

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. CV 04-9253-RGK (PLAx) Date March 9, 2005
Title MARVEL ENTERPRISES, INC., et al. v. NCSOFT CORPORATION, et al.

CHAMBERS

Present: The R. GARY KLAUSNER, U.S. DISTRICT JUDGE
Honorable

<u>Sharon L. Williams</u>	<u>Not Reported</u>	<u>N/A</u>
Deputy Clerk	Court Reporter / Recorder	Tape No.

Attorneys Present for Plaintiffs:	Attorneys Present for Defendants:
Not Present	Not Present

Proceedings: (IN CHAMBERS) DEFENDANTS' MOTION TO STRIKE MATTER FROM PLAINTIFF'S SECOND AMENDED COMPLAINT (DE 23) AND DEFENDANT'S MOTION TO DISMISS PLAINTIFF'S SECOND AMENDED COMPLAINT (DE 27)

I. FACTUAL BACKGROUND

Marvel Enterprises, Inc. and Marvel Characters, Inc. (collectively "Plaintiffs") brought this action against defendants NCSOFT Corp. ("NCSOFT"), NC Interactive ("NCI"), and Cryptic Studios ("Cryptic") (collectively "Defendants") on November 10, 2004. Plaintiffs assert claims for: (1) direct, (2) contributory, and (3) vicarious copyright infringement under 17 U.S.C. §§101, et seq., (4) direct, (5) contributory, and (6) vicarious registered trademark infringement under 15 U.S.C. §1114, (7) direct, (8) contributory, and (9) vicarious common-law trademark infringement under 15 U.S.C. §1125, (10) intentional interference with actual and prospective economic advantage, and (11) declaratory relief. Plaintiffs contend that Defendants created, marketed, distributed and hosted a computer game that allows players to play online and create characters that are virtually identical in name, appearance, and characteristics to characters owned by Plaintiffs.

Defendants have filed this Motion to Strike pages 300, 302, 303-04, and 306 from Plaintiffs' Second Amended Complaint. Defendants also request that the corresponding lines 10 through 16 and 21 through 22 of page 14 be stricken because they refer to these exhibits.

Defendants NCSOFT and NCI have filed this Motion to Dismiss Plaintiffs' Second Amended Complaint pursuant to Federal Rule of Civil Procedure 12(b)(6). Defendant Cryptic joined in the motion. Defendants also contend that the complaint should be dismissed because Plaintiffs' claim for declaratory relief is limited to actual controversies, and no such controversy exists here. Defendants request that the Plaintiffs' pleading be dismissed without leave to amend.

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II. JUDICIAL STANDARD

A. Motion to Strike

Federal Rule of Civil Procedure 12(f) allows the Court to order stricken from a pleading any redundant, impertinent, immaterial or scandalous matter. Fed. R. Civ. Pro. 12(f). This includes "false and sham" pleadings. *Bradley v. Chiron Corp.*, 136 F.3d 1317, 1326 (Fed. Cir. 1998) (affirming district court's striking of allegations as "false and sham").

B. Motion to Dismiss for Failure to State a Claim

Under Federal Rule of Civil Procedure 12(b)(6), the court must assume the plaintiff's allegations are true, and must construe the complaint in the light most favorable to the plaintiff. *Cahill v. Liberty Mut. Ins. Co.*, 80 F.3d 336, 337-38 (9th Cir. 1996). The sole issue raised by such a motion is whether the facts pleaded, if established, support a valid claim for relief. *See Neitzke v. Williams*, 490 U.S. 319, 327 (1989). The court may not dismiss "unless it appears beyond a doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson*, 355 U.S. 41, 45-6 (1957). However, a court need not accept as true conclusory legal allegations cast in the form of factual allegations. *See W. Mining Council v. Watt*, 643 F.2d 618, 624 (9th Cir. 1981). A dismissal is proper where there is either a "lack of a cognizable legal theory," or "the absence of sufficient facts alleged under a cognizable legal theory." *Balistreri v. Pacifica Police Dept.*, 901 F.2d 696, 699 (9th Cir. 1990).

