
No. C10-0116-1

IN THE
SUPREME COURT OF THE UNITED STATES
October Term 2010

RUNAWAY SCRAPE, L.P.,
Petitioner,

v.

CHATNOIR, INC.,
Respondent.

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

BRIEF FOR RESPONDENT

Team #87

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QUESTIONS PRESENTED

- I. In *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Inc.*, 545 U.S. 913 (2005), this Court held that a copyright holder could sue not only those who infringe on the copyright but also anyone who actively induces infringement. A software manufacturer created a product to lawfully archive a videoconference and to lawfully download the audio portion of websites, but was sued for not taking steps to prevent the software from being used to infringe on copyrighted works on the Internet. Did the lower courts properly conclude that inducement of infringement liability applies only to those who specifically intend to encourage patent infringement by engaging in affirmative misconduct?
- II. A software manufacturer has a federally registered, famous, distinctive trademark that associates its Internet-based videoconferencing software products with the word Aardvark. A band launched a website under the domain name, www.aardvarks.com, which included what could be regarded as thinly veiled references to an ongoing lawsuit between the band and the software manufacturer. Did the lower courts properly conclude this action was likely to cause trademark dilution by blurring?

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OPINIONS BELOW

The opinion and order of the United States District Court for the Northern District of Texas is unreported. The opinion and order of the United States Court of Appeals for the Fourteenth Circuit appears in the record at pages 3-20.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

This case involves Article I, Section 8 of the United States Constitution, which provides: "The Congress shall have the Power . . . 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." U.S. Const. art. I, § 8.

This case addresses a copyright rule derived in part from 35 U.S.C. § 271(b) (2006), which provides that "[w]hoever actively induces infringement of a patent shall be liable as an infringer." This case also involves the Federal Trademark Dilution Act, which is reproduced as Appendix "A."

STATEMENT OF THE CASE

This case involves an attempt by a copyright owner to hold a software distributor liable for a third party's infringement. Since its creation in 1997, Chatnoir, Inc. (Chatnoir) has been a leader in the ever-changing market of communications, focusing its efforts specifically on teleconferencing. R. at 3. In 2003, Chatnoir released its Internet-based videoconferencing software under the name "Aardvark Media," which is registered with the United States Patent

and Trademark Office. R. at 3. This technology allows users to communicate visually and aurally over the Internet. R. at 3.

I. Fact Statement

Due to Aardvark Media's success and in response to customer feedback, Chatnoir decided to create a new feature in 2006. R. at 4. Customers had reported problems when using the software in remote areas with less bandwidth. R. at 4. Therefore, Chatnoir developed a way of allowing users to take the video portion out of the conference while still streaming the audio portion. R. at 4. This would allow increased speeds in low bandwidth areas and permit more users to take advantage of Aardvark Media. R. at 4. Also in response to customer comments, Chatnoir created a feature which would allow users to archive their videoconferences. R. at 4. This archiving feature allows users to store video and audio recordings for future review. R. at 4. Users could also strip the conference of its video component and only store audio as an mp3 file. R. at 4.

These new features are to be added to the newest version of Aardvark Media, set to be marketed as "Aardvark Pro." R. at 4. To test viability of the new features, Chatnoir sought to release a temporary scaled-down version under the name "Aardvark Lite." R. at 4. Aardvark Lite stripped the video portions of videoconferences and stored the audio on the user's computer. R. at 4. When a user downloaded Aardvark Lite, the software would work for a six-month period after which the user would need to purchase the full version of Aardvark Pro to use the video stripping and archiving functions. R. at 4. The Aardvark Lite version was made available to the public in

February 2007 on Chatnoir's website. R. at 5. Chatnoir intended to discontinue Aardvark Lite when it launched Aardvark Pro. R. at 5.

Chatnoir's website contained certain statements in connection with Aardvark Lite, along with a disclaimer that Chatnoir asked users not to use Aardvark Lite for "illegal or unethical purposes." R. at 5. The statements also included instructions for using the software and suggested uses of the software. R. at 5. Among these suggestions was the phrase "make audio recordings of your favorite VuToob videos."¹ R. at 5.

Chatnoir also promoted Aardvark Lite by sending out emails to current customers describing the software. R. at 5. There were suggestions in those emails that the software could be used to store sounds from videos on VuToob. R. at 5. Chatnoir also purchased advertising space on the Internet with links to download the software as well as advertising through search engines which would appear in correspondence with certain search terms including "downloads," "music," and "VuToob." R. at 6. Internal emails reveal that Chatnoir considered any potential for users to engage in copyright infringement by using the software. R. at 7. Chatnoir rejected the possibility of users infringing copyrights through the use of the software in connection with VuToob because of VuToob's own policing policy. R. at 7.

¹ VuToob is a media company which operates a website where users can upload videos to be viewed by the public. R. at 5. Users upload anything from home videos to creative works. R. at 5. Video and music artists have been known to promote their art by posting videos to VuToob. R. at 5. VuToob provides filters to search for and disallow potentially infringing videos uploaded by users and also has a policy for removing videos when contacted by copyright holders. R. at 5.

The rock band Runaway Scrape is among the many artists that have chosen to upload videos to VuToob. R. at 6. Its work is featured in both authorized and unlicensed, user-posted form. R. at 6. Runaway Scrape's videos on VuToob that have been authorized have been licensed exclusively for that purpose. R. at 6. However, users have been known to post their own videos with Runaway Scrape music attached. R. at 6. Fearing that users might use Aardvark Lite to access its music, Runaway Scrape sent three letters to Chatnoir asking the software company to police the use of Aardvark Lite. R. at 6.

