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12 UNITED STATES DISTRICT COURT
13 CENTRAL DISTRICT OF CALIFORNIA
14 WESTERN DIVISION
15

16 MARVEL ENTERPRISES, INC. AND
17 MARVEL CHARACTERS, INC.,

18 Plaintiffs,

19 v.

20 NC SOFT CORPORATION, CRYPTIC
21 STUDIOS, INC. AND NC INTERACTIVE,
INC.

22 Defendants.
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26
27
28

Case No. 04CV9253 RGK

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

Date: February 7, 2005
Time: 9:00 a.m.
Courtroom: 850 (Roybal)

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1 **I. INTRODUCTION AND FACTUAL BACKGROUND**

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

12 Despite Marvel’s efforts to shoehorn thirteen counts into its First Amended
13 Complaint (“Complaint”), this case hinges upon Marvel’s claims that the acts of
14 players of defendants’ “City of Heroes” game in creating their own characters
15 directly infringe Marvel’s trademarks and copyrights. Noticeably absent, however,
16 are allegations of specific acts of infringement by players of the game. Marvel’s
17 Complaint amounts to a barrage of hypothetical statements about what players
18 *might* do. Marvel also fails to allege facts that support a finding that such potential
19 expressions of players’ imaginations would constitute infringement, or facts that
20 would support its suspect claims that the defendants¹ have directly infringed its
21 rights. For these and other reasons, the Complaint must be dismissed.

22 **A. Defendants’ Online Game and Creative Tool, “City of Heroes”**

23 The following facts come from Marvel’s Complaint, with elaboration
24 from the City of Heroes Game Manual referenced in the Complaint, of which the
25 Court may take judicial notice. *See Van Buskirk v. CNN*, 284 F.3d 977, 980 (9th
26 Cir. 2002); *Barron v. Reich*, 13 F.3d 1370, 1377 (9th Cir. 1994); Fed. R. Evid. 201.

27
28 ¹ Defendants NCsoft Corporation and NC Interactive, Inc. bring this motion, but the arguments here equally apply to defendant Cryptic Studios, Inc., as the complaint treats them all the same.

1 A copy of the Game Manual is submitted as Exhibit 1 to the Declaration of Adam
2 L. Barea (“Barea Decl.”); *see* the Request for Judicial Notice filed herewith.

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

9 The Creation Engine offers the player a variety of different attributes,
10 powers, and appearances to choose from in creating a Hero. First the player
11 chooses one of five “origins” – “mutant,” “science,” “technology,” “natural,” or
12 “magic.” Complaint ¶ 17; Game Manual at 5-6. Then the player chooses one of
13 five “archetypes” that determine the genre of powers the Hero has – “blaster,”
14 “controller,” “defender,” “scrapper,” or “tanker.” Complaint ¶ 17; Game Manual
15 at 6-8. After that, the player chooses the specific primary and secondary powers
16 the Hero will have. Complaint ¶ 17; Game Manual at 9, 30. Next the player
17 chooses the Hero’s gender and build. Complaint ¶ 17; Game Manual at 10.

18 The player then selects the Hero’s appearance and costume from a wide
19 variety of different skin tones, facial features, hairstyles, masks, helmets, and
20 costume styles. Complaint ¶ 17; Game Manual at 10-11. The Game Manual states
21 that there are millions of possible unique costume combinations. Game Manual at
22 10. Finally, the player chooses a name for the Hero. Complaint ¶ 20. The player
23 can then send the Hero into Paragon City to interact with other Heroes. *Id.*

24 The Creation Engine is simply a high-tech version of a box of crayons or a
25 set of building blocks, from which players can turn their ideas into (virtual) reality.

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

1 **B. Marvel’s Purported, Unspecified Intellectual Property Rights**

2 Marvel is shrewdly vague about which of its rights have been
3 violated. It alleges copying of “numerous Marvel Characters” totaling “over
4 4,700,” *see, e.g.*, Complaint ¶¶ 14, 30-33, yet it pleads copyright registrations in
5 only four issues of comic books.² Any such claims are limited to those four works.

6 Marvel also alleges four registered trademarks – the words CAPTAIN
7 AMERICA, THE INCREDIBLE HULK, WOLVERINE, and X-MEN – for comic
8 books and illustrated magazines.³ Marvel suggests it owns common-law rights in a
9 “star emblem that identifies Captain America,” Complaint ¶ 62, but does not
10 allege that it has used the emblem to identify its products, a basic requirement of a
11 trademark. Its claims are thus limited to the four registered word marks.

