public debate as shorthand for a controversial missile defense plan. Because they were engaged in promoting ideas and not commercial activity, they were not creating confusion. *Id.* The court in *Felix the Cat Prods. Inc. v. New Line Cinema,* 54 U.S.P.Q.2d 1856, 1858 (C.D. Cal. 2000) dismissed an infringement claim because the use of plaintiff's cartoon character as a device to set the mood in defendant's movie did not "qualify as use of the mark 'to identify or distinguish' goods 'to indicate their source' as required to fall under the purview of trademark law." (citing 15 U.S.C. § 1127). "Cases like these are best understood as involving a non-trademark use of a mark - a use to which the infringement laws simply do not apply." *New Kids on the Block v. News*

America Publ'g, Inc., 971 F.2d 302, 307 (9th Cir. 1992) (recounting cases where uses of others' trademarks were permitted on various grounds).

The Complaint lacks any allegation that users have in fact adopted actual Marvel trademarks as Hero names – and in fact Marvel concedes that it is not possible to select the names WOLVERINE and THE HULK.[9] Complaint ¶¶ 20-21. Marvel alleges that users chose different names, like "Wolverine-" and "Awsome [sic] Iron Man." *Id.* ¶ 43. Assuming, arguendo, that these are confusingly similar to Marvel's marks, their use by players as names for game characters is not use of marks in commerce to identify goods and/or services.

If someone sells a software product and calls it "Microsoft" without permission, that probably would be trademark infringement. If, on the other hand, he calls his pet goat "Microsoft," that would not. That is not use of a trademark in commerce. Here, too, players are not selling comics under Marvel's trademarks. Naming a Hero is not a use of a mark to identify the source of goods in commerce; thus, there is no underlying infringement to support Count 5 or Count 8.

Yet even if Marvel pleaded an underlying infringement, to state a claim for contributory infringement it would have to plead that defendants: (1) intentionally induced players to infringe Marvel marks, or (2) continued to supply the name feature knowing players were using it to infringe. *Fonovisa,* 76 F.3d at 264 (citing *Inwood Labs., Inc. v. Ives Labs., Inc.,* 456 U.S. 844, 854-55 (1982)). It has not.

3. Counts 6 and 9, For Vicarious Trademark Infringement, Also Fail For Lack of a Primary Violation, As Well As Marvel's Failure To Plead A Joint Relationship

Marvel's vicarious infringement claims in Counts 6 and 9 likewise fail for lack of a primary violation, and for the independent reason that Marvel has not pleaded the joint relationship required for vicarious liability.

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[9] There are no Heroes in City of Heroes with these names. As Marvel knows, a number of names, including names of Marvel characters, are on a "block list" and cannot be selected. Thus the claim fails for the additional reason that defendants have done nothing to encourage players to use Marvel character names, and indeed have prevented such use.

"Liability for secondary trademark infringement is even narrower than that under copyright law." *Perfect 10 Inc. v. Visa Int'l Svc. Ass'n,* 71 U.S.P.Q.2d 1914, 1918 (N.D.Cal. 2004) (citing *Sony*, 464 U.S. at 439). The plaintiff must plead that the defendant and the primary infringers "have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product." *Perfect 10*, 71 U.S.P.Q.2d at 1919 (quoting *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992)). Players choose Heroes' names on their own, with no help from the game. Complaint ¶ 20. There is no well-pleaded allegation of control, nor can there be: Marvel admits that the third parties are hundreds of thousands of players, whose actions defendants cannot possibly control.

C. Count 10, For Intentional Interference, Likewise Fails

Marvel's deficient claims of copyright and trademark infringement are the basis for its claims in Count 10 for intentional interference with actual and prospective economic advantage under California law. It fails as well.