On February 24, 2007, Runaway Scrape sent a cease and desist letter to Chatnoir alleging that Aardvark Lite was being used for to make multiple mp3 copies of Runaway Scrape's copyrighted material on VuToob. R. at 7. The band demanded that Chatnoir immediately cease offering Aardvark Lite for download. R. at 7. Another letter to the same effect was sent on March 24, 2007.

Runaway Scrape started a website at the domain www.aardvarks.com. R. at 7. The page contained the audio of Runaway Scrape's song "Aardvarks." R. at 7. This song has not appeared on any of Runaway Scrape's several successful albums prior to the creation of the website. R. at 7. The website also contained the words "Get it the right way" as a link to the band's official website where the user could purchase band products. R. at 7. In response to this use of a domain similar to Chatnoir's famous marks, Chatnoir sent cease and desist letters to Runaway Scrape on April 15, 2007 and May 1, 2007 demanding that the website be dismantled and the domain name transferred to Chatnoir. R. at 7.

II. Nature of the Proceedings

Runaway Scrape sued Chatnoir for contributory infringement of Runaway Scrape's copyrights. R. at 8. Chatnoir countersued Runaway Scrape for diluting Chatnoir's trademarks by blurring. R. at 8.

At trial, Runaway Scrape presented evidence that users were using Aardvark Lite to make copies of Runaway Scrape's music. R. at 8. Further, it was found that about seventy percent of uses by users were infringing. R. at 8. Chatnoir also presented uncontested evidence in a survey showing that about two percent of the general public associated www.aardvarks.com with Chatnoir's Aardvark Media marks. R. at 8. Further, the survey showed that eight percent of Chatnoir's customers associated the domain with Chatnoir marks. R. at 8. Chatnoir's President and CEO, Stanley Rocker, testified that Chatnoir was surprised by the number of users downloading Aardvark Lite. R. at 8. He speculated that this number was likely higher than the number of users who would purchase the full version of Aardvark Pro. R. at 8. Further, Runaway Scrape presented the testimony of a former Chatnoir employee, Kasey Stinger. R. at 8. Ms. Stinger testified that Mr. Rocker had scoffed at the cease and desist letter by saying that a lawsuit might actually be good publicity for Aardvark products. R. at 9. An audio file to this effect was presented at trial. R. at 9.

The district court ruled in favor of Chatnoir on both the copyright infringement claim and the trademark dilution claim. R. at 9. The court then permanent enjoined Runaway Scrape from using the www.aardvarks.com domain name. R. at 9.

The Fourteenth Circuit Court of Appeals affirmed the district court's judgment on both counts. R. at 3. The court of appeals examined the copyright claim under the three *Grokster* factors and found that the record supported the findings that Chatnoir's advertising did not promote software's illegal usage, that defendant's lack of filtering was for legitimate reasons that did not involve disregard of the potential for copyright infringement, and that Chatnoir's business was not dependent upon infringement. R. at 10-11. Based on these conclusions, the court of appeals held that Chatnoir did not induce users to infringe Runaway Scrape's copyrights. R. at 12. Further, the court of appeals found that Chatnoir had a viable trademark claim against Runaway Scrape as Chatnoir's marks were distinctive and that Runaway Scrape had commenced the use of a mark which was likely to cause dilution by blurring. R. at 12-15.

Judge Armitage dissented on both claims, asserting that a lesser, material contribution should apply to the copyright claim and, alternatively, that the majority misapplied the standards it employed. R. at 15-20.

SUMMARY OF THE ARGUMENT

I.

The court of appeals properly interpreted the Copyright Act by refusing to find Chatnoir liable for inducing others to infringe on Runaway Scrape's works. When this Court extended the "actively inducing infringement" theory from patent law to a copyright context in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster*, the opinion specifically required that a claim for actively inducing infringement

demonstrate purposeful, culpable expression and conduct to encourage infringement. This state-of-mind evidence was necessary to affirmatively show that a defendant's actions were intended to induce infringement by others.

Under the examples and analysis used by this Court in *Grokster*, Chatnoir's actions in manufacturing and distributing the Aardvark Lite software did not show an intent to cause infringement by others. Neither the manner in which the teleconference software was released nor internal decision-making about its capabilities indicate that Chatnoir had illicit motives. The record reflects that the company relied on a website disclaimer not to use the product for infringing purposes and on VuToob policies that policed infringing activities. Chatnoir determined that further safeguards were unnecessary. Unlike the defendants in the *Grokster* case, Chatnoir's financial success did not depend on the third-party infringement. It offered Aardvark Lite for free on its website and always intended to discontinue the product once the new version of Aardvark Pro was released.

This Court should reject the suggestion to relax the state-of-mind requirement in favor of the Ninth Circuit Court of Appeals' material contribution standard. The standard directly contradicts this Court's holdings by shifting the focus from purposeful, culpable expression and conduct to a simple question of whether a computer system operator materially contributed to an act of infringement. In *Grokster*, this Court held that an affirmative act of encouragement was required. In *Sony*, this Court held that the capacity to use a product for infringement did not subject the manufacturer to liability for

inducing infringement so long as the product had substantial, non-infringing uses. By subjecting a computer system operator with a lawful product to copyright liability for failing to prevent others from using that product for illegal purposes, the material contribution standard significantly lowers the bar. This new standard would stifle creativity and innovation as those who create, manufacture and distribute new technology would have to anticipate all illegal uses of a new product. This is not what Congress intended when it passed the Copyright Act.