12 **C. Marvel’s Untenable Theories For Seeking to Quash the Game**

13 Marvel’s primary claims are for copyright infringement (Counts 1-3)
14 and trademark infringement (Counts 4-9). Marvel also asserts three business tort

15 ² These registrations, none of which appear to be owned by either plaintiff, are:

- 16 • Copyright Registration B958840 for the March 1, 1962 issue of *The Incredible Hulk*, in
17 the name of Zenith Publishing Corp. (Complaint ¶ 25 and Exh. A).
18 • Copyright Registration B51855 for the July 2, 1963 issue of *The X-Men*, in the name of
19 Canam Publishers Sales Corp. (Complaint ¶ 26 and Exh. B).
20 • Copyright Registration B463904 for the Jan. 2, 1968 issue of *Captain America*, in the
21 name of Leading Magazine Corp., Marvel Comics Group (Complaint ¶ 27 and Exh. C).
22 • Copyright Registration B956186 for the Aug. 4, 1974 issue of *Incredible Hulk*, in the
23 name of Marvel Comics Group, a division of Cadence Industries Corp. (Complaint ¶ 28
24 and Exh. D)

25 ³ The registrations are:

- 26 • U.S. Trademark Registration No. 854655 for the word trademark CAPTAIN AMERICA
27 for “a magazine published periodically, particularly comic books and magazines”
28 (Complaint ¶ 60; Exhibit 3 to Barea Decl.).
 • U.S. Trademark Registration No. 890917 for the word trademark THE INCREDIBLE
HULK for “publications, particularly comic books and magazines and stories in
illustrated form” (Complaint ¶ 60; Exhibit 4 to Barea Decl.).
 • U.S. Trademark Registration No. 1395639 for the word trademark WOLVERINE for
“publications, particularly comic books and magazines and stories in illustrated form”
(Complaint ¶ 60; Exhibit 5 to Barea Decl.).
 • U.S. Trademark Registration No. 1161898 for the word trademark X-MEN for
“publications, particularly comic books and magazines and stories in illustrated form”
(Complaint ¶ 60; Exhibit 6 to Barea Decl.).

1 claims (Counts 10-12) based on the copyright and trademark claims. Marvel's last
2 claim (Count 13) derives from the contributory and vicarious copyright claims; it
3 seeks a judicial declaration that defendants have no defense to infringement under
4 the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. § 512.

5 1. Copyright-Based Claims

6 The central theme of Marvel's copyright-based claims is not
7 that there has been any actual copying, just that it is "*possible*" for players to use
8 the Creation Engine to infringe. Complaint ¶ 19. Its objection that City of Heroes
9 "brings the world of comic books alive," *id.* ¶1, assumes *Marvel* owns the world of
10 comic books, and that budding artists should be denied a creative tool, to stop them
11 from imitating a "Marvel Character" that may or may not be copyrighted. Indeed,
12 it does not allege copying of any of the four copyrighted comics identified in the
13 Complaint; just copying of unspecified "Marvel Characters."

14 Marvel's theory of how a player might create a character that purportedly
15 resembles its "Wolverine" shows that City of Heroes, far from "encouraging"
16 copying of Marvel characters, offers numerous creation options to design a Hero
17 using general attributes or themes (e.g., the nature of a "mutant," a specialty in
18 combat, regeneration powers) that cannot be monopolized under copyright.

19 To its main premise that defendants have created a tool allowing *players* to
20 infringe its copyrights, Marvel adds one charge of direct infringement by
21 *defendants*: that Statesman "is a blatant rip-off of Marvel's Captain America."
22 Complaint ¶ 30. But the Complaint reveals that Statesman does not resemble
23 Captain America – for one thing, he is distinguished by an ancient Greek-style
24 helmet; Captain America is not. Complaint ¶ 16; Game Manual, cover. The only
25 alleged similarity is that both have a white star on their chests. *Id.*

26 2. Trademark-Based Claims

27 Echoing its copyright theory, Marvel's trademark claims are
28 based primarily on the idea that because City of Heroes lets players name their

1 Heroes, players *might* give them names of Marvel characters. Complaint ¶ 20.
2 Marvel does not allege that this has ever happened, and in fact admits that it is not
3 possible to give Heroes the names “Wolverine” or “The Hulk.” *Id.* Nevertheless,
4 trademarks by definition are names or symbols used in commerce to identify goods
5 or services. Names that players give their Heroes are not trademarks, because the
6 Heroes are not products or services offered for sale by the players.

7 Marvel also charges defendants with direct infringement of a registered
8 mark, making the remarkable assertion that the name “Statesman” is likely to be
9 confused with the word trademark CAPTAIN AMERICA. Marvel also appears to
10 claim that the Statesman character is likely to cause confusion with the design of
11 the Captain America character even though the two bear little resemblance.

12 3. California Business Tort Claims

13 Marvel’s claims for “intentional interference with actual and
14 prospective advantage,” violations of California Business and Professions Code
15 section 17200 *et seq.*, and common law unfair competition are all based on the
16 allegations of copyright and trademark infringement. Complaint ¶¶ 110, 115, 120.
17 Marvel essentially contends that City of Heroes impairs its ability to license its
18 characters for use in competing software games. *Id.* ¶¶ 109, 110.

