

Super-Grokster: Untangling Secondary Liability, Comic Book Heroes and the DMCA, and a Filtering Solution for Infringing Digital Creations

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A. Marvel’s Eleven Claims against NCsoft and Cryptic

1. Copyright Claims

Claim 1: Direct Copyright Infringement.¹ Marvel alleged that NCsoft and Cryptic knowingly and willfully copied Marvel’s

¹ Second Amended Complaint, Marvel Enters., Inc. v. NCsoft Corp., No. CV 04-9253-RGK (PLAx) 8–12 (C.D. Ca. Jan 25, 2005) [hereinafter Marvel Second Amended Complaint]. “In order to claim direct copyright infringement, Plaintiffs

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registered copyrights in characters, including Captain America, Wolverine, and the Incredible Hulk.² In particular, Marvel claimed that the *City of Heroes* signature character, Statesman, is “a blatant rip-off of Marvel’s Captain America.”³

Claim 2: Contributory Copyright Infringement.⁴ Marvel claimed that *City of Heroes* and its Creation Engine allowed and encouraged a “significant number” of users to copy their registered character copyrights including Captain America, Phoenix, Wolverine, and the Incredible Hulk.⁵ Marvel also claimed that as the administrator, as well as the creator of the game, NCsoft and Cryptic knew, or should have known, the infringement was occurring, but failed to remove the infringing characters from their servers.⁶

Claim 3: Vicarious Copyright Infringement.⁷ In addition to the direct infringement discussed above, Marvel claimed that potential players join because they are “aware that they can unlawfully copy Marvel Characters,”⁸ thus conferring a financial

must plead (1) ownership of a valid copyright, and (2) Defendants copied protectable expression or violated another right of copyright.” *Marvel Enters., Inc. v. NCsoft Corp.*, No. CV 04-9253, 2005 U.S. Dist. LEXIS 8448, at *6 (C.D. Cal. Mar. 9, 2005) [hereinafter *Ruling on NCsoft and Cryptic’s Motions to Strike and Dismiss*] (citing *Baxter v. MCA, Inc.*, 812 F.2d 421, 423 (9th Cir. 1987)).

² *Ruling on NCsoft and Cryptic’s Motions to Strike and Dismiss*, *supra* note 1, at *6, (citing *Marvel Second Amended Complaint*, *supra* note 69, at 25–31).

³ *Marvel Second Amended Complaint*, *supra* note 1, at 11.

⁴ *Marvel Second Amended Complaint*, *supra* note 1, at 13–15. “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.” *Ruling on NCsoft and Cryptic’s Motions to Strike and Dismiss*, *supra* note 1, at *7 (citing *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1019 (9th Cir. 2001)).

⁵ *Ruling on NCsoft and Cryptic’s Motions to Strike and Dismiss*, *supra* note 1, at *7–8 (citing *Marvel Second Amended Complaint*, *supra* note 1, at 43).

⁶ *Id.* at *9.

⁷ *Marvel Second Amended Complaint*, *supra* note 69, at 16–18. “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.” *Ruling on NCsoft and Cryptic’s Motions to Strike and Dismiss*, *supra* note 1, at *9 (citing *Napster*, 239 F.3d at 1022.).

⁸ *See Marvel Second Amended Complaint*, *supra* note 1, at 16.

benefit on NCsoft and Cryptic.⁹ Moreover, NCsoft and Cryptic have the right and ability to supervise game players by the terms of the User Agreement.¹⁰

These copyright claims form the meat of the case, and the primary focus of the note, particularly Claim 2: Contributory Copyright Infringement.

2. Registered Trademark Claims

Claim 4: Direct Infringement of Registered Trademark.¹¹ Marvel claimed that their registered trademark, “Captain America,” is infringed by *City of Heroes*’ “Statesman.”¹² Marvel’s claim discusses the character’s appearance and “some broader ‘good will,’”¹³ but only the word mark “Captain America” is registered, not the image of the character.¹⁴

Claim 5: Contributory Infringement of Registered Trademark.¹⁵ There is much discussion in the complaint regarding NCsoft and Cryptic’s alleged inducement of infringement of the Marvel trademarks the Incredible Hulk, Wolverine, and X-Men, among others.¹⁶ The claim focuses on the appearance of these characters, but only the names of the

⁹ *Id.* at 16–17.