To state such a claim, Marvel must plead that: (1) an economic relationship exists between Marvel and another containing a probable future economic benefit to Marvel; (2) defendants knew of the relationship; (3) defendants intended to disrupt the relationship; (4) defendants engaged in wrongful conduct that was not privileged; (5) an actual disruption in the relationship occurred; (6) Marvel was harmed as a result of defendants' acts; and (7) defendants' wrongful conduct was a substantial factor in causing Marvel's harm. JUDICIAL COUNCIL OF CALIFORNIA, CALIFORNIA CIVIL JURY INSTRUCTIONS (CACI) § 2202 (2003); *see also Della Penna v. Toyota Motor Sales, U.S.A., Inc.*, 11 Cal. 4th 376, 380, 902 P.2d 740, 743 (1995); *PMC, Inc., v. Saban Entertainment, Inc.*, 45 Cal. App. 4th 579, 603 (1996).

As to the fourth element, Marvel must plead that defendants "engaged in conduct that was wrongful by some legal measure other than the fact of

interference itself." *Della Penna*, 11 Cal. 4th at 393, 902 P.2d at 751. Marvel only restates the deficient "wrongful acts" of infringement. Complaint ¶ 123.

Marvel also does not allege that defendants knew of, and set out to damage, Marvel's business relationships. Marvel merely asserts that "Defendants knew or should have known that licensing and merchandising the Marvel Characters is Marvel's core business" and that they "knew or should have known" about licensing agreements Marvel has with Universal and Activision for game software. Complaint ¶ 121. Since actual knowledge of Marvel's prospective relationships is required to satisfy the second element of the claim, *Della Penna*, 11 Cal. 4th at 380, 902 P.2d at 743, the failure to plead it warrants dismissal.

Had Marvel alleged actual knowledge, the claim would still fail because Marvel has not alleged in what way defendants' conduct actually disrupted an existing relationship between Marvel and Universal and/or Activision. Nor can it, because Marvel admits that it has licensed the "Marvel Characters" to Universal Games and Activision for video games.[10] Thus Marvel cannot satisfy the fifth and sixth elements, disruption and actual damage. For these reasons, Count 10 fails.

D. Count 11 Fails Because Marvel Cannot Use The Declaratory Judgment Act To Obtain An Advisory Opinion About A Defense Not Yet Pleaded

Declaratory relief is limited to actual controversies. It cannot be used to get an advance ruling on the merits of a defense to a claim where the defense has not been raised and the claim itself might not survive the pleading stage. But that is what Marvel wants this Court to do in seeking a judicial declaration that defendants cannot assert the "safe harbor" provision of the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. § 512, as a defense to a copyright claim.

It is inappropriate to seek declaratory relief as to the validity of a defense that may or may not be raised. *Calderon v. Ashmus*, 523 U.S. 740, 747 (1998).

[10] Marvel Press Release "Marvel Has Unprecedented Presence At E3, Confirming Power of the Marvel Brand Within Video Game Industry" (May 14, 2004), Exh. 8 to Barea Decl.

"Such a suit does not merely allow the resolution of a 'case or controversy' in an alternative format ... but rather attempts to gain a litigation advantage by obtaining an advance ruling on an affirmative defense." *Id.* Count 11 should be dismissed.

IV. CONCLUSION

The purpose of copyright is not to give an unlimited monopoly or "special private benefit"; rather, it is to "motivate the creative activity of authors and inventors." *Sony,* 464 U.S. at 429. In that vein, City of Heroes is a tool that encourages originality, not slavish copying. It allows young and old to exercise their imaginations to create super-powered beings and send them off to interact with the creations of other individuals in a virtual world called Paragon City. If it should be banned, then so should the #2 pencil, the Lego block, modeling clay, and anything else that allows one to give form to ideas.

In Marvel's view of the world, if people should play online games with super heroes, they must only play with licensed Marvel characters. To advance this view by litigation, Marvel omits key facts and fabricates infringements -- and still fails to state a claim after three attempts. Marvel's bid to monopolize online "hero" games and quash creativity has no basis, and its Complaint should be dismissed.

Respectfully submitted,

Dated: February 7, 2005

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