

No. C10-0116-1

IN THE
Supreme Court of the United States

OCTOBER TERM 2010

RUNAWAY SCRAPE, L.P.,
Petitioners,

v.

CHATNOIR, INC.,
Respondents.

**On Writ of Certiorari to the
United States Court of Appeals
for the Fourteenth Circuit**

BRIEF FOR PETITIONERS

Team 46
Counsel for Petitioners

QUESTIONS PRESENTED

- 1) Under federal law, a software distributor is liable for its users' infringing actions if the distributor intentionally induced infringement. A software distributor, Chatnoir, took numerous affirmative steps to foster infringement. Chatnoir ignored infringing uses, made no attempts to stop infringement, profited from infringement, and wanted to publicly flaunt infringement. Although the record substantially supported that Chatnoir induced infringement, the Fourteenth Circuit did not find liability. Did the court clearly err?
- 2) Under federal law, a trademark likely dilutes by blurring if it both creates an association with, and impairs the distinctiveness of, a famous trademark. Chatnoir, trademark owner of Aardvark Lite, claimed dilution from Runaway Scrape's Aardvarks.com. The Fourteenth Circuit found likely dilution even though the marks were minimally similar, Runaway Scrape lacked predatory intent, and Chatnoir proved neither association based on similarity nor impairment. Did the court clearly err?

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OPINIONS BELOW

The opinion of the United States District Court for the Northern District of Texas is unpublished. The opinion of the United States Court of Appeals for the Fourteenth Circuit, as yet unreported, is reprinted in the Record on pages 3-20 and is available at *Runaway Scrape, L.P. v. Chatnoir, Inc.*, No. 10-1174 (14th Cir. Oct. 1, 2010).

CONSTITUTIONAL OR STATUTORY PROVISIONS

The Appendix contains pertinent portions from these provisions: Article I, Section 8, Clause 8 of the U.S. Constitution and the Trademark Dilution Revision Act of 2006, 15 U.S.C. § 1125(c)(1)-(2).

STATEMENT OF THE CASE

Facts

Chatnoir, Inc., ("Chatnoir") is an electronics and communications company that produces and distributes teleconferencing software. R. at 3. One of its products, Aardvark Media, streamed live video and audio over the internet. *Id.* In 2006, Chatnoir developed new technology that allowed users to strip the visual portion of a video clip and digitally store the clip's audio component. R. at 4. Chatnoir planned to incorporate this new technology into new software called Aardvark Pro. *Id.* Prior to launching Aardvark Pro, Chatnoir tested the new technology in promotional software called, Aardvark Lite. *Id.* Aardvark Lite functioned for six months, after which time users must purchase Aardvark Pro to continue using the technology. *Id.*

In February 2007, Chatnoir released Aardvark Lite on its website for free use. R. at 5. The website contained software instructions, a disclaimer stating "please don't use our product for illegal or unethical purposes," and suggested product uses. *Id.* The suggested

uses included "mak[ing] audio recordings of your favorite VuToob videos." *Id.* Vutoob is a video-sharing website, which included copyright-protected and unauthorized videos. *Id.* VuToob polices its site and removes copyright-infringing material when contacted by copyright holders, but infringing videos inevitably remain. *Id.*

To promote Aardvark Lite, Chatnoir sent customer e-mails, suggesting that the software be used to strip video and store sound from VuToob videos. R. at 5-6. Also, Chatnoir purchased advertising space on business webpages. Finally, Chatnoir diverted internet queries for "VuToob," "downloads," and "music" to an advertisement for Chatnoir's software. R. at 6. To generate revenue, Chatnoir sold advertising space on its website and made money each time users clicked on its website's advertisements. R. at 17 n.5.

Runaway Scrape, L.P., ("Runaway Scrape" or "the band") is a band whose copyright-protected work is featured on VuToob in both authorized and unauthorized videos. R. at 6. Prior to Aardvark Lite's release, Runaway Scrape sent three letters to Chatnoir, warning of possible infringing uses. *Id.* In internal e-mails, Chatnoir decided not to stop infringement because it was not the software's "primary purpose" and the software "would cease to function after a limited time." R. at 7. Also, Chatnoir chose to solely rely on VuToob's policing for copyright-infringing material. *Id.*

Shortly after Aardvark Lite's release, Runaway Scrape sent Chatnoir a cease-and-desist letter on February 24, 2007. *Id.* Runaway Scrape demanded that Chatnoir stop distributing Aardvark Lite because its users used the software to infringe on the band's copyright. *Id.* Runaway Scrape said that Aardvark Lite users made multiple

unauthorized copies of the band's music from VuToob videos. *Id.* Receiving no response, Runaway Scrape sent another cease-and-desist letter on March 24, 2007. *Id.* Chatnoir again failed to respond. *Id.*

On April 10, 2007, Runaway Scrape launched a new website with the domain name Aardvarks.com, on which fans could download the band's new song "Aardvarks." The song's lyrics metaphorically compare love to an anthill from which aardvarks hunt ants. R. at 19. The band chose to sing about aardvarks because one of the band members had a pet aardvark as a child. See R. at 19 n.6. Also, the band chose the domain name partly based on its alphabetical sorting properties. *Id.* The website contained a link reading "Get it the right way," which redirected visitors to the band's official website containing the band's music and merchandise for purchase. R. at 7.

On April 15, 2007, and May 1, 2007, Chatnoir sent Runaway Scrape cease-and-desist letters, demanding that the band remove the website or transfer the domain name to Chatnoir. *Id.* Litigation began, and the dispute was well publicized. R. at 7, 19.

The District Court Proceedings

Runaway Scrape sued Chatnoir for inducing copyright infringement, and Chatnoir countersued for trademark dilution by blurring. R. at 7-8. Runaway Scrape presented uncontested evidence that Aardvark Lite's users made unauthorized copies of the band's music. R. at 8. Both parties presented evidence that 70% of Aardvark Lite uses infringed. *Id.* Chatnoir presented survey evidence that only 2% of the general public and 8% of Chatnoir's customers thought of Chatnoir's marks when hearing the name "Aardvarks.com." *Id.*

Trial testimony from Stanley Rocker, Chatnoir's President and CEO, indicated that a surprising number of users downloaded Aardvark Lite. *Id.* Trial evidence also included Mr. Rocker's recorded statement made after learning about Runaway Scrape's cease-and-desist letters:

Ha! Those fools. A successful release of Aardvark Lite will more than pay for a copyright infringement lawsuit. Heck, a lawsuit brought by a popular band would be great publicity for the success of all the Aardvark products. Aardvark Lite is going to provide us with a demographic we never would have reached otherwise!

Id. The court also heard evidence that Chatnoir considered and dismissed using simple filtering tools that allowed its software to stop potentially infringing uses. R. at 11, 17. Finally, Runaway Scrape said that it did not intend to associate the marks. R. at 15.

Following a bench trial, the district court issued an opinion and order ruling in Chatnoir's favor on all claims, entered judgment accordingly, and enjoined Runaway Scrape from using the Aardvarks.com domain name. R. at 3, 9. Runaway Scrape appealed. R. at 2.