19 4. Declaratory Relief Claim

20 Defendants have a DMCA procedure under 17 U.S.C. § 512(c),
21 by which copyright owners may seek redress for alleged infringements. Instead of
22 using that, Marvel wants the Court to rule that defendants may not invoke the safe
23 harbor provisions of the DMCA as a defense to Marvel’s copyright claims,
24 Complaint ¶¶ 125-26, even though defendants have not yet asserted that defense.

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

26 Under Rule 12(b)(6) of the Federal Rules of Civil Procedure, a complaint
27 may be dismissed for failure to state a claim on which relief may be granted. On
28 such a motion, a court must accept well-pleaded factual allegations as true, *Cahill*

1 v. *Liberty Mut. Ins. Co.*, 80 F.3d 336, 337-338 (9th Cir. 1996), but not those that are
2 unwarranted deductions of fact based on unreasonable inferences or conclusory
3 statements. *Sprewell v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001).

4 **III. ARGUMENT**

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

6 The Complaint contains three claims for copyright infringement, all of
7 which fail. Count 1, for direct infringement, fails because Marvel has not pleaded
8 that defendants committed any act of infringement – or even that the purportedly-
9 infringed works (the “Marvel Characters”) are covered by any of the pleaded
10 registrations. Count 2, for contributory infringement, fails because Marvel has not
11 pleaded facts supporting an underlying infringement and defendants’ knowledge
12 thereof. Count 3, for vicarious infringement, fails because Marvel has not pleaded
13 an underlying infringement, nor a direct financial benefit to defendants.

14 **1. Count 1 Fails Because Marvel Has Not Pleaded Any Act of**
15 **Direct Copyright Infringement**

16 To claim copyright infringement, Marvel must plead that: (1) it
17 owns a valid copyright; and (2) defendants copied its protectible expression or
18 violated another of the exclusive rights of copyright. *Perfect 10, Inc. v. Cybernet*
19 *Ventures, Inc.*, 213 F. Supp.2d 1146, 1165-66 (C.D. Cal. 2002); 17 U.S.C §§ 106
20 *et seq.* One can show copying by substantial similarity between the parties’ works
21 and that the defendant had access to the plaintiff’s work, *Langman Fabrics v. Graff*
22 *Californiawear, Inc.*, 160 F.3d 106, 115 (2d Cir. 1998) (citing 4 M. NIMMER AND
23 D. NIMMER, NIMMER ON COPYRIGHT § 13.02[B]), but Marvel has not done so.

24 **a. Marvel Has Not Pleaded A Violation Of A Valid**
25 **Copyright It Owns**

26 A copyright registration is a prerequisite to an
27 infringement action. 17 U.S.C. § 411(a). The only copyright registrations pleaded
28

1 are those in the four comic books.⁴ Yet Marvel does not allege infringement of
2 those copyrights, just the copying of “numerous Marvel Characters... including,
3 but not limited to, Captain America, Wolverine, and The Incredible Hulk”
4 Complaint ¶ 30. This is not merely a technicality. Any of the unregistered
5 “Marvel Characters” may themselves derive from other works, and thus would not
6 be “original works or authorship” protectible by copyright. 17 U.S.C. § 102(a).

7 **b. Marvel Has Not Pleaded Direct Acts By Defendants**
8 **In Violation Of Any Purported Copyrights**

9 Even assuming that the “Captain America,” “Wolverine,”
10 and “The Incredible Hulk” characters constitute protectible expression covered by
11 the pleaded registrations, Marvel has not pleaded any direct acts of infringement.

12 Instead, Marvel makes the unsupported and conclusory allegations that
13 “Defendants knowingly and willfully copied numerous Marvel Characters,”
14 Complaint ¶ 30, and that defendants “infringe[d] on Marvel’s rights in and to its
15 copyrighted works by marketing, distributing and facilitating their City of Heroes
16 game and otherwise exploiting rights that belong exclusively to Marvel.” *Id.* ¶ 32.
17 Such conclusory allegations should be disregarded. *Sprewell*, 266 F.3d at 988.

18 “[A] claim of infringement must state ... which specific original work is the
19 subject of the copyright claim, that plaintiff owns the copyright, that the work in
20 question has been registered in compliance with the statute and by what acts and
21 during what time defendant has infringed the copyright.” *Calloway v. Marvel*
22 *Entertainment Group*, 82CV8697, U.S. Dist. LEXIS 15688 at *7 (S.D.N.Y. July 5,
23 1983). “Plaintiffs must also... state by what act or acts on what dates defendants
24 infringed the copyrights.” *Id.*⁵ Because there is no specific allegation that City of

25 _____
26 ⁴ None of the registrations, on their face, are owned by either plaintiff. Complaint, Exhs. A-D,
and thus Marvel lacks standing to sue.

27 ⁵ See also *Hartman v. Hallmark Cards, Inc.*, 639 F.Supp. 816, 820 (W.D. Mo. 1986) (“To be
28 sufficient under Rule 8 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.

1 Heroes contains any material copied or derived from any of the four copyrighted
2 comics, Marvel's allegations make it impossible for defendants to form a defense.