¹⁰ See User Agreement, City of Heroes, §§ 4(e) (July 2005), available at http://www.plaync.com/help/eula_coh.html (last visited Dec. 1, 2005) [hereinafter *City of Heroes* User Agreement] (stating that “NC Interactive reserves the right, in its sole discretion, to (1) delete or alter any Character Name or (2) terminate any license granted herein, for any reason whatsoever.”).

¹¹ Marvel Second Amended Complaint, *supra* note 1, at *19–20. “If the pleadings show that confusion between the alleged infringing term and the registered trademark is unlikely, the claim for infringement should be dismissed.” Ruling on NCsoft and Cryptic’s Motions to Strike and Dismiss, *supra* note 1, at *12 (citing *Murray v. Cable NBC*, 86 F.3d 858, 860 (9th Cir. 1996)).

¹² Marvel Second Amended Complaint, *supra* note 1, at 19–20.

¹³ Ruling on NCsoft and Cryptic’s Motions to Strike and Dismiss, *supra* note 1, at *11.

¹⁴ *Id.*

¹⁵ Marvel Second Amended Complaint, *supra* note 1, at 20–22. Contributory infringement is the use “in commerce [of] 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 to cause confusion, or to cause mistake, or to deceive.” 15 U.S.C. § 1114(1)(a) (2000).

¹⁶ See Marvel Second Amended Complaint, *supra* note 1, at 20–21.

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characters are registered.¹⁷ Finally, Marvel does not allege that the game users themselves are using the names in commerce.¹⁸

Claim 6: Vicarious Infringement of Registered Trademark.

¹⁹ Marvel's claim of vicarious infringement of registered trademark mirrors their claim for vicarious infringement of copyright in Claim 3.²⁰ As discussed in Claim 5, the first prong of primary infringement requires a player's use of the infringement in commerce, which Marvel has not alleged.²¹

Because of the registration requirement for these three claims,²² they are limited to the registered trademark names and do not implicate the images or broader character rights.

3. Common Law Trademark Claims

Claim 7: Direct Infringement of Common-Law Trademark.²³ Marvel has used the character of Captain America as a trademark since 1940.²⁴ *City of Heroes* uses their character Statesman as a trademark.²⁵ Marvel claims that Statesman's star-spangled uniform is so substantially similar to Captain America's

¹⁷ See *id.* at 20–21.

¹⁸ Ruling on NCsoft and Cryptic's Motions to Strike and Dismiss, *supra* note 1, at *13. There is conclusory commentary that the "users are 'creating' imitations and reproductions . . . in interstate commerce" without any further factual support. Marvel Second Amended Complaint, *supra* note 1, at 21.

¹⁹ Marvel Second Amended Complaint, *supra* note 1, at 22–24. Vicarious Infringement of Registered Trademark requires (1) direct infringement by a primary party, (2) direct financial benefit to defendant, and (3) the right and ability of the defendant to supervise the primary infringer. See *supra* note 7 and accompanying text (noting that the germane factors of vicarious trademark infringement are the same as those for vicarious copyright infringement).

²⁰ See Marvel Second Amended Complaint, *supra* note 1, at 16–18, 22–24.

²¹ See *supra* note 18 and accompanying text.

²² See 15 U.S.C. § 1114 (2000).

²³ Marvel Second Amended Complaint, *supra* note 1, at 24–25. Direct infringement of common-law trademark requires pleading that (1) the mark is valid, (2) the complainant used it first, and (3) there is a likelihood of confusion in commerce. See Brief of Defendants in Support of Motion to Dismiss Plaintiffs' First Amended Complaint at 14, *Marvel Enters., Inc. v. NCsoft Corp.*, Case No. CV 04-9253-RGK (PLAx) (C.D. Ca. Jan. 10, 2005) [hereinafter Brief of Defendants in Support of Motion to Dismiss Plaintiffs' First Amended Complaint] (citing *Kendall Jackson Winery v. E.J. Gallo Winery*, 150 F.3d 1042, 1046 (9th Cir. 1998)).

²⁴ Marvel Second Amended Complaint, *supra* note 1, at 19.