Nonetheless, even under the lesser, material contribution standard, inducement liability cannot attach to Chatnoir. Aardvark Lite allows for the wholly legitimate functions of archiving videoconferences and teleconferences as well as the stripping of video from the countless Internet websites containing non-copyrighted material. With these significant non-infringing uses, it is inappropriate to hold Chatnoir responsible for what third parties may do with the software.

This Court should affirm the court of appeals' judgment on the inducement of copyright infringement claim.

II.

The court of appeals also properly held Runaway Scrape diluted Chatnoir's trademark by blurring. Runaway Scrape's use of Aardvarks as its domain name associated the website with Chatnoir's famous, distinctive marks also containing the word Aardvark. In the district court's view, this created a likelihood of dilution by blurring, which

is all that Chatnoir had to prove after Congress's recent revisions to trademark dilution law.

An analysis of the statutory factors for trademark dilution by blurring further illustrates the point. While no single factor is determinative, most factors affirmatively support the lower courts' conclusions. Specifically, the marks are substantially the same; Chatnoir's "Aardvark" family of marks is arbitrary with a high degree of distinctiveness; Runaway Scrape sought to create an association between its domain name and Chatnoir's famous marks; and survey evidence shows some actual association between Runaway Scrape's domain name and Chatnoir's famous marks. Though the record contains little evidence on two of the factors (exclusive use and degree of recognition), nothing in the record related to these factors undermines the lower courts' holding that Runaway Scrape diluted Chatnoir's trademark by blurring.

This Court should affirm the court of appeals' judgment on the trademark dilution by blurring claim.

ARGUMENT AND AUTHORITIES

In a bench trial, the standard of review on appeal is whether competent evidence supports the district court's fact findings and whether its legal conclusions were proper in light of such facts. If the factual findings are supported by competent evidence, they are conclusive on appeal, even though the record may have contrary evidence. *Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc.*, 618 F.3d 417, 427 (4th Cir. 2010). In evaluating the credibility of witnesses, the district court determines the weight to

be given their testimony and the reasonable inferences to be drawn. *Anderson v. Bessemer City*, 470 U.S. 564, 573-74 (1985) (recognizing appellate court reviews record to determine "if the district court's account of the evidence is plausible in light of the record viewed in its entirety"). However, a reviewing court considers the district court's legal conclusions de novo. *Thornburg v. Gingles*, 478 U.S. 30, 79 (1986).

I. CHATNOIR DID NOT INTENTIONALLY INDUCE OR ENCOURAGE THE INFRINGEMENT OF RUNAWAY SCRAPE'S COPYRIGHT.

Federal law allows a copyright owner to sue not only those who infringe on the copyright but also anyone who "actively induces infringement." *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936-37 (2005) (allowing contributory copyright liability claim by movie and sound recording copyright holders against peer-to-peer software distributors) (citing 35 U.S.C. § 271(b) (2006)). However, when this Court recognized the theory of secondary liability in *Grokster*, it placed definite limits on the inducement standard. This Court explained that

[t]he rule on inducement of infringement as developed in the early cases is no different today. Evidence of 'active steps . . . taken to encourage direct infringement' . . . show an affirmative intent that the product be used to infringe, and a showing that infringement was encouraged overcomes the law's reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use.

Id. (citations omitted).

The Court held that the intent to distribute a product for the purposes of inducing copyright infringement must be shown by "clear expression or other steps taken to foster infringement." *Id.* at 937. Mere knowledge of infringement is not enough. *Id.*; see also *Sony*

Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 442 (1984) (adopting the staple article of commerce doctrine from patent law to hold that an article of commerce, like the VCR at issue, does not constitute contributory infringement if the product is capable of "substantial, noninfringing uses."). Thus, copyright liability was permissible because of the "purposeful, culpable expression and conduct." *Grokster*, 545 U.S. at 937.

Runaway Scrape now seeks to dispense with this intent requirement. In its view, Chatnoir--a company releasing legal products with non-infringing uses--may be held liable under an inducement theory simply for refusing to ensure that third parties do not use the Aardvark Lite software to infringe on the band's copyrighted songs. Both lower courts rejected Runaway Scrape's relaxed standard for inducement of copyright infringement. This Court should do so as well.

A. Runaway Scrape Did Not Show Chatnoir Induced Third Parties' Copyright Infringement Under the Standard Used in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*

The court of appeals evaluated the inducement claim under the standard this Court announced in *Grokster*. R. at 10-12. In *Grokster*, this Court identified three instances where evidence would tend to point to inducement of copyright infringement, including (1) advertising to known copyright infringers or about the product's potential for infringement, (2) taking no steps to develop filtering tools to diminish infringing uses, and (3) basing its business plan on the infringement by its users. *Id.* at 939-40. In the Court's view, these actions demonstrated that one of the primary motivations of the defendants' actions was to foster and develop infringement by third

parties. This state-of-mind evidence was critical to show not only knowledge of the capacity to infringe, but purposeful, culpable expression and conduct to encourage it. Under this analysis, Chatnoir has not intentionally, actively induced its users to infringe Runaway Scrape's copyrights.