The Court of Appeals Proceedings

The Fourteenth Circuit affirmed. R. at 3. On the first issue, the Fourteenth Circuit majority, with a 2-to-1 vote, held that Chatnoir did not intentionally induce or encourage copyright infringement based on several factual findings. R. at 10-12, 15. Firstly, using factors outlined in current caselaw, the court found that Chatnoir's internal communications and advertising efforts did not foster infringement. R. at 10-11. The court found that Chatnoir's advertising did not encourage illegal use. R. at 10. Also, the court noted that "there is no evidence that Chatnoir intentionally targeted known infringers in its advertising." R. at 11. Secondly, the court found that Runaway Scrape did not prove that Chatnoir's failure to implement filtering

tools was evidence of inducement. *Id.* The court noted that Chatnoir relied on VuToob to filter for infringers. *Id.* Finally, the court found that Chatnoir's business success did not rely on infringing uses. R. at 10-11.

The dissent stated that the majority misapplied the law. R. at 15-16. The dissent also suggested that the court should "analyze contributory liability for copyright infringement in light of fault-based liability derived from the common law." R. at 16.

On the second issue, the Fourteenth Circuit majority held by a 2-to-1 vote that Aardvarks.com caused likely dilution by blurring based on several factual findings. R. at 12-15, 18. The court noted that the parties conceded that Chatnoir's marks are famous and distinct, and Runaway Scrape uses Aardvarks.com in commerce. R. at 13. Firstly, the court found that Aardvarks.com "has a high degree of similarity with Chatnoir's marks." R. at 14. Secondly, the court found that "the band intended to create an association between the marks." R. at 15. Finally, the court found actual association between the marks. *Id.*

The dissent stated that the court should consider context when determining the degree of similarity. R. at 18. The dissent concluded the evidence did not adequately support the majority's finding of intent to create an association. R. at 19.

Runaway Scrape appealed the judgment and asked this Court to review. R. at 2. Certiorari was granted. *Id.*

SUMMARY OF THE ARGUMENTS

This Court should reverse the Fourteenth Circuit's judgment because the evidentiary record does not support the court's findings on either the issue of inducing copyright infringement or trademark dilution by blurring.

On the first issue, the court erroneously concluded that Runaway Scrape did not establish inducement as a factual matter. The evidence substantially supports that Chatnoir intentionally induced or encouraged the infringement of Runaway Scrape's copyright by taking numerous affirmative steps to foster inducement. Firstly, Chatnoir promoted infringing uses in both internal and external communication. Secondly, Chatnoir made no attempts to stop infringement and failed to take meaningful mitigation efforts. Finally, Chatnoir's business model depended on high-volume infringing uses to be profitable. Because the record substantially supports Chatnoir's liability for inducement, judgment in Chatnoir's favor is improper.

On the second issue, the court clearly erred because the evidence substantially supports that Aardvarks.com did not dilute Chatnoir's trademarks by blurring. The marks were minimally similar, Runaway Scrape lacked the requisite predatory intent, and Chatnoir proved neither association based on similarity nor impairment of the marks' distinctiveness. Because the Fourteenth Circuit's factual findings are clearly erroneous, its judgment in favor of Chatnoir on the dilution claim must not stand.

For these reasons, this case requires reversal by this Court.

ARGUMENTS

This Court should reverse the Fourteenth Circuit's judgment because its factual findings were clearly erroneous on both the inducement and dilution issues. The standard of review is clear error for factual findings and de novo for conclusions of law. See FED. R. CIV. P. 52(a); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 (1982). Under the clearly erroneous standard, a lower court's evaluation of the evidence must be plausible in light of the entire record; implausible findings are reversible error. *Anderson v. City of Bessemer City*, 470 U.S. 564, 574 (1985). Although this Court gives deference to the trial court's evaluation of the evidence, this Court will reverse a lower court's decision if it made a definite mistake. See FED. R. CIV. P. 52(a); *Inwood Labs.*, 456 U.S. at 855.

Firstly, the court of appeals erroneously concluded that Runaway Scrape did not establish inducement because the evidence substantially supports that Chatnoir intentionally induced or encouraged copyright infringement. The record contains evidence that Chatnoir took numerous affirmative steps to foster inducement, which the courts below either did not consider or misconstrued.

Secondly, the evidentiary record does not support the Fourteenth Circuit's findings on the issue of trademark dilution by blurring. Chatnoir did not prove by a preponderance of the evidence that Runaway Scrape's domain name created association with, and impaired the distinctiveness of, Chatnoir's marks. Therefore, because the court made definite mistakes that are clearly erroneous, this Court must reverse the judgment on both the inducement and dilution issues.

I. CHATNOIR INDUCED COPYRIGHT INFRINGEMENT

This Court should reverse the Fourteenth Circuit's judgment for clear error because the evidence, when viewed in its entirety, supports that Chatnoir intentionally induced or encouraged the infringement of Runaway Scrape's copyright. See *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 919 (2005). A distributor of a copyright-infringing product must be held secondarily liable for its users' copyright infringement when it purposefully acted to induce or encourage its users to infringe. See *id.*; *Columbia Pictures Indus., Inc. v. Fung*, No. CV 06-5578, 2009 WL 6355911, at *7 (C.D. Cal. Dec. 21, 2009). This form of secondary liability is encapsulated in the *Grokster* inducement rule and is a type of contributory infringement. See *Grokster*, 545 U.S. at 936; *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1170-71 (9th Cir. 2007); *Fung*, 2009 WL 6355911, at *7.

The *Grokster* inducement rule finds secondary liability from "purposeful, culpable expression and conduct" that a distributor intentionally promoted copyright-infringing uses. *Grokster*, 545 U.S. at 936. This conduct is "shown by clear expression or other affirmative steps taken to foster infringement." *Id.* at 919. Liability for this conduct must attach when the distributor takes "active steps to encourage infringement" that "infer[s] a patently illegal objective from statements and actions showing what that objective was." *Id.* at 924, 941. In short, inducement occurs when "[o]ne infringes contributorily by intentionally inducing or encouraging direct infringement." *Id.* at 930.

A. Chatnoir intentionally induced its users to infringe copyrights.

The evidence in the record supports that Chatnoir intentionally induced its users to infringe because Chatnoir purposefully and repeatedly took affirmative steps to foster infringement. See *id.* at 919. Finding inducement is a very fact-intensive decision. See *Arista Records LLC v. Lime Group LLC*, No. 06-CV-5936, 2010 WL 2291485, at *16 (S.D.N.Y. May 25, 2010). The evidence must be “viewed in the context of the entire record.” *Grokster*, 545 U.S. at 940. In *Grokster*, this Court used three types of evidence that show inducing intent. *Id.* at 939-40. Although this list is not exhaustive, the Fourteenth Circuit adopted this list for its analysis. See *id.*; R. at 10-12. The *Grokster* list for proving intent to induce included (1) promoting infringing uses, (2) making no attempts to stop infringement, and (3) developing a business model that depends on infringement. See *Grokster*, 545 U.S. at 939-40.