III. DISCUSSION

A. Portions of Plaintiffs Second Amended Complaint Should be Stricken

Defendants argue that the specified exhibits and corresponding portions of Plaintiffs' Second Amended Complaint should be stricken as "false and sham" because the allegedly infringing works depicted in the exhibits and referred to in the pleadings were created by Plaintiffs themselves. For the following reasons, the Court agrees.

Plaintiffs themselves have proposed removal of pages 300, 302, 303, and 304 attached as exhibits to Plaintiffs' Second Amended Complaint. (Opp'n to Mtn. to Strike p. 2). Thus, the Court sees no reason not to order those exhibit pages stricken. Accordingly, the portions of the Second Amended Complaint referring to these exhibits, and stating allegations of individual acts of infringement based thereon, should be stricken as well.

Lines 20 through 22 of page 14 of the Second Amended Complaint refer to page 306, which Defendants have also requested be stricken. Though Plaintiffs' opposition failed to challenge Defendants' contention that page 306 also represents a game character created by Plaintiffs themselves, Defendants only present evidence that pages 300, 302, 303 and 304 depicted game characters created by Plaintiffs. (Willsey Decl. Ex. 6) (Plaintiffs' attorney conceding pages 300, 302, 303, and 304 depict characters created by Plaintiffs). The Court has been presented with no other evidence suggesting that page 306 depicts a game character created by Plaintiffs. Thus, page 306 and the corresponding lines 20-22 of page 14 of the Second Amended Complaint shall not be stricken.

B. Plaintiffs' Second Amended Complaint Should be Dismissed in Part

1. Direct Copyright Infringement

In order to claim direct copyright infringement, Plaintiffs must plead (1) ownership of a valid copyright, and (2) Defendants copied protectible expression or violated another right of copyright. *Baxter v. MCA, Inc.*, 812 F.2d 421, 423 (9th Cir. 1987). For the following reasons, Defendants' motion as to this claim is denied.

Plaintiffs have alleged that they hold valid registered copyrights to numerous characters, including The Incredible Hulk, Magneto, Captain America, Wolverine, The Thing, and Iron Man. (Second Am. Compl. ¶¶ 25-31).

Plaintiffs have also alleged "Defendants have knowingly and willfully copied numerous Marvel Characters, and the expression they contain, including, but not limited to, Captain America, Wolverine, and The Incredible Hulk." (Second Am. Compl. ¶ 32). Copyright claims need not be pled with particularity, and complaints which allege present copyright ownership by the plaintiff, proper registration, and infringement by defendant have been held sufficient. *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 167 F. Supp. 2d 1114, 1120 (C.D. Cal. 2001). Plaintiffs are not required to specify each and every instance of infringement. *Id.* Therefore, Plaintiffs need not, as Defendants would suggest, identify the times, similarities, or other details of the alleged infringements in their pleadings. Plaintiffs' allegations are therefore sufficient to state a claim for direct copyright infringement against Defendants.

2. Contributory Copyright Infringement

In order to claim contributory copyright infringement, Plaintiffs must allege that Defendants (1) had knowledge of the infringing conduct by a third party, and (2) induced, caused, or contributed to the infringing conduct. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1019 (9th Cir. 2001). For the following reasons, Defendants' motion as to this claim is denied.

Plaintiffs allege that a "significant number" of the users of Defendants' game create infringing characters. (Second Am. Compl. ¶ 42). Plaintiffs have alleged that they hold valid registered copyrights to numerous characters, including The Incredible Hulk, Magneto, Captain America, Wolverine, The Thing, and Iron Man. (Second Am. Compl. ¶¶ 25-31). Ignoring the portions of the Second Amended Complaint to be stricken (*see* discussion *supra* III.A), Plaintiffs have still alleged themselves to be the holders of registered copyrights which were allegedly infringed by users of the game system, including copyrighted characters Captain America, Phoenix, Wolverine, and The Incredible Hulk. (Second Am. Compl. ¶ 43). Plaintiffs are not required to plead details of the infringements with particularity. *Perfect 10*, 167 F. Supp. 2d at 1120. Plaintiffs have thus sufficiently alleged primary infringement by game users.