1. Chatnoir has not promoted its software as a means of infringing Runaway Scrape's copyrights.

In *Grokster*, this Court identified advertising or promotion of infringement by others as circumstantial evidence of intent to induce copyright infringement. *Id.* at 939. This Court specifically relied on the peer-to-peer software distributors' advertising regarding their product's availability after Napster was enjoined. *Id.* at 937 (recognizing StreamCast had been sending banner advertisements to Napster users and touted itself as an "effective alternative" to former Napster users); *id.* at 938 (noting Grokster sent out emails highlighting its product's ability to give access to copyrighted music). This evidence showed that these companies were aiming their advertisement at a group of known infringers, which was evidence of intent to induce copyright infringement. *Id.* at 939. The record in this case, however, shows that Chatnoir was not seeking to encourage others to infringe on Runaway Scrape's copyrights.

No evidence suggests that Chatnoir directed its promotions to known infringers. R. at 11. To the contrary, the company merely sent emails to current users of Aardvark Media products, informing them of the ability of Aardvark Lite to be used in conjunction with VuToob. R. at 5. Chatnoir sought to inform current users of its new product, not draw in known infringers. See *Grokster*, 545 U.S. at 938 (noting

that district court made findings that StreamCast directed its promotions to former Napster users); *Arista Records L.L.C. v. Lime Group L.L.C.*, 715 F. Supp. 2d 481, 509 (S.D.N.Y. 2010) (recognizing that if a Google user put in terms such as "Napster," "Kazaa," or "free mp3 download," an advertisement for Lime Group's music-downloading products would appear on the search page). Likewise, Chatnoir's website cannot be construed as inducing infringement. The website specifically asked that Aardvark Lite not be used for "illegal or unethical purposes." R. at 10.

Runaway Scrape regards Chatnoir's suggestion that Aardvark Lite may be used to strip video and store sound from VuToob videos as evidence that Chatnoir directed its promotions to known infringers. This argument not only ignores Chatnoir's website disclaimer asking users not to employ Aardvark Lite to download copyrighted content, but it also overlooks the vast information stored on VuToob. VuToob contains public domain materials such as government materials and content licensed for use through initiatives such as Creative Commons. See Creative Commons, *About: What is CC?*, <http://creativecommons.org/about/what-is-cc> (last visited Nov. 28, 2010). Therefore, informing the public that there may be a use for this software in conjunction with VuToob with a disclaimer asking that users only use the software for legal purposes evidences intent that users employ the software to its fullest potential within the bounds of the law. This is not intent that users employ the software to infringe copyrights.

Chatnoir's use of certain keywords on Internet search engines does not evidence an intent to exploit known infringers. Specifically,

certain user searches resulted in an Aardvark Lite promotion, including the terms, "VuToob," "downloads," and "music." R. at 6. These terms are distinguishable from the search term "Napster" used in the *Lime Group* case. 715 F. Supp. 2d at 511 (noting that use of the term "Napster" indicated an improper desire to associate with those who formerly used illegal product). Each of the terms Chatnoir used to advertise on Internet search engines involved a wholly legal use.

Moreover, the statements made by the Chatnoir's CEO, Stanley Rocker, does not evidence an intent to induce copyright infringement. After Chatnoir launched Aardvark Lite and after Runaway Scrape sent its cease and desist letter, testimony reflected that Rocker commented that the publicity of the lawsuit would inure to Chatnoir's benefit. R. at 9. The comment was neither made publicly nor did it even address anything about how Aardvark Lite could facilitate copyright infringement by others.

2. Chatnoir relied on VuToob policies and the website disclaimer as means of discouraging copyright infringement by others.

Runaway Scrape cannot infer intent to induce infringement from the fact that Chatnoir has not equipped its software with safeguards to prevent others from infringing against Runaway Scrape's copyrights. This Court noted in *Grokster* that the evidence of unlawful intent was given "added significance" by the fact that the defendants failed "to develop filtering tools or other mechanisms to diminish infringing activity." 545 U.S. at 939 (recognizing that simple solutions were commercially available). While this evidence was helpful, it alone was not enough to find liability, but on the facts of that case it

underscored the defendants' "intentional facilitation of their users' infringement." *Id.* n.12; see also *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 454 F. Supp. 2d 966, 989-90 (C.D. Cal. 2006) (finding on remand that StreamCast had taken time to develop solutions to prevent copyright plaintiffs from monitoring the system, but StreamCast had not taken the time to monitor the system for infringement).

The record reflects that Chatnoir considered the issue of potential copyright infringement associated with Aardvark Lite. R. at 7. However, its decision not to police infringement by others of copyrighted works was due to the protections already in place on VuToob--the primary location where copyright infringement with Aardvark Lite was possible. R. at 7. VuToob uses filters to block infringing material from being uploaded or downloaded from its site. R. at 11. The lower courts properly rejected Runaway Scrape's claims Chatnoir should prevent copyright infringement by others and the failure to do more somehow shows an intent to encourage user infringement.

The lower courts' conclusion is supported by the fact that Runaway Scrape's claim is based on an omission, rather than an affirmative act. Because the inducement standard comes from patent law, patent cases are instructive.² To prove a claim of "actively inducing

² This standard would not work under the Patent Act. If omissions triggered liability for actively inducing patent infringement, then 35 U.S.C. § 271(c) would be rendered meaningless. Section 271(c) "requires a showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringing." *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964). This culpability standard

infringement" under the Patent Act, a plaintiff must prove some affirmative act caused, urged, encouraged, or aided another to infringe. *Tegal Corp. v. Tokyo Electron Co.*, 248 F.3d 1376, 1379 (Fed. Cir. 2001) (citing 35 U.S.C. § 271(b) (2006)). The evidence must show that defendant *actively* induced infringement to form a basis for liability under the Patent Act. *A. Stucki Co. v. Worthington Indus., Inc.*, 849 F.2d 593, 597 (Fed. Cir. 1988). Inducement cannot be premised on an omission or oversight by a defendant. *Tegal Corp.*, 248 F.3d at 1379. Nor can it be premised on merely engaging in legal and permissible business conduct. *Id.* The mental state required for liability under the Patent Act is one of specific intent to encourage another's infringement--not merely knowledge of the acts alleged to constitute infringement.