1. Chatnoir promoted infringing uses.

Because Chatnoir demonstrated its intent to foster inducement by promoting infringing uses in internal communications, Chatnoir is liable for inducement. Internal communications uniquely show intent because they capture the distributor’s thoughts. See *Grokster*, 545 U.S. at 939; *Lime Group*, 2010 WL 2291485, at *16-18. Although the Fourteenth Circuit considered Chatnoir’s advertising and promotional e-mails, it erred by not considering Chatnoir’s internal communications. See R. at 10-11. If the distributor’s internal communications prove that the distributor (1) flaunted or (2) ignored illegal uses, then liability for inducement must attach. See *Grokster*, 545 U.S. at 925; *Lime Group*, 2010 WL 2291485, at *16-18.

Firstly, internal communications are proof of inducing intent if they show the distributor's desire to flaunt illegal use. See *Grokster*, 545 U.S. at 925, 939. For example, in *Grokster*, copyright holders sued software distributors ("Grokster") for contributory infringement. *Id.* at 919-21. Among the many factors that this Court used to prove that Grokster promoted infringement is the fact that Grokster welcomed and promoted a lawsuit. *Id.* at 925. When discussing the lawsuit, a company executive said, "The goal is to get in trouble with the law and get sued. It's the best way to get in the new[s]." *Id.* This statement shows that Grokster "planned to flaunt the illegal uses of its software," and is therefore proof of Grokster's intent to induce. *Id.* Also, Grokster showed intent when it diverted internet queries for infringement onto its website. *Id.* at 939.

On the other hand, a distributor who took active steps to ensure that it did not induce infringement, as documented through letters and internal communications, will not be held liable for inducement. See *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1307 (Fed. Cir. 2006). For example, DSU, a patent owner, sued two competitors, JMS and ITL, claiming that ITL induced JMS to infringe on DSU's patent. *Id.* at 1297. Concerned about possible infringement before beginning their joint venture, JMS and ITL proactively contacted several attorneys who concluded that the competitors did not infringe on DSU's patent. *Id.* at 1307. Also, JMS and ITL obtained letters from the U.S. patent counsel advising them that their product did not infringe on DSU's patent. *Id.* Citing *Grokster*, the Federal Circuit held that ITL did not induce infringement because the evidence supported that ITL did not intend to infringe. *Id.*

Also, a distributor who consciously ignores infringing uses of its users is liable for inducing intent. See *Lime Group*, 2010 WL 2291485, at *16-17. For example, record companies brought inducement claims against the software distributor of LimeWire, an infringement-enabling technology. *Id.* To lure infringing users to its website, LimeWire's distributor used internet search terms that included "download" and "mp3 free download." *Id.* The distributor knew its users actually infringed, as confirmed in internal communications, but chose to ignore this infringement. *Id.* Because the distributor ignored the infringement after luring the users to its website, the distributor was liable for inducement. *Id.*

In this case, Chatnoir wanted to publicly flaunt its illegal use and ignored infringing use, demonstrating Chatnoir's intent to induce. See *Grokster*, 545 U.S. at 925; *Lime Group*, 2010 WL 2291485, at *16-17. Firstly, statements of Chatnoir's President and CEO, Mr. Rocker, show Chatnoir's desire to flaunt its illegal objective. See R. at 8-9. Like the *Grokster* executive who welcomed a lawsuit for publicity, Mr. Rocker welcomed a lawsuit stating that "a lawsuit brought by a popular band would be great publicity for the success of all the Aardvark products." See *Grokster*, 545 U.S. at 925; R. at 9. Mr. Rocker also dismissed concerns of legality, calling the band "fools" for trying to stop Chatnoir's illegal actions. R. at 9. Mr. Rocker instead focused on the financial bottom line, stating that "[a] successful release of Aardvark Lite will more than pay for a copyright infringement lawsuit." *Id.* These statements show Chatnoir's intent to induce by not only flaunting its illegal use but also consciously ignoring concerns of illegality.

Secondly, Chatnoir's internal e-mails demonstrate that it decided to ignore infringing uses. R. at 7. Through repeated warnings, Runaway Scrape put Chatnoir on notice of user infringement. R. at 6-7. But Chatnoir chose to ignore the infringement, like the distributor in *LimeWire*. See *Lime Group*, 2010 WL 2291485, at *16-17; R. at 6-7. In internal e-mails, Chatnoir decided that infringement was not a problem because infringement was not the software's "primary purpose" and the software "would cease to function after a limited time." R. at 7. Unlike the distributors in *DSU*, Chatnoir came to these conclusions without taking active steps to ensure that it did not induce infringement. See *DSU Med. Corp.*, 471 F.3d at 1307.

These internal e-mails demonstrate Chatnoir's intent. Even though infringement was not the software's alleged primary purpose, it could arguably be its secondary purpose; in either case, Chatnoir knew its users were infringing. See R. at 7. Also, simply because the software only functions for a limited time does not mean that Chatnoir may allow infringement to persist. See *id.* Its users infringed on numerous copyrights in the "limited time" that they used Chatnoir's software, and Chatnoir is liable for allowing them to infringe. See *Grokster*, 545 U.S. at 939; *Lime Group*, 2010 WL 2291485, at *16-17; R. at 6-7, 9. On this point, the Fourteenth Circuit erroneously dismissed the importance of the software's "limited time" use, stating that "[t]he short-lived nature of Aardvark Lite . . . cut[s] in favor of Chatnoir's position." R. at 7, 12. The court failed to recognize that regardless of the software's "short lived" duration, for the length of time that the software is in use, Chatnoir is liable for its users' infringement.

Therefore, because the evidence substantially supports Chatnoir's intent to induce by both flaunting and ignoring illegal uses, the court erred when granting judgment in Chatnoir's favor on the inducement issue.

Furthermore, although the Fourteenth Circuit found that Chatnoir's software had potentially noninfringing uses, the court clearly erred by dismissing Chatnoir's promotion of infringing uses. See R. at 10. Chatnoir's software allowed users to strip the visual portion of a video clip and digitally store the clip's audio component. R. at 4. Chatnoir promoted the software on its webpage with the phrase "make audio recordings of your favorite VuToob videos." R. at 5. Also, Chatnoir sent e-mails to customers, suggesting that the software be used to strip video and store sound from VuToob videos. R. at 5-6. Because 70% of Chatnoir's uses were for infringing purposes, Chatnoir's promotion of its infringing capabilities demonstrates that Chatnoir encouraged infringement.

Also, contrary to the Fourteenth Circuit's findings, the evidence substantially supports that Chatnoir intended to induce infringement through its internet search terms. Chatnoir diverted internet queries for "VuToob," "downloads," and "music" to an advertisement for Chatnoir's software, much like Grokster diverted queries to its website. See *Grokster*, at 939; R. at 6. Also, Chatnoir's search terms are similar to LimeWire's search terms, where liability for inducement attached for those promotions. See *Lime Group*, 2010 WL 2291485, at *17. Users searching for internet queries of "VuToob," "downloads," and "music" are looking for software with which to illegally copy or

download music, Vutoob videos, or both. See R. at 6. Thus, Chatnoir promoted infringement through its calculated internet search terms.