²⁵ *Id.* at 19, 24–25.

patriotic garb as to cause confusion in the marketplace.²⁶ Marvel is particularly roiled by the large white star on Statesman's chest, echoing the one that has been on Captain America's chest since he fought the Nazis in World War II.²⁷

Claim 8: Contributory Infringement of Common-Law Trademark.²⁸ Marvel uses many of its characters in commerce to identify the source of its products²⁹ and claims that *City of Heroes* contributes to the players' infringement of their character marks, including the Incredible Hulk, Wolverine, and the X-Men.³⁰ As discussed above with regards to registered trademark infringement, Marvel does not allege facts that suggest the game players themselves are using the character marks in commerce.³¹

Claim 9: Vicarious Infringement of Common-Law Trademark.³² Marvel claims that NCsoft and Cryptic have supervisory ability over their players' creation of characters that infringe on Marvel characters.³³ However, again, they do not allege that the marks are used in commerce by the players.³⁴

Although these common-law trademark claims have a broader scope than the registered trademark claims, touching the character

²⁶ *Id.*

²⁷ See Joe Simon & Jack Kirby, CAPTAIN AMERICA 1, at Cover, (Timely Comics Mar. 1941) (depicting a star-chested Captain America decking Adolf Hitler), *available at* The Great Comics Database, <http://comics.org/details.lasso?id=1313> (last visited Nov. 14, 2005).

²⁸ Marvel Second Amended Complaint, *supra* note 1, at 26–27. Contributory infringement of common-law trademark does not require the registration of the mark. It only requires the use of a mark in commerce, contribution to that use by the defendant, and the potential for confusion with a senior mark. See 15 U.S.C. § 1125(a)(1) (2000).

²⁹ See Marvel Second Amended Complaint, *supra* note 1, at 4–5.

³⁰ *Id.* at 26–27.

³¹ Ruling on NCsoft and Cryptic's Motions to Strike and Dismiss, *supra* note 1, at *16. There is conclusory commentary that the “users are ‘creating’ imitations and reproductions . . . in interstate commerce” without any further factual support. Marvel Second Amended Complaint, *supra* note 1, at 26.

³² Marvel Second Amended Complaint, *supra* note 1, at 28–30.

³³ See *id.* at 28–29.

³⁴ Ruling on NCsoft and Cryptic's Motions to Strike and Dismiss, *supra* note 1, at *16. There is conclusory commentary about how the users are creating imitations and reproductions “in interstate commerce” without any further factual support. Marvel Second Amended Complaint, *supra* note 1, at 28.

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images as well as names, the contributory and vicarious claims are limited to the players' use of the infringing characters in commerce. There is some use of this kind of material in commerce, where characters are created and advanced to high level, then sold on eBay.com to players who want to go on advanced adventures without investing the time required to earn it,³⁵ but these scenarios are neither a subject of Marvel's complaint nor this note.

4. State Law Claims

Claim 10: Intentional Interference with Actual and Prospective Economic Advantage.³⁶ Marvel is involved in the video game marketplace,³⁷ and claims that NCsoft and Cryptic's actions have wrongfully interfered with Marvel's business relationships by diminishing the value of their character rights.³⁸ Because of easy and widespread misappropriation in *City of Heroes*, Marvel cannot meaningfully promise exclusive use of their characters to potential video game partners.

Claim 11: Declaratory Judgment.³⁹ Marvel claims that NCsoft and Cryptic do not qualify as an ISP within the meaning of the DMCA and thus are not eligible to seek an affirmative defense in its safe harbor provisions.⁴⁰ ISP is defined as a "provider of online services or network access, or the operator of facilities therefor"⁴¹ and is generally interpreted broadly.⁴² Marvel makes

³⁵ Ebay, <http://www.ebay.com/> (search for "city of heroes" and "influence") (last visited Jan. 26, 2006).

³⁶ Marvel Second Amended Complaint, *supra* note 1, at 30–31. In addition, there were two other state law claims for unfair competition in the original Complaint, one was statutory and the other based in the common law, but both were dropped from the Second Amended Complaint and neither is particularly germane to this note. Compare Complaint, *Marvel Enters., Inc. v. NCsoft Corp.*, Case No. CV 04-9253-RGK (PLAx) 28–29 (C.D. Ca. Nov. 10, 2004) [hereinafter *Marvel Complaint*], with Marvel Second Amended Complaint, *supra* note 1.

³⁷ See, e.g., Seth Schiesel, *Microsoft Joins Marvel in Online Game Deal*, N.Y. TIMES, July 15, 2005, at C2.