This case is missing the callous disregard for simple solutions that was critical in the *Grokster* case. Chatnoir simply chose to rely on its disclaimer and the protections already in place on VuToob, rather than attempt to police infringement by others of copyrighted works. Thus, Chatnoir's decision not to place filters in its software does not illustrate an intent to encourage inducement.

does not require a purpose to encourage an unlawful act, because the accused contributory infringer could be held liable under this section even if the component was sold for a non-infringing, limited use. A holding that section 271(b) addressed omissions would necessarily encompass this same conduct currently covered by section 271(c). See *Bilski v. Kappos*, 130 S. Ct. 3218, 3228 (2010) (interpreting Patent Act so as not to "violate the canon against interpreting any statutory provision in a manner that would render another provision superfluous.").

3. Chatnoir does not rely on infringing activity for the success of its business.

Runaway Scrape cannot infer intent to induce infringement from Chatnoir's business model for Aardvark Lite. In *Grokster*, this Court inferred unlawful intent from the defendants' revenue model. 545 U.S. at 941 (finding *Grokster* and *StreamCast* relied on advertising revenue from high-volume use generated by almost entirely on piracy). When the viability of the business depends on infringing activity by others, a court may infer an intent to encourage copyright infringement. See, e.g., *Columbia Pictures Indus., Inc. v. Fung*, No. CV 06-5578, 2009 WL 6355911, at *14 (C.D. Cal. Dec. 21, 2009) (finding inducement liability where fact findings showed that company based advertising pricing for Internet movie site, in part, on those who used website for copyright infringement); *Arista Records L.L.C. v. Usenet.com, Inc.*, 633 F. Supp. 2d 124, 152 (S.D.N.Y. 2009) (holding *Usenet.com* liable for inducing infringement where company used a particular subscription system requiring users to pay more the more that they downloaded).

Chatnoir creates and distributes Internet chatting software. R. at 3. Its revenue is obtained by licensing this Internet software to whoever has need of such services. R. at 3. To meet certain user demands, Chatnoir sought to produce a new system to be called Aardvark Pro. R. at 4. To test the efficacy and popularity of certain new features, Chatnoir released Aardvark Lite. R. at 5. Aardvark Lite is distributed to users for free. R. at 4. No direct revenue results from the distribution of Aardvark Lite. Therefore, Chatnoir does not

receive any direct revenue from the use of Aardvark Lite for any purpose, whether infringing or not.

Chatnoir's business plan was to allow the use of Aardvark Lite for six months after which a user would have to purchase the full version of Aardvark Pro. R. at 5. Chatnoir does not rely on infringing use for the continuing success of its business. The record indicates that Chatnoir's Aardvark Media was a successful product without Aardvark Lite. R. at 3-4. Nothing indicates that Chatnoir would not continue to be successful without Aardvark Lite. Further, Aardvark Media and Aardvark Pro's value comes from their uses from video and Internet conferencing. R. at 3-4. Therefore, all revenue generated by Chatnoir is derived from those services, not from infringement. No evidence supports the idea that this would not continue. Also, in the cases involving advertising revenue, the courts looked to the fact that almost all revenue generated for those companies stemmed from the popularity of the systems due to infringing capabilities. *See, e.g., Fung*, 2009 WL 6355911, at *14. Here, revenue is generated from the popularity of video and Internet conferencing. R. at 3-4.

The distribution by Chatnoir of Aardvark Lite to the public does not manifest intent to induce users to infringe. Rather, Chatnoir sought to gauge how effective the new features of Aardvark Pro will be in the marketplace. R. at 4-5. Thus, nothing about the business model indicates that Chatnoir intended to induce infringement by others.

B. This Court Should Reject the Ninth Circuit Court of Appeals' Material Contribution Standard for Inducing Copyright Infringement.

In his dissent, Judge Armitage suggested that the court of appeals should have analyzed the case under the material contribution standard adopted by the Ninth Circuit Court of Appeals in *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007). R. at 16. The standard states that "a computer system operator can be held contributorily liable if it has actual knowledge that specific infringing material is available using its system and can take simple measures to prevent further damage to copyrighted works yet continues to provide access to infringing works." *Perfect 10, Inc.*, 508 F.3d 1170-71 (internal quotations removed). The material contribution standard necessarily lessens the requisite state-of-mind necessary to support a claim for inducement of copyright infringement.³ This Court should reject it.

1. The material contribution standard inappropriately extends the inducement of copyright infringement standard created in *Grokster*.