3 The closest Marvel comes to pleading an act of direct infringement is the
4 charge that Statesman is a "rip-off" of Captain America. Complaint ¶ 30. Marvel
5 has not provided depictions of either character – not surprisingly, because what
6 little the Complaint says reveals that the two are not substantially similar.⁶

7 The only alleged similarity is the presence of a white star on their chests and
8 a "patriotic" theme, Complaint ¶¶ 30, 62, and this is wholly insufficient to support
9 Marvel's claim for direct infringement. Marvel does not allege that a costume
10 bearing a white star on the chest constitutes an original work of authorship owned
11 by Marvel. Marvel also fails to allege any copyright interest in the patriotic red,
12 white and blue colors of Captain America's costume. Patriotic themes are ideas,
13 not copyrightable expression, and the expression of those themes through the use
14 of colors and symbolic elements of a flag are time-worn "scenes a faire" — i.e.,
15 features typically used to depict a common idea — that cannot be monopolized by
16 anyone. *Ets-Hokin v. Skyy Spirits, Inc.*, 225 F.3d 1068, 1082 (9th Cir. 2000); *Apple*
17 *Computer Corp. v. Microsoft Corp.*, 35 F.3d 1435, 1444 (9th Cir. 1994).

18 Form-fitting costumes with chest emblems are common to the superhero
19 genre, rather than unique aspects of Captain America. *Warner Bros., Inc. v.*

20
21 1979)); *Sharp v. Patterson*, 03CV8772, U.S. Dist. LEXIS 22311 at *48 (S.D.N.Y. Nov. 3, 2004)
22 ("The obligation to identify the infringing and infringed works in a pleading is not satisfied by
23 alleging a mass infringement of 69 different copyrighted letters by five different novels").

24 ⁶ Statesman has a helmet; Captain America does not. Complaint ¶ 16. Captain America's
25 signature weapon is his shield; Statesman has no shield. *Id.*; Game Manual (Exh. 1 to Barea
26 Decl.), cover. Captain America's suit includes an elastic half-mask with a prominent letter "A"
27 on the forehead and winglets above the ears; Statesman lacks these distinctive motifs. *See*
28 *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 costume is all blue, with red and white stripes across the abdomen portion 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.

1 *American Broadcasting Cos.*, 530 F. Supp. 1187, 1192 (S.D.N.Y. 1982), *aff'd*, 720
2 F.2d 231, 242 (2d Cir. 1983); *Warner Bros., Inc. v. American Broadcasting Cos.*,
3 654 F.2d 204, 209-10 (2d Cir. 1981) (observing that “tight-fitting acrobatic
4 costumes” were standard apparel for superhero characters). And a white star, such
5 as those on the American flag, is a standard emblem to express a patriotic theme,
6 unlike Superman’s distinctive “S” shield or Batman’s Bat logo. Even if the star is
7 reminiscent of Captain America, “[s]tirring one's memory of a copyrighted
8 character is not the same as appearing to be substantially similar to that character,
9 and only the latter is infringement.” *Warner Bros.*, 720 F.2d at 242.

10 The idea that Statesman is an infringement of Captain America is absurd,
11 and reflects that Count 1 is a throwaway claim. The heart of Marvel’s claims is in
12 Counts 2 and 3, which charge that by creating and selling City of Heroes,
13 defendants enable users to imitate “Marvel Characters.” Those claims fail as well.

14 **2. Count 2, For Contributory Infringement, Fails Because**
15 **Marvel Has Pleaded Neither a Primary Infringement Nor**
16 **Defendants’ Knowledge**

17 To plead contributory copyright infringement, Marvel must
18 allege (1) direct infringement by a primary infringer; (2) knowledge thereof; and
19 (3) material contribution to the infringement. *Ellison v. Robertson*, 357 F.3d 1072,
20 1076 (9th Cir. 2004). Marvel has not sufficiently pleaded the first two elements.

21 **a. Marvel Has Failed To Plead A Direct, Primary**
22 **Infringement**

23 Marvel has not alleged that any player of City of Heroes
24 ever violated any of the exclusive rights of whoever owns the copyrights to the
25 four comic books that are the subject of the pleaded registrations. There is no
26 allegation that any player copied original artwork from any of those comic books.
27 *See Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 361
28 (1991) (elements of infringement include “(1) ownership of a valid copyright, and
(2) copying of constituent elements of the work that are original”).

1 Moreover, of the alleged thousands of Marvel characters, the only two that
2 Marvel even alleges can be imitated despite the many design options of the
3 Creation Engine are Wolverine and The Hulk, Complaint ¶¶ 19-21, thus conceding
4 substantial non-infringing uses to which the Creation Engine can and is applied.

5 Marvel seeks to squelch the creation of unique characters that spring from
6 the imaginations of individual players. Even if players did make their own
7 versions of Marvel characters, that no doubt would be a fair use under 17 U.S.C. §
8 107, and thus not an infringement. To avoid a chilling effect and to allow pleading
9 a fair use defense where it applies, Marvel must specify its claims precisely.