Therefore, when viewing the evidence in the context of the entire record, the evidence substantially supports that Chatnoir promoted infringing uses of its software to intentionally induce infringement. The Fourteenth Circuit's judgment in Chatnoir's favor must not stand.

2. Chatnoir made no attempts to stop infringement.

Chatnoir intentionally induced its users to infringe because Chatnoir made no attempts to stop infringement. If a software distributor fails "to develop filtering tools or other mechanisms to diminish the infringing activity using their software," then the distributor may be liable for inducement. *Grokster*, 545 U.S. at 939. Inducement liability attaches if the distributor "has not implemented in a meaningful way any technological barriers and design choices that are available to diminish infringement." *Lime Group*, 2010 WL 2291485, at *19. This liability attaches even if distributors "lacked an independent duty to monitor their users' activity" because it emphasizes inducing intent. *Grokster*, 545 U.S. at 939. However, evidence that a distributor made no attempts to stop infringement must not be the only evidence of inducing intent when the infringing software is also "capable of substantial noninfringing uses." *Id.* at 939 n.12. In that circumstance, additional evidence is required. *Id.*

Evidence that a distributor made no attempts to stop infringement supports liability for inducement. See *Grokster*, 545 U.S. at 939. In *Grokster*, there was no evidence that Grokster "made an effort to filter copyrighted material from users' downloads or otherwise impede the sharing of copyrighted files." *Id.* at 926. Although Grokster sent

infringing users an e-mail warning about their behavior after copyright holders complained, Grokster "never blocked anyone from continuing to use its software." *Id.*

Also, evidence that a distributor made ineffectual attempts to stop infringement leads to inducement liability. *Lime Group*, 2010 WL 2291485, at *19-21. In *Lime Group*, the distributor included an optional copyright filter within its software, but the default setting allowed infringement. *Id.* at *19. Also, only when users initially downloaded LimeWire did the distributor warn the users not to infringe copyrights and asked them to click a statement vowing to not infringe. *Id.* The court stated that these requirements, "on their own, d[id] not constitute meaningful efforts to mitigate infringement," and held that the distributor induced infringement. *Id.* at *20-21.

In this case, Chatnoir made no attempts to stop infringement. Like the distributor in *Grokster*, Chatnoir knew that simple filtering tools would allow its software to filter potentially infringing material, but consciously chose not to use those filters. See *Grokster*, 545 U.S. at 926; R. at 11, 17. Also like the distributor in *Grokster*, Chatnoir warned its users to use Aardvark Lite for "illegal or unethical purposes," but took no action against infringing users when Runaway Scrape told Chatnoir of its users' illegal and unethical activity. See *Grokster*, 545 U.S. at 926; R. at 5-6. Furthermore, only warning against infringement on Aardvark Lite's webpage, like the software in *Lime Group*, did not "constitute meaningful efforts to mitigate infringement." See *Lime Group*, 2010 WL 2291485, at *20; R. at 5. Thus, the Fourteenth Circuit erroneously found that Chatnoir's website warning showed lack of intent. R. at 10.

Finally, Chatnoir cannot shift its liability onto VuToob. R. at 5, 7, 11. Chatnoir claims that it lacked an independent duty to monitor its users' activities because VuToob attempts to police its site and remove copyright-infringing material. R. at 5, 7. But this Court clearly stated that inducement liability attaches even if distributors "lacked an independent duty to monitor their users' activities" because it emphasizes inducing intent. *Grokster*, 545 U.S. at 939. Thus, the Fourteenth Circuit clearly erred when it upheld the fact that Chatnoir's "rationale behind not using filters" did not support inducement liability. See *id.* at 939; R. at 11.

Therefore, when viewing the evidence in the context of the entire record, the evidence substantially supports that Chatnoir intended to induce infringement because it made no attempts to stop infringement through either filtering or other meaningful efforts. Also, evidence that Chatnoir made no attempts to stop infringement is not the *only* evidence of inducing intent in this case, thus Chatnoir is not absolved of liability simply because its software is also "capable of substantial noninfringing uses." See *Grokster*, 545 U.S. at 939 n.12.

3. Chatnoir's business model depended on infringement.

The Fourteenth Circuit clearly erred because the evidence substantially supports that Chatnoir's business model depends on infringement. If the inducer's business model depends on infringing activity, and other evidence of intent is present, then liability for inducement will attach. See *id.* at 939-40. When evidence shows that software has infringing uses, and "the extent of the software's use determines the gain to the distributors, the commercial sense of their enterprise turns on high-volume use." *Id.* at 940. Under those

conditions, the inducer's business model depends on infringing activity. See *id.* Thus, when a distributor's commercial success depends on high-volume use of a product that is mostly used for infringement, then liability for inducement attaches. *Lime Group*, 2010 WL 2291485, at *19.

For example, Grokster did not make money from its users, who obtained Grokster's software for free. *Grokster*, 545 U.S. at 926. Grokster made money selling advertising space in which ads streamed while users used the infringing software. *Id.* Grokster's business model depended on high-volume use because the advertising space became more valuable as the number of users increased. *Id.* Since most of Grokster's users wanted copyright-protected files, which they obtained using Grokster's infringing software, Grokster "translated that demand into dollars." *Id.* Together with other evidence of intent, Grokster's business model made "the unlawful objective . . . clear." *Id.* at 940.

Similarly, the distributor of the LimeWire software depended on high-volume infringing uses. *Lime Group*, 2010 WL 2291485, at *19. The LimeWire distributor provided its software for free and made money by selling advertising space on its website. *Id.* The distributor also promoted the program's infringing capabilities, drawing infringers to its website. *Id.* The amount of money that the distributors made was heavily dependent on the number of infringers that used LimeWire. *Id.* Considering these actions and others, the court held the distributor liable for inducement. *Id.*

In this case, Chatnoir's business model depends on infringement. Like the distributors in *Grokster* and *Lime Group*, Chatnoir did not make money from its Aardvark Lite users, who obtained the software for

free. See *Grokster*, 545 U.S. at 926; *Lime Group*, 2010 WL 2291485, at *19; R. at 4. Chatnoir profited when visitors clicked on its website's advertisements. R. at 17 n.5. The website promoted Aardvark Lite, of which 70% of its uses infringed, so the website's visitors sought infringement-enabling technology. R. at 6, 17 n.5. Because Chatnoir's commercial success depends on high-volume infringer visits to its website, then liability for inducement attaches. See *Lime Group*, 2010 WL 2291485, at *19.

Also, the evidence supports that Chatnoir promoted to infringers, not only business customers. See R. at 9. Mr. Rocker, Chatnoir's President and CEO, described Aardvark Lite's users as "a demographic [that] we never would have reached otherwise," indicating that its users were not the usual business customers that Chatnoir normally attracted. *Id.* The more of these non-business users that Chatnoir could direct to its website, the more money Chatnoir could make.

Therefore, the evidence, when viewed in its entirety, substantially supports that Chatnoir's business model depended on infringement. Chatnoir's users mostly used the software for infringement, and Chatnoir gained no money from the software's distribution. R. at 4. Thus, the commercial sense of their business model depended on attracting high-volume infringing users to its website so they could click on the website's advertisements. See *id.* Thus, the Fourteenth Circuit clearly erred, and its judgment should be reversed.