It is uncontested that Defendants' game has a substantial non-infringing use. Generally, the sale of products with substantial non-infringing uses does not evoke liability for contributory copyright infringement. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984). However, where a computer system operator is aware of specific infringing material on the computer system, and fails to remove it, the system operator contributes to infringement. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001). Plaintiffs have alleged that "Defendants knew or should have known" that many users were committing direct infringement of Plaintiffs copyrighted characters. (Second Am. Compl. ¶ 42). Thus, Plaintiffs have alleged that Defendants, as operators of their online computer server system were aware of infringing material on their system and failed to remove it. Therefore, Plaintiffs have stated a claim for contributory copyright infringement.

3. Vicarious Copyright Infringement

Vicarious copyright infringement has three elements: (1) direct infringement by a primary party, (2) direct financial benefit to defendant, and (3) the right and ability to supervise the primary infringer on the part of defendant. *Napster*, 239 F.3d at 1022. For the following reasons, Defendants' motion as to this claim is denied.

Plaintiffs have clearly pled direct primary infringement by a third party. Plaintiffs allege that they hold valid copyrights to the characters, including The Incredible Hulk, Magneto, Captain America, Wolverine, The Thing, and Iron Man. (Second Am. Compl. ¶¶ 25-31). Plaintiffs complaint further states: "it is reasonable to assume there are literally thousands of infringing Heroes roaming the streets of Paragon City at any given moment," and Defendants' "game induces, causes and materially contributes to [users'] direct infringement of [Plaintiffs'] copyrights." (Second Am. Compl. ¶ 51-2). Plaintiffs are not required to plead details of the infringements with particularity. *Perfect 10*, 167 F. Supp. 2d at 1120. Therefore, Plaintiffs have sufficiently alleged primary direct infringement by the game users.

Defendants financially benefit from the primary infringement "where the availability of infringing material acts as a 'draw' for customers." *Ellison v. Robertson*, 357 F.3d 1072, 1078 (9th Cir. 2004). The court further holds that "there is no requirement that the draw be substantial." *Id.* at 1079. The determining factor is whether "there is a causal relationship between the infringing activity and any financial benefit a defendant reaps, regardless of how substantial the benefit." *Id.* Plaintiffs have alleged that Defendants "reap a significant financial benefit by virtue of their increased revenues and increased user base, directly as a result of the ongoing infringements, as players and prospective players become aware that they can unlawfully copy Marvel Characters." (Second Am. Compl. ¶ 53). Plaintiffs have thus clearly pled a causal connection between the alleged infringement by game users, and a financial benefit to Defendants. Therefore, Plaintiffs have sufficiently stated a claim for vicarious copyright infringement.

4. Direct Infringement of Registered Trademark

Defendants argue that Plaintiffs have failed to state a claim for direct infringement of a registered trademark because a finding of likely confusion would be unreasonable as Defendants word "Statesman" is obviously not a reproduction, counterfeit, copy, or colorable imitation of Plaintiffs' trademarked words "Captain America." For the following reasons, the Court agrees.

Plaintiffs do not challenge Defendants' contention that Plaintiffs have registered only the wording "Captain America," and that the image of the Captain America character is not a registered trademark. Plaintiffs instead argue that their word mark "Captain America" protects some broader "goodwill" belonging to the holder. The Court declines to grant such unsubstantiated breadth to the protections offered by a registered trademark.

Plaintiffs do not directly challenge Defendants' contention that the word "Statesman" is unlikely to cause confusion with the words "Captain America." "Where the two marks are entirely dissimilar, there is no likelihood of confusion." *Brookfield Communications, Inc. v. W. Coast*, 174 F.3d 1036, 1054 (9th Cir. 1999). That the terms at question here are entirely dissimilar is self-evident. Thus, there is no likelihood of confusion. If the pleadings show that confusion between the alleged infringing term and the registered trademark is unlikely, the claim for infringement should be dismissed. *Murray v. Cable NBC*, 86 F.3d 858, 860 (9th Cir. 1996). Therefore, Plaintiffs' claim for direct infringement of a registered trademark should be dismissed.