10 **b. Marvel Has Not Pleaded Defendants’ Knowledge Of**
11 **Any Direct Infringement**

12 Because Marvel has failed to plead an underlying
13 infringement, by definition there can be no knowledge thereof by defendants, and
14 thus no contributory infringement. Even if Marvel had done so, its claim would
15 fail because it has not pleaded defendants’ actual knowledge of infringement.

16 Showing that the product at issue – the Creation Engine – is capable of
17 substantial or commercially significant noninfringing uses defeats Marvel’s claim
18 of contributory copyright infringement. *A&M Records v. Napster*, 239 F.3d 1004,
19 1027 (9th Cir. 2001). If the product is not capable of such noninfringing uses,
20 constructive knowledge is enough. *Sony Corp. of America v. Universal City*
21 *Studios, Inc.*, 464 U.S. 417, 441-42 (1984). But if it is capable of such uses,
22 plaintiff must show defendant had reasonable knowledge of specific infringements
23 and failed to act on that knowledge to prevent the same. *Id.*

24 Marvel’s allegations demonstrate that the Creation Engine is capable of such
25 noninfringing uses. Its description of how “Heroes” are created reflects that the
26 Creation Engine allows players to use their creativity to design their own Heroes.
27 Complaint ¶¶ 17-21. Indeed, although Marvel alleges that “virtually all of the
28 Marvel Characters” fall into the “Mutant” genre, Complaint ¶ 17, the Creation

1 Engine provides four other “Origins” from which to choose. *See* Game Manual
2 (Exh. 1 to Barea Decl.); City of Heroes Game (Exh. 9 to Barea Decl.).

3 Thus Marvel must plead that defendants reasonably knew of *specific*
4 *infringements* and failed to act on that knowledge to stop them. Instead, Marvel
5 merely charges that defendants “knew or should have known that a significant
6 number” of players were infringing the “Marvel Characters.” Complaint ¶ 40.

7 In short, Marvel wants this Court to presume that the over 4,700 “Marvel
8 Characters” are protected by the four pleaded registrations, that some players of
9 City of Heroes have in fact copied them, and that defendants are aware of these
10 unidentified infringements of unspecified works. Such conclusions are insufficient
11 to plead a claim. *See Marvel Entertainment Group*, U.S. Dist. LEXIS 15688 at *7;
12 *Hartman*, 639 F.Supp. at 820; *Gee*, 471 F.Supp. at 643.

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

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

20 **a. Marvel’s Failure to Plead a Primary Violation**
21 **Defeats Its Claim**

22 As Marvel has not alleged any specific acts of direct
23 infringement of Marvel’s copyrights by any users of City of Heroes, its claim fails.

24 **b. Marvel’s Failure To Plead A Direct Financial Benefit**
25 **From Infringing Activity Likewise Defeats Its Claim**

26 Marvel’s sole allegation of a financial benefit to defendants is that users of
27 City of Heroes pay \$14.95 to play the game. Complaint ¶ 49. This Circuit has,
28 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 interest directly attributable to the infringing activity.’” *Ellison*, 357

1 F.3d at 1079 (citing S. Rep. 105-190, at 44). Thus, the Ellison court found that
2 America Online (“AOL”) was not liable for users’ posting of copyrighted items on
3 a newsgroup. *Id.*

4 The exception is that “where the value of the service lies in providing access
5 to infringing material,” courts might find such one-time set-up fee and flat periodic
6 fees to constitute a direct financial benefit. *Id.* An example is the swap meet in
7 *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 263-64 (9th Cir. 1996), where
8 the sale of pirated recordings was a “draw” for customers. *Ellison*, 357 F.3d at
9 1078. “[T]he central question of the ‘direct financial benefit’ inquiry ... is whether
10 the infringing activity constitutes a draw for subscribers, not just an added benefit.”
11 *Id.* at 1079.

12 If City of Heroes had two sets of character options, one “generic” set, and
13 another “premium” set with the unique costumes, logos, and powers of
14 copyrighted characters, and charged an extra price for access to the premium set,
15 Marvel might have an argument that defendants derive a direct financial benefit
16 from allegedly infringing activity. But that is not what Marvel alleges. The
17 Complaint lacks any well-pleaded allegation that City of Heroes players are drawn
18 to the game in order to infringe or to access infringing material, as opposed to play
19 the game. The fee paid by players is no different from the fee AOL users paid for
20 their service, and not a financial interest directly attributable to infringing activity.

21 **B. Marvel Has Failed To State A Trademark Infringement Claim**

22 The Complaint asserts six claims under the Lanham Trademark Act:
23 Count 4 for direct infringement of federally-registered marks, Count 5 for
24 contributory infringement of registered marks, Count 6 for vicarious infringement
25 of registered marks, Count 7 for direct infringement of common law marks, Count
26 8 for contributory infringement of common law marks, and Count 9 for vicarious
27 infringement of common law marks. All are insufficient.