B. Chatnoir cannot avoid liability simply by pointing to noninfringing uses of its software.

The Fourteenth Circuit erroneously concluded that Chatnoir did not intend to foster infringement because its software has some noninfringing uses. See R. at 10; *Grokster*, 545 U.S. at 931-937. This Court explained in *Grokster* that courts should consider "substantial noninfringing uses" only if there is no other evidence of intent to induce infringement. *Grokster*, 545 U.S. at 931-32. Prior to *Grokster*, this Court established in *Sony* a safe harbor for distributors to avoid copyright infringement liability, not inducement liability, if their product was capable of "significant noninfringing uses." *Id.* at 931-937 (discussing *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417, 440 (1984)); *Arista Records LLC v. Lime Group LLC*, No. 06-CV-5936(KMW), 2010 WL 2291485, at *22 (S.D.N.Y. May 25, 2010). But *Sony* does not require courts to ignore evidence of intent. See *Grokster*, 545 U.S. at 932-34.

Evidence proving intent must exist. See *id.* at 931-34. Only if a product "is good for nothing else but infringement," and there is no other evidence of intent, may a court impute intent based solely on the product's infringing uses. *Id.* at 932-33. On the other hand, if a product offers both infringing and noninfringing uses and there is no evidence of intent "independent of design and distribution," then the court may not impute intent. *Id.* at 933-34. It is improper to conclude that simply because an infringing product is capable of noninfringing uses, then the distributor is devoid of intent, especially if evidence of intent exists that is "independent of design and distribution." See *id.*

When evidence beyond mere product use exists that a distributor intended to induce infringement, courts may find the distributor liable for inducement. See *id.* at 938-39. In *Grokster*, the distributor's software was capable of both infringing and noninfringing uses. *Id.* at 926. But because the record was "replete with other evidence" that the distributor intended to promote copyright violations, this Court vacated and remanded a judgment for the distributor, indicating that the distributor may be liable for inducing infringement. *Id.* at 938. On remand, the district court found as a matter of law that the distributor was liable for inducing intent because the evidence of unlawful intent was "overwhelming." *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 454 F. Supp. 2d 966, 985, 992 (C.D. Cal. 2006).

On the other hand, when the evidence does not support intent to induce, and the product is capable of infringing and noninfringing uses, the court may not find liability. See *Grokster*, 545 U.S. at 933-34; *Perfect 10*, 508 F.3d at 1170-71. In *Perfect 10*, a copyright owner of photographs brought contributory liability claims against the internet search engine Google because Google included thumbnail pictures of the copyrighted images on its site and linked those images to unauthorized full-size copies of the images. *Perfect 10*, 508 F.3d at 1154-57. The court held that Google was not liable for inducing infringement "because Google ha[d] not promoted the use of its search engine specifically to infringe copyrights." *Id.* at 1171 n.11. Thus, Google lacked the requisite intent to induce infringement even though its product was capable of infringing and noninfringing uses. See *id.*

In this case, the Fourteenth Circuit improperly concluded that Chatnoir's noninfringing uses prove that Chatnoir did not intend to foster infringement. See R. at 10. Chatnoir's product, Aardvark Lite, was capable of both infringing and noninfringing uses. *Id.* Specifically, the Fourteenth Circuit noted that Aardvark Lite could copy non-copyrighted material--a noninfringing use--and had "many other uses besides stripping VuToob videos of their picture," which may include infringing or noninfringing uses depending on copyright status. See *id.* Also, the evidence substantially supports that Chatnoir intended to induce infringement because, as discussed above, evidence exists that is "independent of design and distribution" of Aardvark Lite. See *Grokster*, 545 U.S. at 933-34. The fact that Chatnoir's product has noninfringing uses does not prove that Chatnoir did not take affirmative steps to foster infringement. *Id.* at 9; R. at 10. Therefore, Chatnoir may not avoid inducement liability merely because its software has noninfringing uses. The Fourteenth Circuit's findings on this issue are clearly erroneous and should be reversed.

C. Allowing Chatnoir to escape liability is contrary to the principles of copyright law.

The principles of copyright law hold Chatnoir liable for inducement. Basic principles of copyright law foster and protect creativity. *Iowa State Univ. Research Found., Inc. v. Am. Broad. Co.*, 621 F.2d 57, 60 (2d Cir. 1980). Also, the Constitution allows Congress to give artists "the exclusive Right to their respective Writings and Discoveries." U.S. CONST. art I, § 8, cl. 8. Balancing "artist protection" and "technological innovation" is challenging, but allowing a "technological innovation" to steal an artist's rights to their work does not offer the artist any protection. See *Grokster*, 545

U.S. at 928. Arguably, the infringing users are the ones who should be held liable for copyright infringement. But as this Court previously noted, "[w]hen a widely shared service or product is used to commit infringement, it may be impossible to enforce rights in the protected work effectively against all direct infringers." *Id.* at 929-30. Thus, the artist's "only practical alternative" is bringing claims against the distributor for contributory infringement. *Id.*

Chatnoir should not escape liability in this case. Chatnoir's product was widely shared and used to commit infringement. *R.* at 4, 8. Because so many of Chatnoir's users infringed on Runaway Scrape's copyright, the only practical alternative that the band has is to bring contributory infringement claims against Chatnoir. *See Grokster*, 545 U.S. at 929-30. Also, allowing Chatnoir users to steal Runaway Scrape's music does not offer the band any artistic protection of their "exclusive right" to their work and upsets the balance between protection and innovation. *See U.S. CONST. art I, § 8, cl. 8; Grokster*, 545 U.S. at 928. Thus, Chatnoir should face liability for inducement.

In summary, the evidence in this case substantially supports that Chatnoir intentionally induced its users to infringe on Runaway Scrape's copyright because Chatnoir took numerous affirmative steps to foster inducement. The Fourteenth Circuit's factual findings are clearly erroneous, thus its judgment in favor of Chatnoir should not stand. Therefore, this Court should reverse the Fourteenth Circuit's judgment and remand for reconsideration on the inducement claim.

II. AARDVARDS.COM DID NOT DILUTE CHATNOIR'S TRADEMARK BY BLURRING

This Court should reverse the Fourteenth Circuit's judgment because the court made erroneous factual findings on the issue of dilution. The evidence in the record supports that Aardvards.com neither creates the statutorily required association with Chatnoir's mark nor impairs its distinctiveness. Under federal antidilution law, a person may use a mark similar to a famous and distinctive mark in commerce as long as that usage is unlikely to cause dilution by blurring. 15 U.S.C. § 1125(c)(1) (2006). Dilution by blurring occurs only if an ordinary consumer forms an association between two similar marks "that impairs the distinctiveness of the famous mark." § 1125(c)(2)(B).