5. Contributory Infringement of Registered Trademark

Liability for contributory infringement is imposed on any person who uses “in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services or in connection with which such use is likely.” 15 U.S.C. § 1114(1). For the following reasons, Defendants’ motion as to this claim is granted.

Plaintiffs allege that users of Defendants’ game create character names that infringe upon Plaintiffs’ registered trademarks. (Second Am. Compl. ¶ 72). However, Plaintiff has not alleged that the *game users* are using these names in commerce in connection with any sale or advertising of goods and services. Thus, Plaintiffs have failed to allege an infringement on the part of the game users for which Defendants could be contributorily liable. See *Lucasfilm Ltd. v. High Frontier, et al.*, 622 F. Supp. 931 (D.D.C. 1985) (holding that use of trademark not affixed to any good or service for sale did not constitute infringement.); and see *Felix the Cat Prod., Inc. v. New Line Cinema Corp.*, 54 U.S.P.Q. 2d 1856, 1857 (C.D. Cal. 2000) (holding that use of trademark within a movie did not qualify as use of the mark in connection with sale of goods or services in commerce). Therefore, Plaintiffs have failed to state a claim for contributory infringement of a registered trademark.

6. Vicarious Infringement of Registered Trademark

Similar to the contributory infringement of a registered trademark claim above, Plaintiffs have failed to allege primary infringement by the game users because there are no allegations that the users have used the allegedly infringing names or characters in commerce or in connection with any sale or advertising of goods and services. See discussion *supra* III.B.5. Therefore, Plaintiffs have failed to state a claim for vicarious infringement of a registered trademark.

7. Direct Infringement of Common-Law Trademark

Defendants argue that Plaintiffs claim for direct infringement of a common-law trademark fails to state a claim because Plaintiffs have failed to plead what mark was allegedly infringed. For the following reasons, the Court disagrees.

Plaintiffs clearly allege that Defendants imitated and reproduced Plaintiffs’ Captain America character. (Second Am. Compl. ¶ 94). Defendants are clearly aware of the character over which Plaintiffs claim a common-law trademark, as Defendants themselves refer to a depiction of the character on Plaintiffs’ own website elsewhere in their motion. (Mtn. to Dismiss at 9-10). Plaintiffs need not identify the actual images allegedly infringed, so long as the claimed trademarked material is identified. *Perfect 10, Inc.*, 167 F. Supp. 2d at 1122. Thus, Plaintiffs’ Second Amended Complaint clearly gives Defendants fair notice of Plaintiffs’ trademark infringement claim against them, and the grounds on which the claim rests, such that Defendants can adequately respond. See *Id.* at 1119 (“It is enough that the complaint gives the defendant fair notice of what the plaintiff’s claim is and the grounds upon which it rests so that defendant can frame a responsive pleading.”). Therefore, Plaintiffs have sufficiently stated a claim for direct infringement of a common-law trademark.

8. Contributory Infringement of Common-Law Trademark

Defendants argue that Plaintiffs have failed to state a claim for contributory infringement of a common-law trademark because the allegedly infringing names and characters were not used in commerce to identify goods or services. Defendants also argue that Plaintiffs have failed to plead either intentional inducement by Defendants or continued supply despite knowledge of infringement. For the following reasons, the Court agrees.

Liability is imposed on any person who on or in connection with goods or services uses in commerce a word, term, name, symbol or device which is likely to cause confusion. 15 U.S.C. §1125(a)(1). Plaintiffs have alleged that users of Defendants' game created names and characters that infringed upon specified trademarks claimed by Plaintiffs. (Second Am. Compl. ¶ 101-03). However, Plaintiffs do not allege that game users in any way used these character names in commerce. Rather than labeling or referencing goods or services in the course of interstate commerce, game users used these names to identify characters used in a recreational game. Thus, Plaintiffs have failed to allege a primary infringement of their trademarks. See discussion *supra* III.B.5. Therefore, Plaintiffs have failed to state a claim for contributory infringement of a common-law trademark.