1 1. **Counts 4 and 7, For Direct Trademark Infringement, Fail**
2 **Because Marvel Has Failed To Allege Defendants' Use Of**
3 **An Infringing Mark**

4 In Counts 4 and 7, Marvel alleges that defendants' use of the
5 name "Statesman" and the Statesman character in the City of Heroes game
6 infringes trademark rights associated with its "Captain America".⁷ The only
7 difference is that Count 4 is brought under Section 32(1)(a) of the Lanham Act, 15
8 U.S.C. § 1114(1)(a), which requires a federal trademark registration, and Count 7
9 is brought under Section 43 of the Lanham Act, 15 U.S.C. § 1125, which does not.

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

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

18 Section 32(1)(a) creates liability for use of any "reproduction, counterfeit,
19 copy, or colorable imitation" of a registered mark that is likely to cause confusion.
20 15 U.S.C. § 1114(1)(a). To state a claim for infringement of the CAPTAIN
21 AMERICA mark, Marvel must allege that defendants' use of the term "Statesman"
22 is likely to cause confusion or mistake as to the origin of the goods. *New West*
23 *Corp. v. NYM Co. of California, Inc.*, 595 F.2d 1194, 1201-1202 (9th Cir. 1979);
24 *see also Jockey Club, Inc. v. Jockey Club of Las Vegas*, 595 F.2d 1167 (9th Cir.
25 1979). If the pleadings show that confusion is unlikely, the claim should be
26 dismissed. *See Murray v. Cable NBC*, 86 F.3d 858, 860 (9th Cir. 1996) (citing
27 *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 790-791 (9th Cir. 1981)).

28 ⁷ In Count 4, Marvel adds that it owns registrations for the marks WOLVERINE, X-MEN, and HULK, Complaint ¶¶ 59-60, but does not allege infringement thereof. *Id.* ¶¶ 61-62.

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

5 The name "Statesman" obviously is not a "reproduction, counterfeit, copy,
6 or colorable imitation" of the words CAPTAIN AMERICA. The terms sound and
7 look different, and have different meanings. Since a finding of likely confusion
8 would be unreasonable, the Court should dismiss Count 4 with prejudice.

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

12 Count 7 is based on Lanham Act section 43(a)(1)(A),
13 which provides a cause of action for use in commerce of false designations of
14 origin likely to cause confusion with another's goods or services. 15 U.S.C. §
15 1125(a)(1)(A); *Sebastian Int'l, Inc. v. Russolio*, 186 F. Supp.2d 1055, 1069 (C.D.
16 Cal. 2000). To state a claim, Marvel must plead that: (1) its mark is valid (i.e., it is
17 sufficiently distinctive to function as a trademark); (2) it used the mark first; and
18 (3) there is a likelihood of confusion. *Kendall Jackson Winery v. E.J. Gallo*
19 *Winery*, 150 F.3d 1042, 1046 (9th Cir. 1998). As to the first element, Marvel must
20 plead a symbol or device it has used in commerce, and that such mark is
21 sufficiently distinctive to serve as an indicator of the source of its goods or
22 services. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1995).

23 The key problem is that Marvel has not pleaded what has been infringed. If
24 it is the word mark CAPTAIN AMERICA, the word "Statesman" is so dissimilar
25 that there is no likelihood of confusion as a matter of law, as shown above.

26 To the extent Marvel argues it has trademark rights beyond the words
27 themselves, the claim is defective because it has not pleaded what those rights are.
28 It calls "Statesman" "a character that clearly is derivative of Marvel's Captain
America," Complaint ¶ 85, and says that the "use of the star emblem that identifies

1 Captain America, together with the use of the name ‘Statesman,’ which suggests
2 the patriotic qualities of Captain America,” is likely to cause confusion. *Id.* ¶ 86.

3 Yet there is no specific allegation of what the claimed mark is, other than
4 that it has a star emblem. Is it an illustration of the Captain America character? If
5 so, what does it look like? Or is the mark a logo? Does the logo contain words?

6 Nor is there an allegation of use as a mark. An illustration of Captain
7 America as it might appear inside a comic is just story artwork and not a source
8 identifier. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9. The claim fails.

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

12 The theory behind Marvel’s Counts 5 and 8 is that “[t]he City
13 of Heroes Creation Engine enables defendants’ customers/subscribers to identify
14 their heroes using names that violate Marvel’s trademarks in the Marvel
15 Characters,” Complaint ¶¶ 68, 92, and thus defendants are contributorily liable for
16 those violations. This ignores that the use of a name other than on or in connection
17 with goods or services is not trademark use, and cannot be infringement.

18 To state a claim for contributory infringement, Marvel must plead that
19 defendants: (1) intentionally induced users of City of Heroes to infringe Marvel
20 trademarks, or (2) continued to supply the game to users knowing they were using
21 it to infringe. *Fonovisa*, 76 F.3d at 264-65 (citing *Inwood Labs., Inc. v. Ives Labs.,*
22 *Inc.*, 456 U.S. 844, 854-55 (1982)).