To help courts determine if a similar mark is unlikely to cause dilution by blurring, Congress articulated six non-exhaustive factors. § 1125(c)(2)(B). Of these six factors, the factors that are especially relevant to the current case include: (1) "the degree of similarity" between the marks; (2) "[w]hether the user of the mark or trade name intended to create an association with the famous mark;" (3) "[a]ny actual association" between the marks, and (4) the degree of "distinctiveness of the famous mark." § 1125(c)(2)(B)(i), (ii), (v), (vi). After considering all relevant factors, which may include factors beyond this list, a court may find that a similar mark did not form an association that diluted a famous mark's distinctiveness, and thus no dilution by blurring occurred. § 1125(c)(2)(B). Because Chatnoir did not prove that Aardvarks.com both (1) formed the required consumer association that (2) impaired the distinctiveness of Chatnoir's mark, Chatnoir's dilution claim fails.

A. Aardvards.com did not create the required association with Chatnoir's mark.

The Fourteenth Circuit improperly held that Aardvarks.com dilutes Chatnoir's mark by blurring because Chatnoir did not prove that the domain name formed the required consumer association with Chatnoir's mark. Federal antidilution law defines dilution by blurring, in part, as an "association arising from the similarity between" two marks. § 1125(c)(2)(B). The federal definition requires that this "association" arise solely from the similarity of the two marks, and not for any other reason. See § 1125(c)(2)(B); 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:116 (4th ed. Supp. 2010). The marks' "distinct similarities . . . cause consumers to make a mental association between the two products." *adidas-America, Inc. v. Payless Shoesource, Inc.*, 546 F. Supp. 2d 1029, 1064 (D. Or. 2008) (citing MCCARTHY § 24:117).

Blurring occurs when a similar mark causes consumers to no longer exclusively associate a famous mark with its goods or services, and consumers begin associating other products with the famous mark. *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 168 (3d Cir. 2000) (citing MCCARTHY § 24:70). "The more similar the marks, the more likely it is that the required public 'association' is proven, and consequently, the more likely dilution by blurring may be proven." *adidas-America*, 546 F. Supp. 2d at 1064 (quoting MCCARTHY § 24:117). But even identical marks may not prove association. See *Sporty's Farm L.L.C. v. Sportman's Market, Inc.*, 202 F.3d 489, 500 (2d Cir. 2000); MCCARTHY § 24:116.

The courts below clearly erred because (1) the marks do not have a high degree of similarity, (2) the band lacked predatory intent, and (3) the evidence does not prove actual association between the marks.

1. The court clearly erred because the marks do not have a high degree of similarity.

Contrary to the Fourteenth Circuit's factual finding, Aardvarks.com did not have a high degree of similarity with Chatnoir's marks. At best, the marks are minimally similar. Degree of similarity "is a context-specific and fact-intensive inquiry." *Savin Corp. v. Savin Grp.*, 391 F.3d 439, 453 (2d Cir. 2004); *adidas-America*, 546 F. Supp. 2d at 1065. To prove dilution, a party must show that the marks are more than merely similar; they must be "identical or very substantially similar." *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 636 (9th Cir. 2008); *Citigroup Inc. v. Capital City Bank Grp., Inc.*, 94 U.S.P.Q.2d (BNA) 1645, 1666 (T.T.A.B. 2009). Therefore, differences between the marks matter. *Citigroup*, 94 U.S.P.Q.2d at 1666.

Courts find that marks have a high degree of similarity only if they are nearly identical or very similar. *Jada Toys*, 518 F.3d at 636; *Nike, Inc. v. Nikepal Int'l, Inc.*, 2:05-cv-1468-GEB-JFM, 2007 WL 2782030, at *8 (E.D. Cal. Sept. 18, 2007). For example, Nike, the athletic shoe company, sued Nikepal, a laboratory syringe supplier, for dilution. *Nike*, 2007 WL 2782030, at *1. The court found a high degree of similarity because the marks were "nearly identical" and pronounced the same. *Id.* at *6. Likewise, Mattel, which made Hot Wheels brand toys, brought dilution claims against, Jada Toys, which made Hot Rigz brand toys. *Jada Toys*, 518 F.3d at 631. The court said the marks were "quite similar" and "nearly identical" because they both contained the word "hot" and used similar designs. *Id.* at 635-36.

On the other hand, courts find a low degree of similarity if the marks are obviously not identical. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 105-09 (2d Cir. 2009); *Carefirst of Md. Inc. v. FirstHealth of the Carolinas Inc.*, 77 U.S.P.Q.2d (BNA) 1492, 1514 (T.T.A.B. 2005). For example, when Starbucks, the famous coffee distributor, brought dilution claims against the seller of "Charbucks" coffee, the court found that the marks were "minimally similar." *Starbucks*, 588 F.3d at 109. Likewise, when health care provider Carefirst sued a competitor for using the mark Firstcarolinacare, the the Trademark Trial and Appeal Board ("TTAB") found that "[i]t is obvious that the marks CAREFIRST and FIRSTCAROLINACARE are not identical." *Carefirst*, 77 U.S.P.Q.2d at 1514.

Also, courts find the marks dissimilar when the marks give different commercial impressions. *Citigroup*, 94 U.S.P.Q.2d at 1666; *Century 21 Real Estate LLC v. Century Ins. Grp.*, No. CIV 03-0053-PHX-SMM, 2007 WL 484555, at *1, *7 (D. Ariz. Feb. 8, 2007). For example, when Capital City Bank sued its competitor Citibank for dilution, the TTAB found that the marks were "not substantially similar" because the marks gave "different commercial impression[s]." *Citigroup*, 94 U.S.P.Q.2d at 1666. Likewise, when Century 21, a real estate company, sued Century Surety, an insurance company, for dilution, the court found that the marks were not similar because the marks "differ visually and aurally, and convey entirely different commercial impressions and meanings." *Century 21*, 2007 WL 484555, at *1, *7. Even though both company marks incorporated the word "century" into their marks, the court found the marks dissimilar because Century 21

"place[s] equal significance on the numeral '21' and the word 'Century.'" *Id.*

On rare occasions, a court may find dilution based solely on the marks' similarities, but only if the famous mark is strong. *Visa Int'l Serv. Ass'n v. JSL Corp.*, 610 F.3d 1088, 1090-91 (9th Cir. 2010). For example, Visa, the very famous credit card company, brought dilution claims against the owner of eVisa.com, a multilingual education website. *Id.* at 1089. After holding that the marks were "effectively identical," the court relied "entirely on the characteristics of the marks at issue." *Id.* at 1089-90. Ultimately, the court held that eVisa diluted the Visa mark even without considering evidence of predatory intent or survey evidence of actual association because "Visa is a strong trademark." *Id.* at 1090-91.

In this case, the Fourteenth Circuit clearly erred when it found that the marks had a high degree of similarity. R. at 14. Chatnoir's marks--Aardvark Media, Aardvark Lite, and Aardvark Pro--and Aardvarks.com are minimally similar. Like the Nike marks and the "hot" toys in *Jada*, both Chatnoir's and Runaway Scrape's marks include the word "aardvark," which makes them somewhat similar. See R. at 4, 7; *Nike*, 2007 WL 2782030, at *1; *Jada Toys*, 518 F.3d at 631. But like the marks in *Carefirst* and *Citigroup*, the marks are not identical and are obviously different. See *Citigroup*, 94 U.S.P.Q.2d at 1666; *Carefirst*, 77 U.S.P.Q.2d at 1514.