9. *Vicarious Infringement of Common-Law Trademark*

Similar to the contributory infringement of a common-law trademark claim above, Plaintiffs have failed to allege primary infringement by the game users because there are no allegations that the users have used the allegedly infringing names or characters in commerce. See discussion *supra* III.A.5. Therefore, Plaintiffs have failed to state a claim for vicarious infringement of a common-law trademark.

10. *Intentional Interference with Actual and Prospective Economic Advantage*

The California tort of interference with prospective economic advantage requires five elements: (1) economic relationship between plaintiff and a third party with probability of future economic benefit to plaintiff; (2) defendant's knowledge of the relationship; (3) intentional acts by defendant designed to disrupt that relationship; (4) actual disruption of the relationship; and (5) economic harm to the plaintiff proximately caused by defendant's acts. *Youst v. Longo*, 43 Cal. 3d 64, 71 n.6 (Cal. 1987). Additionally, the defendant must have "engaged in conduct that was wrongful by some legal measure other than the fact of interference itself." *Della Pena v. Toyota Motor Sales, U.S.A., Inc.*, 11 Cal. 4th 376, 393 (Cal. 1995). For the following reasons, Defendants' motion as to this claim is denied.

Plaintiffs allege an economic relationship with third parties Universal and Activision with existing and future benefits for Plaintiffs. (Second Am. Compl. ¶ 121). Plaintiffs also allege that Defendants "knew or should have known" about these relationships. *Id.* Plaintiffs have further alleged that Defendants "knew or should have known" that their copyright and trademark infringement would interfere with Plaintiffs' economic relationships by misappropriating and/or diminishing the value of Plaintiffs' intellectual property rights in its characters. *Id.* at ¶ 123-24. Finally, Plaintiffs plead damages due to Defendants' actions. *Id.* at ¶ 125. Defendants' improper interference is alleged to stem from Defendants' copyright and trademark infringements. *Id.* at ¶ 123-124. Such acts clearly constitute wrongful acts independent of the act of competition itself. These allegations therefore sufficiently state a claim for intentional interference with prospective economic advantage.

11. *Declaratory Judgment*

A plaintiff may not seek declaratory relief as an advance ruling on a potential affirmative defense. See *Calderon v. Ashmus*, 523 U.S. 740, 747 (1998). For the following reasons, Defendants' motion as to this claim is granted.

Plaintiffs allege that there is a dispute between Plaintiffs and Defendants about whether Defendants (1) qualify as an "internet service provider" within the meaning of the DMCA, and (2) would thus be protected from liability. (Second Am. Compl. ¶ 129). Plaintiffs accordingly request a judicial declaration that Defendants do not qualify as an internet service provider under the DMCA and therefore are not shielded from liability by the DMCA. *Id.* at ¶ 130. From these allegations, it is clear that Plaintiffs are seeking a determination of Defendants' ability to use the DMCA as a defense to Plaintiffs' claims. Both issues on which Plaintiffs seek declaratory judgment relate only to Defendants' liability for the remainder

of its claims. They do not independently resolve the controversy between the parties, but merely seek determination of a collateral legal issue governing certain aspects of the dispute. Plaintiffs are thus inappropriately seeking an advance ruling on a potential affirmative defense. See *Calderon*, 523 U.S. at 747. Therefore, Plaintiffs have failed to state a claim for declaratory relief.

DECLINED

IV. CONCLUSION

For the foregoing reasons, Defendants' Motion to Strike is **GRANTED** in part. Specifically, exhibit pages 300, 302, 303, and 304 and the corresponding portions of the Plaintiffs' Second Amended Complaint (p. 14, lines 10-16) are stricken.

For the foregoing reasons, Defendants' Motion to Dismiss is **GRANTED** as to Plaintiffs' 4th, 5th, 6th, 8th, 9th, and 11th causes of action, and **DENIED** as to Plaintiffs' 1st, 2nd, 3rd, 7th, and 10th causes of action.

As this is Plaintiffs' third submitted complaint, the above-mentioned claims are dismissed without leave to amend.

IT IS SO ORDERED.

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