In *Grokster*, this Court stated that a defendant is contributorily liable if she intentionally induces or encourages direct infringement. 545 U.S. at 930. This standard required statements or actions directed at promoting infringement such as advertising or instructing

³ This Court is currently considering a similar issue under the Patent Act. See *Global-Tech Appliances, Inc. v. SEB S.A.*, 594 F.3d 1360 (Fed. Cir. 2010), cert. granted, 79 U.S.L.W. 3220 (U.S. Oct. 12, 2010) (No. 10-6). In that case, the Federal Circuit held that the legal standard for the state-of-mind element of a claim for actively inducing patent infringement under 35 U.S.C. § 271(b) is deliberate indifference to a known risk that an infringement may occur. *Id.* at 1376.

a user how to use the software to infringe. *Id.* at 935-36. The Court stated specifically, however, that mere knowledge of infringing uses would not be enough to show inducement. *Id.* at 937. Liability under the inducement standard would be based on "purposeful, culpable expression and conduct." *Id.* Absent some other showing of intent, liability could not be based on a failure to take affirmative steps to prevent infringement if the device was otherwise capable of substantial non-infringing uses. *Id.* at 939 n.12.

In contrast, the material contribution standard imposes liability when a computer system operator fails to take steps to prevent infringement through its system. This is not affirmative culpable conduct as required by *Grokster*. Inducement requires active, culpable conduct on the part of the defendant. *Id.* at 937. There is no active conduct in having knowledge and failing to act on that knowledge. Thus, the material contribution standard can only be viewed as a passive form of strict liability in copyright. This necessarily contradicts *Grokster's* express language that contributory liability must not destroy the ability for companies to continue creating useful technologies capable of lawful and unlawful uses.

2. The material contribution standard contradicts this Court's holding in *Sony*.

This Court held in *Sony* that the Copyright Act did not impose liability on the VCR manufacturer even though that manufacturer appreciated the potential that a VCR purchaser might use it to infringe on others' copyrighted works. 464 U.S. at 456. Sony's home video tape recorders permitted users to record television shows to watch later, which was fair use. *Id.* at 419. The television

producers claimed that Sony was contributing to the infringements by users who pirated copyrighted works. *Id.* at 420. In rejecting the television producers' claim, this Court held that a product capable of substantially non-infringing purposes will not support contributory liability. *Id.* To support liability for contributory infringement, the proprietor of technology must provide not just a means of infringement, but a means not capable of non-infringing uses. *Id.* at 442. As a result, this Court refused to impose liability for what third parties might do with the defendant's product.

The material contribution standard permits liability where a computer system operator induces, causes, or materially contributes to the infringement. After *Sony*, material contribution cannot rest merely on providing technology. To be consistent with *Sony*, inducement of copyright infringement must require something more than the Ninth Circuit Court of Appeals' material contribution standard.

3. The material contribution standard will inhibit innovation.

The material contribution standard shifts the focus from the defendant's intent to induce infringement to whether the product materially contributed to a copyright infringement. In doing so, the Ninth Circuit Court of Appeals' standard necessarily forces computer system operators to estimate, before they choose to pursue a technological project, what the primary uses will be at an unspecified moment in the future. The primary uses of emerging technology products may change over time, and resist even the best-informed efforts at prediction. The risk of such retroactive liability due to the possibility of unforeseen infringing uses may be too great for

many emerging technology companies to take. The material contribution standard would require computer system operators to continually reevaluate whether technical means are readily available that would block infringing uses. With crushing legal liability hanging in the balance, many computer system operators would likely choose to forgo the design and commercialization of innovative products if required to predict and build in technology. The uncertainty resulting from a material contribution standard would have a devastating impact on the development of new technology.

C. Alternatively, Chatnoir Did Not Materially Contribute to Third Parties' Infringement of Runaway Scrape's Copyrights.

Should this Court hold that the Copyright Act permits infringement liability based on a lesser finding that the computer system operator materially contributed to copyright infringement, then this Court should still affirm the court of appeals' holding. Chatnoir has not materially contributed to the infringement of Runaway Scrape's copyrights because it provided a staple article of commerce capable of substantially non-infringing uses. The record indicates that this software allows archiving of audio files obtained from any source. R. at 4. This archiving can be used in conjunction with non-infringing uses. *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 267 (5th Cir. 1988) (holding archiving is substantial non-infringing use when the archiving is allowed by a copyright exception). Further, uses of this technology in connection with video chatting software and other non-copyrighted video performances will be non-infringing. In fact, Runaway Scrape acknowledges that Aardvark Lite's legitimate, non-

infringing uses are thirty percent of overall usage. R. at 8. Thus, the record supports the lower courts' conclusions that this technology is capable of, and has the potential for, future substantial non-infringing uses.

Because Aardvark Lite is capable of non-infringing uses, society has an interest in using it in those capacities. By holding that Aardvark Lite is not contributorily liable, society may continue using a beneficial product and Runaway Scrape may continue to protect its copyright from direct infringement. This is the proper balance. For these reasons, even if this Court chooses to adopt the material contribution standard, Chatnoir cannot be held liable for inducing others to infringe on Runaway Scrape's copyrighted works.

II. RUNAWAY SCRAPE'S DOMAIN NAME IS LIKELY TO DILUTE CHATNOIR'S FAMOUS AARDVARK MARKS BY BLURRING IN VIOLATION OF THE TRADEMARK DILUTION REVISION ACT.

The court of appeals also held that Runaway Scrape's conduct amounted to "dilution by blurring." R. at 12-15. The Trademark Dilution Revision Act ("TDRA") permits owners of "famous" marks to seek injunctive relief against a defendant using a mark "likely to cause dilution by blurring" of the famous mark. 15 U.S.C. § 1125(c)(1). The statute defines "dilution by blurring" as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." *Id.*

To prevail on a claim of dilution by blurring, a plaintiff must prove: (1) that the plaintiff owns a famous mark that is distinctive; (2) that the defendant has commenced using a mark in commerce that

allegedly is diluting the famous mark; (3) that a similarity between the defendant's mark and the famous mark gives rise to an association between the marks; and (4) that the association is likely to impair the distinctiveness of the famous mark. *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, L.L.C.*, 507 F.3d 252, 264-65 (4th Cir. 2007). Distinctiveness here refers to the "ability of the famous mark uniquely to identify a single source and thus maintain its selling power." *Id.* at 265. The record reflects that Runaway Scrape has conceded all but the question of "whether the band's use of the mark "Aardvarks" in its domain name is likely to dilute Chatnoir's marks by blurring."⁴ R. at 13.