Also, like the marks in *Century 21* and *Citigroup*, the marks give entirely different commercial impressions because Chatnoir is a business product and Aardvarks.com is for music. See *Century 21*, 2007 WL 484555, at *1, *7; *Citigroup*, 94 U.S.P.Q.2d at 1666. Furthermore,

like the Century 21 mark that placed equal significance on both portions of its mark, Aardvark Media, Aardvark Lite, and Aardvark Pro each place equal significance on both words in the mark. See *Century 21*, 2007 WL 484555, at *1, *7. And unlike the strong mark in *Visa*, on which the court solely relied to find similarity, Chatnoir did not provide evidence that its marks are strong. *Visa*, 610 F.3d at 1090-91. However, even if this court finds the marks somewhat similar, "degree of similarity" is only one of many factors that a court must consider when evaluating dilution. See § 1125(c)(2)(B).

2. The court clearly erred because the evidence does not prove that Runaway Scrape had predatory intent.

The Fourteenth Circuit clearly erred in finding that the band intended to create an association because the evidentiary record does not substantially support that conclusion. Unlike the other factors in Congress's multifactor test, the fifth factor--"[w]hether the user of the mark or trade name intended to create an association with the famous mark"--considers intent, which some courts call "predatory intent." § 1125(c)(2)(B)(v); *Starbucks*, 588 F.3d at 112. A court may find dilution based on predatory intent only if a party purposefully intended to associate its mark with a famous mark, regardless of the party's good or bad faith. See *Starbucks*, 588 F.3d at 109.

Even if the marks have a high degree of similarity but no predatory intent, then courts find no dilution. *Sporty's Farm L.L.C. v. Sportman's Market, Inc.*, 202 F.3d 489, 500 (2d Cir. 2000). For example, a catalog company that held the trademark "Sporty's" sued a farm for dilution for using "sportys.com." *Id.* at 494. The farm owners chose the name Sporty's Farm based on a childhood memory of a farm called Spotty's Farm, where a dog named Spotty lived. *Id.* Although the

court described the domain name as "indistinguishable from" and "confusingly similar to" the Sporty's trademark, the court refused to grant dilution damages to the catalog company because the farm owners did not intend to create an association with the catalog. *Id.* at 500.

On the other hand, a party's predatory intent may prove dilution. *Starbucks*, 588 F.3d at 109. For example, the court found that the Charbucks owner predatorily intended to associate his coffee with Starbucks. *Id.* Together with evidence that Charbucks was minimally similar and actually associated with Starbucks's mark, the court held that dilution likely occurred. *Id.* at 109-10.

In this case, the record does not support that Runaway Scrape purposefully intended to create an association with Chatnoir's marks. See R. at 15. Firstly, the record states that Runaway Scrape did not intend to associate the marks and chose the word "aardvark" partly based on its alphabetical sorting properties. R. at 15, 19 n.6. Also, like the *Sporty's* farm owners who chose their domain name based on the name of a childhood dog, Runaway Scrape chose to use "aardvarks" because one of the band members had a pet aardvark as a child. See R. at 19 n.6; *Sporty's*, 202 F.3d at 494. The fact that the lyrics to band's song "Aardvarks," which appeared on Aardvards.com, reference only the animal, and not Chatnoir, provides additional support of no intent. R. at 19. Thus, the reasons for Runaway Scrape's domain-name choice substantially support a finding that Runaway Scrape did not have predatory intent. See R. at 19 n.6; *Sporty's*, 202 F.3d at 494.

3. The court clearly erred because the evidence does not prove actual association between the disputed marks.

The sixth factor in Congress's multifactor test--"[a]ny actual association between the mark or trade name and the famous mark"--deals

with actual association "arising from the similarity between" two marks. § 1125(c)(2)(B), 1125(c)(2)(B)(vi). The federal definition of dilution by blurring requires that this "association" arise solely from the similarity of the two marks and not for any other reason. See § 1125(c)(2)(B); MCCARTHY § 24:116.

High surveyed association rates may lead to a finding of dilution. See R. at 4, 7; *Nike*, 2007 WL 2782030, at *8; *Jada Toys*, 518 F.3d at 636. In *Nike*, the court found strong actual association because 87% of Nikepal's customers associated Nikepal with Nike. *Nike*, 2007 WL 2782030, at *8. In *Jada Toys*, Mattel produced two surveys, ranging from 7% to 28% of consumers who mistakenly thought Mattel made Hot Rigz. *Jada Toys*, 518 F.3d at 636. In *Starbucks*, a survey showed that 30.5% of consumers actually associated the conflicting marks. *Starbucks*, 588 F.3d at 109.

In contrast, the association rates in this case are very low. Chatnoir's survey rates showed merely 2% of the general public and only 8% of Chatnoir's customers thought of Chatnoir's marks when hearing the name "aardvarks.com." R. at 8, 15. These survey numbers are very small when compared to association rates of Nike at 87%, Starbucks at 30.5%, and Mattel at 28%. See *Starbucks*, 588 F.3d at 109; *Jada Toys*, 518 F.3d at 636; *Nike*, 2007 WL 2782030, at *8. Although Chatnoir's 8% customer recognition rate slightly exceeds the lowest Mattel survey rate of 7%, Mattel's rate represents consumers from the general public, but Chatnoir proved only a 2% recognition rate among the general public. See R. at 15; *Jada Toys*, 518 F.3d at 636.

Furthermore, the Fourteenth Circuit clearly erred because it found actual association without deciding if the low reported

association rate arose solely from the marks' similarities and not for some other reason. Chatnoir did not prove that the survey rates are linked only to similarities between the conflicting marks and are unrelated to the "well-publicized dispute" between Runaway Scrape and Chatnoir. R. at 19; see MCCARTHY § 24:116. Given that 98% of the general public did not actually associate the marks, the evidence does not support likelihood of dilution by blurring.

Therefore, because the Fourteenth Circuit clearly erred in its factual findings related to proving association, this Court should reverse the court's judgment.

B. Aardvarks.com did not impair the distinctiveness of Chatnoir's marks.

Even if this Court finds that the marks created association, Chatnoir did not prove impairment. Federal antidilution law defines dilution by blurring as an association between two marks "that impairs the distinctiveness of the famous mark." § 1125(c)(2)(B). The famous mark's owner must prove both elements of association and impairment. See § 1125(c)(2)(B); MCCARTHY § 24:116. A mark "impairs the distinctiveness of a famous mark" when "it is likely to sap the strength of the famous mark." MCCARTHY § 24:118 (emphasis in original); *Haynes Int'l, Inc. v. Electralloy*, No. 04-197E, 2009 WL 789918, at *23 (W.D. Pa. March 24, 2009). Courts sometimes interchange the words "distinctive" and "strength" and often give very strong marks "a greater scope of protection against infringers." MCCARTHY § 24:118; see *Visa*, 610 F.3d at 1090. Congress indicated the importance of determining a mark's strength when including "[t]he degree of inherent or acquired distinctiveness of the famous mark" in its multifactor test. § 1125(c)(2)(B)(ii). Distinctiveness refers to the mark's

"inherent inventiveness" and unique quality to identify a single source. MCCARTHY § 24:118; see *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 265 (4th Cir. 2007). Also, a mark does not dilute a famous mark if the mark merely uses a word for its literal dictionary definition. *Visa*, 610 F.3d at 1091-92.