23 Naming a game player is not an infringement because the Lanham Act only
24 applies to words or other symbols used to identify goods or services in commerce.
25 *See* 15 U.S.C. § 1114(1) (civil liability arises when a person uses a mark “in
26 commerce” which is likely to cause confusion); 15 U.S.C. § 1125(a)(1) (civil
27 liability arises when a person uses a mark “in commerce” which is likely to cause
28 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.

1 In *Lucasfilm Ltd., v. High Frontier*, 622 F. Supp. 931, 934 (D.D.C. 1985),
2 defendants used plaintiffs' "Star Wars" mark in public debate as shorthand for a
3 controversial missile defense plan. Because they were engaged in promoting ideas
4 and not commercial activity, they were not creating confusion. *Id.* The court in
5 *Felix the Cat Prods., Inc. v. New Line Cinema*, 54 U.S.P.Q.2d 1856, 1858 (C.D.
6 Cal. 2000) dismissed an infringement claim because the use of plaintiff's cartoon
7 character as a device to set the mood in defendant's movie did not "qualify as use
8 of the mark 'to identify or distinguish' goods 'to indicate their source' as required
9 to fall under the purview of trademark law." (citation omitted).

10 Likewise, the Ninth Circuit held in *New Kids on the Block v. News America*
11 *Pub., Inc.*, 971 F.2d 302, 305, 307 (9th Cir. 1992), that a paper's "New Kids on the
12 Block" feature did not infringe because it was a nominative fair use – a reference
13 to the group. "Cases like these are best understood as involving a non-trademark
14 use of a mark - a use to which the infringement laws simply do not apply." *Id.*

15 The Complaint lacks any allegation that users have in fact adopted actual
16 Marvel trademarks as Hero names – and in fact Marvel concedes that it is not
17 possible to select the names WOLVERINE and THE HULK.⁸ Complaint ¶¶ 20-
18 21. Marvel alleges, however, that names like "Wolverine20," "Woolvereen," and
19 "Hulk10" can be chosen. *Id.* Assuming, arguendo, that these are confusingly
20 similar to Marvel's trademarks, their use by players as names for game characters
21 is not use of marks in commerce to identify goods and/or services.

22 If someone sells a software product and calls it "Microsoft" without
23 permission, that probably would be trademark infringement. If, on the other hand,
24 he calls his pet goat "Microsoft," that would not. That is not use of a trademark in
25 commerce. The same is true of a player's naming of his Hero.

26 ⁸ There are no Heroes in City of Heroes with these names. As Marvel knows, a number of
27 names, including names of Marvel characters, are on a "block list" and cannot be selected. Thus
28 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.

1 Because naming a Hero is not a use of a mark to identify the source of goods
2 in commerce, there is no underlying infringement to support Count 5 or Count 8.

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

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

9 The plaintiff must plead that the defendant and the primary infringers "have
10 an apparent or actual partnership, have authority to bind one another in
11 transactions with third parties or exercise joint ownership or control over the
12 infringing product." *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*,
13 955 F.2d 1143, 1150 (9th Cir. 1992). There is no such allegation here nor can there
14 be, as by Marvel's own allegations, the third parties are hundreds of thousands of
15 players whose actions defendants cannot possibly control.

16 **C. Marvel's California Business Tort Claims Likewise Fail**

17 Marvel's deficient claims of copyright and trademark infringement
18 are the basis for its state business tort claims: Count 10, for intentional
19 interference with actual and prospective economic advantage, Count 11, for unfair
20 competition in violation of Business and Professions Code section 17200 *et seq.*,
21 and Count 12, for unfair competition under California law. They fail as well.

22 **1. The Intentional Interference Claim in Count 10 Fails**

23 To state a claim of intentional interference with prospective
24 economic advantage, Marvel must plead that: (1) an economic relationship exists
25 between Marvel and another containing a probable future economic benefit to
26 Marvel; (2) defendants knew of the relationship; (3) defendants intended to disrupt
27 the relationship; (4) defendants engaged in wrongful conduct that was not
28 privileged; (5) an actual disruption in the relationship occurred; (6) Marvel was
harmful as a result of defendants' acts; and (7) defendants' wrongful conduct was a

1 substantial factor in causing Marvel's harm. JUDICIAL COUNCIL OF CALIFORNIA,
2 CALIFORNIA CIVIL JURY INSTRUCTIONS (CACI) § 2202 (2003); *see also Della*
3 *Penna v. Toyota Motor Sales, U.S.A., Inc.*, 11 Cal. 4th 376, 393, 902 P.2d 740, 751
4 (1995); *PMC, Inc., v. Saban Entertainment, Inc.*, 45 Cal. App. 4th 579, 603 (1996).

5 As to the fourth element, Marvel must plead that defendants "engaged in
6 conduct that was wrongful by some legal measure other than the fact of
7 interference itself." *Della Penna*, 11 Cal. 4th at 393, 902 P.2d at 751. It only
8 restates the deficient "wrongful acts of copyright and trademark infringement."
9 Complaint ¶ 110.