The court of appeals' protection of Chatnoir's famous marks against uses likely to dilute its distinctiveness is precisely how Congress intended for the trademark dilution by blurring law to work. As a leading commentator has explained:

The dilution theory grants protection to strong, well-recognized marks even in the absence of a likelihood of confusion, if defendant's use is such as to be likely to diminish or dilute the strong identification value of the plaintiff's mark even while not confusing customers as to source, sponsorship, affiliation or connection. The underlying rationale of the dilution doctrine is that a gradual attenuation or whittling away of the value of a trademark, resulting from use by another, constitutes an invasion of the senior user's property right in its mark and gives rise to an independent commercial tort.

⁴ The record indicates a factual dispute arose as to when Runaway Scrape began using "Aardvarks" in connection with its song. R. at 7. However, apart from the court of appeals' statement about Runaway Scrape's concessions, to have found that the domain was likely to dilute Chatnoir's marks, the district court was required to find that the mark was used in commerce after Chatnoir's Aardvark Media became famous. See 15 U.S.C. § 1125(c)(1). Because the district court did find that Chatnoir's marks were likely to be diluted, it necessarily found that Runaway Scrape began use of its "Aardvarks" mark after Chatnoir's marks became famous. See R. at 9.

4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:72 (4th ed. 2009). Runaway Scrape's launch of the website using the Aardvark mark in its domain name was likely to dilute Chatnoir's marks by blurring.

A. The Trademark Dilution Revision Act Requires Only a Showing of a Likelihood That Runaway Scrape's Domain Name Will Dilute Chatnoir's Famous Marks by Blurring.

Chatnoir need not show any actual dilution by Runaway Scrape's domain name of its famous, distinctive marks. Congress enacted the TDRA in 2005 to overrule this Court's holding in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), that the predecessor Federal Trademark Dilution Act ("FTDA") required proof of "actual dilution." See *Louis Vuitton*, 507 F.3d at 264 n.2. Congress passed the amendment clarifying that a mark owner may recover if the junior mark "is likely to cause dilution by blurring . . . regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." 15 U.S.C. § 1125(c)(1) (2006). This revision sought to clarify that Congress intended to "stop diluting before actual harm could be realized and the value of any reputable trademark could be debased." H.R. Rep. No. 109-23, at 7 (2005), reprinted in 2006 U.S.C.C.A.N. 1091, 1096.

B. An Analysis of the Statutory Factors Supports the Lower Courts' Conclusions That Runaway Scrape's Domain Name Is Likely to Dilute Chatnoir's Famous and Distinctive Marks by Blurring.

The TDRA defines dilution by blurring as an "association arising from the similarity between a mark . . . and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C.

§ 1125(c)(2)(B). To assess whether a mark is likely to dilute a famous mark by blurring, the TDRA requires the court to analyze all relevant factors, including (1) the similarity between the mark and the famous mark, (2) the distinctiveness of the mark, (3) whether the owner of the famous mark is using the mark exclusively, (4) the degree of recognition of the famous mark, (5) whether the user of the mark intended to create an association with the famous mark, and (6) any actual association between the mark and the famous mark. *Id.* The record supports the lower courts' conclusions that Runaway Scrape's use of the Aardvark mark in its domain name was likely to dilute Chatnoir's mark by blurring.

1. Runaway Scrape's domain name, www.aardvarks.com, is highly similar to Chatnoir's Aardvark Media marks.

The first statutory factor considers the degree of similarity between the junior mark (Runaway Scrape's www.aardvarks.com) and the famous mark (Chatnoir's Aardvark). 15 U.S.C. § 1125(c)(2)(B)(i). Chatnoir began its videoconferencing software with the mark "Aardvark Media" in 2003. R. at 3. In 2006, Chatnoir began creating Aardvark Pro. R. at 4. Before fully launching Aardvark Pro, however, Chatnoir released Aardvark Lite. R. at 4. Aardvark Media has been a very successful software program. R. at 3-4. Aardvark Lite has also been extensively marketed to consumers for its own merits and as a precursor to Aardvark Pro. R. at 5-6. The facts further indicate that Aardvark Lite has been widely popular as well. R. at 8. Thus, Chatnoir is engaged in the use of three recognizable marks all bearing the common characteristic of "Aardvark." The marks work together to

point back to a common source through that common characteristic. Therefore, the pattern of use by Chatnoir of the common characteristic, "Aardvark," is sufficient to indicate the origin of the marks. See *J&J Snack Foods Corp. v. McDonald's Corp.*, 932 F.2d 1460, 1463 (Fed. Cir. 1991) (holding McDonald's use of the pattern of use of "Mc" in its family of products allowed for protection against another's application for registration of the mark McPretzel). Thus, Chatnoir has a family of marks and is entitled to protection for its common characteristic, "Aardvark."