Courts find dilution only if the mark is highly distinctive. *Id.* For example, when Visa brought dilution claims against "eVisa.com," the court found that "Visa is a strong trademark" and very distinctive. *Id.* at 1090. The court explained that Visa's use of the word "visa" is "sufficiently remote" and "sufficiently distinctive" to the dictionary definition because the word "plays only weakly off the dictionary meaning of the term." *Id.* at 1090-91. Moreover, eVisa did not use the word "visa" literally. *Id.* at 1092. Because Visa's mark was strong, the court found that eVisa diluted Visa's mark. *Id.* The court opines that if eVisa had "us[ed] the word visa for its literal dictionary definition," (i.e. "Orr's Visa Services") then no dilution would occur because "Visa doesn't own the word 'visa'" and may not "claim exclusivity" when the mark "merely evoke[s] the word's existing dictionary meaning." *Id.*

But even highly distinctive marks may not support a dilution claim when considering the context of the conflicting mark's usage. See *Louis Vuitton*, 507 F.3d at 265. For example, the luxury handbag manufacturer, Louis Vuitton, sued a dog toy manufacturer, Haute Diggity Dog, for dilution after Haute produced "Chewy Vuiton" chew toys resembling Louis Vuitton handbags. *Id.* Although the court noted that the Louis Vuitton mark was highly distinctive, the court held that "Chewy Vuiton" did not impair the distinctiveness of Louis

Vuitton's mark because "Chewy Vuiton" "imperfectly" incorporated Louis Vuitton's mark similarities to create a parody. *Id.* at 266, 268. The court said that if Haute used Louis Vuitton's actual marks on its toys, then dilution would have occurred. *Id.* at 268. Considering the context of Haute's mark, no impairment occurred. *See id.*

In this case, the court clearly erred because it held that Aardvarks.com dilutes Chatnoir's marks without substantially proving impairment. Aardvarks.com did not impair Chatnoir's marks' distinctiveness because (1) Chatnoir did not prove that its marks are strong, (2) Runaway Scrape used the literal dictionary definition of the word "aardvarks," and (3) the context of Runaway Scrape's use of the conflicting mark does not support likely impairment.

Firstly, Chatnoir's marks are weak. Unlike Visa's strong mark, Chatnoir did not prove that its marks are strong. *See Visa*, 610 F.3d at 1090-91. Even Chatnoir's survey evidence indicates weak marks. *See R.* at 8. The surveys stated that only 8% of Chatnoir customers related Chatnoir's marks with the name Aardvarks.com. *Id.* Because a weak mark, like Chatnoir's mark, will not uniquely identify a single source, no dilution occurred. *See MCCARTHY* § 24:118.

Secondly, Runaway Scrape used the word "aardvarks" for its literal dictionary definition referring to ant-eating animals. *R.* at 19. Runaway Scrape's song "Aardvarks" refers only to a metaphor comparing love to an anthill from which aardvarks hunt ants. *Id.* Like the court in *Visa* stated, Chatnoir does not own the word "aardvarks" and may not claim exclusivity when a mark evokes a traditional dictionary definition. *See Visa*, 610 F.3d at 1090-91. Because the band used the dictionary definition for its mark and not a mere tangential

meaning of the word "aardvarks," the evidence substantially supports that Aardvarks.com did not impair Chatnoir's marks.

Finally, the context of Runaway Scrape's use of Aardvarks.com does not support impairment. Like the context of the parody in *Louis Vuitton*, Runaway Scrape used Aardvarks.com to promote its new song "Aardvarks." See *Louis Vuitton*, 507 F.3d at 268; R. at 19. Nothing on the website actually used the Chatnoir marks other than the word "aardvark." R. at 19. Given the overall context of Runaway Scrape's use of the aardvark mark, Chatnoir did not prove that Aardvarks.com will impair Chatnoir's marks.

Because the evidence substantially supports that Aardvarks.com did not impair the distinctiveness of Chatnoir's mark, the court's judgment favoring Chatnoir is clearly erroneous.

C. Chatnoir must prove both elements of likelihood of dilution by a preponderance of the evidence.

Because the dilution remedy is extraordinary, Chatnoir must prove by the preponderance of the evidence both elements of dilution and may not assume damages without convincing proof. See J. Thomas McCarthy, *Proving a Trademark has been Diluted: Theories or Facts?*, 41 Houston L. R. 713, 733 (2004). A dilution injunction is a broad remedy that affects many unrelated industries, causing "a much more sweeping impact on both fair commercial actions and free speech than one issued in an ordinary infringement case," which generally affects only one industry or several related industries. *Id*; see *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 904 (9th Cir. 2002). Thus, the dilution remedy requires "a rigorous evidentiary showing" and should be proven only "by a clear case resting on a firm evidentiary base." McCarthy, *Proving*, *supra*, at 733. A court cannot assume likelihood of dilution

merely because a company uses a mark very similar to a famous mark. MCCARTHY § 24:115. "The famous mark owner must prove both that the required 'association' will be likely and that it is likely that that 'association' will 'impair the distinctiveness' of the famous mark. These two critical elements cannot be assumed or presumed to always follow." *Id.* Therefore, Chatnoir must prove by the preponderance of the evidence both elements of association and impairment. *See id.*

In summary, Chatnoir failed to prove that Aardvarks.com diluted Chatnoir's marks by blurring because Aardvarks.com did not create the required association and did not impair the distinctiveness of Chatnoir's marks. Because of numerous factual errors, the court of appeal's judgment is improper, and this Court should reverse.

CONCLUSION

The court of appeals erroneously affirmed judgment for Chatnoir because the evidence in the record substantially supports not only that Chatnoir induced copyright infringement but also that Aardvarks.com did not dilute Chatnoir's marks by blurring. First, the evidence substantially supports that Chatnoir intentionally induced its users to infringe on Runaway Scrape's copyright because Chatnoir took numerous affirmative steps to foster inducement. Second, the evidence substantially supports that Aardvarks.com did not dilute Chatnoir's marks because the domain name neither creates the statutorily required association with Chatnoir's mark nor impairs its distinctiveness. Accordingly, this Court should reverse the court of appeal's judgment on both the inducement and dilution issues and remand for reconsideration.

APPENDIX

Article I, Section 8, Clause 8 of the U.S. Constitution, which sets forth congressional power, provides in relevant part: "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

The Trademark Dilution Revision Act of 2006, 15 U.S.C. § 1125(c)(1), provides in relevant part:

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

The Trademark Dilution Revision Act of 2006, 15 U.S.C. § 1125(c)(2)(B), provides in relevant part:

For purposes of paragraph (1), 'dilution by blurring' is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.