³⁸ Marvel Second Amended Complaint, *supra* note 1, at 30–31.

³⁹ Marvel Second Amended Complaint, *supra* note 1, at 31–36.

⁴⁰ Ruling on NCsoft and Cryptic's Motions to Strike and Dismiss, *supra* note 1, at *18–19.

⁴¹ 17 U.S.C. § 512(k)(1)(B) (2000).

this assertion even though “[a] plaintiff may not seek declaratory relief as an advance ruling on a potential affirmative defense.”⁴³

B. *City of Heroes Response*

NCsoft and Cryptic followed the complaint with a Motion to Dismiss, largely citing a lack of allegations of specific acts of infringement by players of the game in the Marvel complaint.⁴⁴ The standard of specificity they claimed Marvel had failed to meet was established in an earlier case against Marvel itself. That standard required “a claim of infringement [to] state . . . [the] specific original work [that] 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.”⁴⁵ NCsoft wanted the citation to prove ominous for Marvel, who used the standard in that case to successfully fend off a claim of infringement, much the way NCsoft and Cryptic hoped to do in this case.⁴⁶

Subsequent to the filing of the Motion to Dismiss, in February 2005, Marvel admitted that their attorneys had created “Hulk10” and “Wolverine20,” the infringing superheroes from their DMCA complaint.⁴⁷ Unfortunately for Marvel, DMCA Section 512(f)

⁴² See *In re: Aimster Copyright Litig.*, 252 F. Supp. 2d 634, 657–58 (N.D. Ill. 2003) (noting that “‘service provider’ is defined so broadly that we have trouble imagining the existence of an online service that *would not* fall under the definitions”).

⁴³ *Id.* at *18.

⁴⁴ See Brief of Defendants in Support of Motion to Dismiss Plaintiffs’ First Amended Complaint at 6–20, *Marvel Enters., Inc. v. NCsoft Corp.*, Case No. CV 04-9253-RGK (PLAx) (C.D. Ca. Jan. 10, 2005).

⁴⁵ See *id.* at 7 (quoting *Calloway v. Marvel Entm’t Group*, No. 82 Civ. 8697, 1983 U.S. Dist. LEXIS 15688, at *7 (S.D.N.Y. July 5, 1983)).

⁴⁶ The *Calloway* complaint was subsequently amended and further summary judgment was denied for both sides. See *Calloway v. Marvel Entm’t Group*, No. 82 Civ. 8697, 1984 U.S. Dist. LEXIS 15224, at *2 (S.D.N.Y. July 5, 1984). At that point, the trail of the case ends, presumably in a settlement.

⁴⁷ The NCsoft Motion to Dismiss makes no mention of this admission, so it must have come after the motion was filed. See Brief of Defendants in Support of Motion to Dismiss Plaintiffs’ First Amended Complaint, *supra* note 23. The August 2005 ruling notes that the admission was made in early February 2005. See Ruling on Marvel’s Motion to Dismiss Counterclaims, *Marvel Enters., Inc. v. NCsoft Corp.*,

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establishes that any person who makes a false infringement claim will be liable for any resulting damages to the ISP.⁴⁸ Marvel amended their complaint to exclude those characters. NCsoft and Cryptic amended their dismissal motion to incorporate this new information and to belittle Marvel's claims.⁴⁹

C. Five Marvel Infringement Claims Survived Summary Judgment

On March 9, 2005, the court handed down a decision on the summary judgment and dismissal motions.⁵⁰ The court dismissed Marvel's claims numbered 4, 5, 6, 8, 9 and 11. However, they allowed Marvel's claims numbered 1, 2, 3, 7 and 10 to stand.⁵¹ The trial would go on to determine whether there had been direct copyright infringement, contributory copyright infringement, vicarious copyright infringement, direct infringement of common-law trademark, or intentional interference with actual and prospective economic advantage.

Marvel followed their admission that they had themselves created some of the allegedly infringing characters and the halving of their complaint with another questionable move that would cause them future legal problems. On February 9, 2005, the April 2005 issue of Marvel's comic book *New Thunderbolts* went on sale with the text "City of Heroes" promoting the next issue.⁵² As

No. CV 04-9253-RGK (PLAx) 2 (C.D. Ca. Jan 25, 2005) [hereinafter Ruling on Marvel's Motion to Dismiss Counterclaims].

⁴⁸ 17 U.S.C. § 512(f) (2000).