10 Marvel also does not allege that defendants knew of, and set out to damage,
11 Marvel's business relationships. Marvel merely asserts that "Defendants knew or
12 should have known that licensing and merchandising the Marvel Characters is
13 Marvel's core business," *see* Complaint ¶ 109. Since actual knowledge of
14 Marvel's prospective relationships is required to satisfy the second element of the
15 claim, *Della Penna v. Toyota*, 11 Cal. 4th at 393, 902 P.2d at 751, the failure to
16 plead it warrants dismissal.

17 Had Marvel alleged actual knowledge, the claim would still fail because
18 Marvel has not alleged that defendants' conduct actually disrupted an existing
19 relationship between Marvel and Universal and/or Activision. Nor can it, because
20 Marvel admits that it has licensed the "Marvel Characters" to Universal Games and
21 Activision for video games.⁹ Thus Marvel cannot satisfy the fifth and sixth
22 elements, disruption and actual damage. For these reasons, Count 10 fails.

23 **2. Count 11 Fails To Plead A Violation Of Business &**
24 **Professions Code Section 17200 et seq.**

25 Business and Professions Code section 17200 defines unfair
26 competition as "any unlawful, unfair or fraudulent business act or practice." Cal.

27 _____
28 ⁹ 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.

1 Bus. & Prof. Code § 17200. Count 11 is based on defendants' alleged
2 "infringement of Marvel's intellectual property rights and intentional interference
3 with Marvel's business relationships." Complaint ¶ 116. This is not enough: a
4 plaintiff "must state with reasonable particularity the facts supporting the statutory
5 elements of the violation." *Silicon Knights v. Crystal Dynamics*, 983 F. Supp.
6 1303, 1316 (N.D. Cal. 1997) (citation omitted). Having failed to plead
7 infringement or intentional interference, Marvel has not asserted, "with reasonable
8 particularity," "any unlawful, unfair or fraudulent business act or practice." Count
9 11 should be dismissed.

10 **3. Count 12, For Common Law Unfair Competition, Fails For**
11 **The Same Reasons Marvel's Trademark Claims Fail**

12 In Count 12, Marvel recasts its previously alleged infringement
13 and intentional interference claims as unfair competition. Complaint ¶ 120. At the
14 outset, Marvel's charges of copyright infringement and intentional interference are
15 irrelevant here, because neither can be the basis for a common law unfair
16 competition claim. *Sony Pictures Entm't, Inc. v. Fireworks Entm't Group, Inc.*,
17 156 F. Supp. 2d 1148, 1164 (C.D. Cal. 2001) (Copyright Act); *Bank of the West v.*
18 *Superior Court*, 2 Cal. 4th 1254, 1263 (1992) (intentional interference).

19 California common law unfair competition claims are substantially
20 congruent to Lanham Act claims. *See Comedy III Prods., Inc. v. New Line*
21 *Cinema*, 46 U.S.P.Q.2d 1930, 1936 at fn. 6 (C.D. Cal. 1998) (citing *Denbicare*
22 *U.S.A. Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143 (9th Cir. 1996)). Because Marvel's
23 Lanham Act claims are deficient, Count 12 should too be dismissed.

24 **D. Count 13 Fails Because Marvel Cannot Use The Declaratory**
25 **Judgment Act To Obtain An Advisory Opinion About A Defense**
26 **Not Yet Pleaded**

27 Declaratory relief is limited to actual controversies. It cannot be used
28 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

1 defendants cannot assert the “safe harbor” provision of the Digital Millennium
2 Copyright Act (“DMCA”), 17 U.S.C. § 512, as a defense to a copyright claim.

3 It is inappropriate to seek declaratory relief as to the validity of a defense
4 that may or may not be raised. *Calderon v. Ashmus*, 523 U.S. 740, 747 (1998)
5 “Such a suit does not merely allow the resolution of a ‘case or controversy’ in an
6 alternative format ... but rather attempts to gain a litigation advantage by obtaining
7 an advance ruling on an affirmative defense.” *Id.*; see also *Bilbrey v. Brown*, 738
8 F.2d 1462, 1470 (9th Cir. 1984). Count 13 should be dismissed.

9 **IV. CONCLUSION**

10 City of Heroes is a tool that encourages originality, not slavish copying. It
11 allows young and old to exercise their imaginations to create super-powered beings
12 and send them off to interact with the creations of other individuals in a virtual
13 world called Paragon City. If it should be banned, then so should the #2 pencil, the
14 Lego block, modeling clay, and anything else that allows one to give form to ideas.
15 In Marvel’s view of the world, if people should play online games with super
16 heroes, they must only play with licensed Marvel characters, and imagination shall
17 be damned. Marvel’s attempt to monopolize online “hero” games and quash
18 creativity has no basis, and its complaint should be dismissed.

19
20 Respectfully submitted,

21 Dated: January 10, 2005

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