⁴⁹ Brief of Defendants in Support of Motion to Dismiss Plaintiffs' Second Amended Complaint at 9, *Marvel Enters., Inc. v. NCsoft Corp.*, Case No. CV 04-9253-RGK (PLAx) (C.D. Ca. Feb. 7, 2005).

⁵⁰ See Ruling on NCsoft and Cryptic's Motions to Strike and Dismiss, *supra* note 1, at *1-2.

⁵¹ *Id.* at 20.

⁵² See Fabian Nicienza, Kurt Busiek, Tom Grummett, Gary Erskine & Chris Sotomayor, *Zeroes to Heroes Part 5: Call to Battle?*, *NEW THUNDERBOLTS* 5, at 32 (Marvel Comics Apr. 2005); Marvel, Details of New Thunderbolts #5, <http://marvel.com/catalog/showcomic.htm?id=1643&format=comic> (last visited Jan. 26, 2006) (confirming the release date). Comic books are traditionally post-dated so they will be left on the rack for a few months after publication, and still seem current. The periodical cover date indicates to the newsstands when the unsold magazines or comic books can either be returned to the publisher or destroyed. See Wikipedia.com, Periodical Cover Date, http://en.wikipedia.org/wiki/Periodical_cover_date (last visited Dec. 13, 2005).

promised, Marvel followed up a month later (on March 9th, the same date as the above decision) with the May issue, titled “City of Heroes?,” a title germane to the story, but an apparent jab at NCsoft.⁵³

Sure enough, in June 2005, NCsoft counterclaimed for damages that Marvel had made a false Notice and Knockdown filing because they had created the infringing character.⁵⁴ NCsoft also claimed the *New Thunderbolts* had infringed their “City of Heroes” trademark.⁵⁵ In July 2005, Marvel sought dismissal of these counterclaims.⁵⁶ The court made a ruling on these issues in August 2005.⁵⁷

D. NCsoft and Cryptic’s Counterclaim for False Notification Survived as Well

The court held that NCsoft qualifies as an ISP under the DMCA, and is entitled to its protections.⁵⁸ Passivity is not a precondition to the DMCA safe harbor.⁵⁹ Marvel’s DMCA infringement notice based on the characters it created is actionable as a false notification under Section 512(f) of the DMCA.⁶⁰ NCsoft’s trademark violation claims based on the *New Thunderbolts* use of “City of Heroes” are meritorious.⁶¹ Marvel’s motion to strike and motion to dismiss NCsoft’s counterclaims

⁵³ Fabian Nicieza, Kurt Busiek, Tom Grummett, Gary Erskine & Chris Sotomayor, *Zeroes to Heroes Part 6: City of Heroes?*, NEW THUNDERBOLTS 6 (Marvel Comics May 2005). Subsequent republishings of these issues and Marvel’s official online presence have removed any mention of “City of Heroes” in the title, changing the name of the entire story arc from “Zeroes to Heroes” to the name of the original first chapter “One Step Forward,” although the closing dialogue proclaiming New York as “A CITY OF HEROES” remains. See FABIAN NICIENZA ET AL., NEW THUNDERBOLTS VOL. 1: ONE STEP FORWARD (Tom Brevoort ed., Marvel Comics 2005).

⁵⁴ See Ruling on Marvel’s Motion to Dismiss Counterclaims, *supra* note 47, at 3.

⁵⁵ *Id.* at 5–6.

⁵⁶ *Id.*

⁵⁷ *Id.* at 1.

⁵⁸ See *id.* at 5.

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.* at 5–6.

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were denied.⁶² Thus the motions were a total washout for Marvel.⁶³

Settlement was announced on December 14, 2005.⁶⁴

⁶² *Id.* at 9.

⁶³ *Id.*

⁶⁴ Press Release, NCsoft, Marvel Entertainment, Inc., NCsoft Corporation, NC Interactive, Inc., Cryptic Studios, Inc. Settle All Litigation, (Dec. 14, 2005), available at http://www.plaync.com/about/2005/12/marvel_entertai.html; Matt Brady, *Marvel Settles With NCsoft/Cryptic Studios*, NEWSARAMA.COM, <http://www.newsarama.com/forums/showthread.php?s=d8c3b41999a4c0193955aa5e93de62c3&threadid=52452> (last visited Dec. 20, 2005).