To assess the similarity of two marks, courts should look to the overall impression of the marks as well as the context in which they are found. *Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 386 (2d Cir. 2005). Dilution merely requires that the marks be "very" or "substantially" similar. *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1029 (2d Cir. 1989). The fact that the marks are identical is circumstantial evidence of dilution. See *Horphag Research Ltd. v. Garcia*, 475 F.3d 1029, 1036-37 (9th Cir. 2007). A domain name which is one letter away from the famous mark may be effectively identical. *Visa Int'l Serv. Ass'n v. JSL Corp.*, 610 F.3d 1088, 1090 (9th Cir. 2010) (permitting a dilution by blurring claim for use of the domain name www.evisa.com, because "evisa" was virtually identical to the plaintiff's famous mark "visa.")).

Here, the common characteristic of Chatnoir's marks, "Aardvark," is essentially identical to the main aspect of Runaway Scrape's domain name, "aardvarks." Similar to the marks at issue in *Visa Int'l Serv. Ass'n*, the famous mark and the domain name are different by merely one

letter. The dissent in the court below found it significant that this letter was an "s" and not an "e," due to the fact that denoting the electronic version of something and denoting the plural of something were different. R. at 18. The addition of an "s" to the end of a mark only indicates that there are more than one. R. at 3-4. Thus, "aardvarks" may still refer to Chatnoir products despite its plurality. Both Runaway Scrape's domain name and Chatnoir's use the same word on the Internet.

Because the marks are substantially the same word and are used in the same context, Runaway Scrape's domain name has a high degree of similarity to Chatnoir's famous "Aardvark" marks. Thus, the record contains sufficient evidence to support the lower courts' decision on this dilution by blurring factor.

2. Chatnoir's Aardvark Media marks are considered arbitrary marks and, therefore, are inherently distinctive.

The second statutory factor considers "the degree of inherent or acquired distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B)(ii). Chatnoir's family of marks, based on the common characteristic "Aardvark," is considered arbitrary. Therefore, they are inherently distinctive and afforded the highest level of protection. A mark may be inherently distinctive if by its nature it identifies a particular source which is arbitrary, fanciful, or suggestive. *Id.* When a common word is applied in an unfamiliar way such that its only value is in serving as a trademark, the use of that word is considered arbitrary and receives the highest level of trademark protection. *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S.

205, 209 (2000). The degree of distinctiveness of the famous mark is very important to the question of whether the junior mark will dilute that distinctiveness. *TCPIP Holding Co. v. Haar Commc'ns, Inc.*, 244 F.3d 88, 95 (2d Cir. 2001).

The Second Circuit Court of Appeals addressed this factor in the case of *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217 (2d Cir. 1999). There, the manufacturers of the goldfish cracker brought a dilution claim against another manufacturer with a cracker made in the same shape. See *id.* at 213-14. In holding that the goldfish cracker was arbitrary as a mark and entitled to trademark protection, the court reasoned that no logical connection existed between the fish shape and a cheese cracker. *Id.* at 207. Though merchants often use animals as the shapes for cookies or crackers, the goldfish mark was sufficiently distinctive for the purposes of the dilution inquiry. *Id.*

Likewise, Chatnoir's "Aardvark" family mark is arbitrary and distinctive. No logical connection links between the term "aardvark" and videoconferencing software. Though the word "aardvark" is a familiar term associated with a particular type of animal, it is being used in an unusual way when applied to software. Thus, it is a familiar term being used in an unusual way which makes its only value in this context its use as a trademark. Therefore, it is an arbitrary mark. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1976). Thus, it is afforded the highest levels of protection. *Id.* at 9.

Further, Chatnoir's "Aardvark" family mark is highly distinctive. *Nabisco, Inc.* states that a mark will enjoy the highest levels of protection if it does not conjure up any connection between the human experience and the product. 191 F.3d at 216. Aardvark has no connection to videoconferencing software. Though an aardvark is an animal, no evidence suggests that software providers often use animals as their trademarks or in their software. Nothing in the common human experience would connect animals, especially aardvarks, to computer software.

Because of Chatnoir's arbitrary use of the word "Aardvark" with its software products, the mark has attained a high level of distinctiveness. Thus, the record contains sufficient evidence to support the lower courts' decision on this dilution by blurring factor.

3. The record contains no evidence that third parties are using the Aardvark mark.

The third statutory factor considers "the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark." 15 U.S.C. § 1125(c)(2)(B)(iii). Nothing indicates that other software manufacturers are using the Aardvark mark. Thus, no evidence connected to this dilution by blurring factor can be used to undermine the lower courts' decision.

4. Chatnoir's Aardvark mark is strong.

The fourth statutory factor considers the degree of recognition of the mark. 15 U.S.C. § 1125(c)(2)(B)(iv). While the record has little evidence about this factor, it does indicate that Chatnoir's product

gained "acclaim from U.S. businesses for its quality, affordability, and ability to connect users," R. at 4, and that Runaway Scrape has conceded that the mark is famous, R. at 13. Because the analysis for a famous mark inherently overlaps with the factor for determining the recognition of the famous mark,⁵ this factor necessarily favors the lower courts' decision as well.

5. Runaway Scrape's intended to associate its domain name with Chatnoir's famous mark.

The fifth statutory factor considers "whether the user of the mark or trade name intended to create an association with the famous mark." 15 U.S.C. § 1125(c)(2)(B)(v). In using the domain name www.aardvarks.com, Runaway Scrape sought to create an association between its mark and Chatnoir's famous family of "Aardvark" marks. In this case, Runaway Scrape registered a domain name using Chatnoir's famous Aardvark mark after a dispute had already arisen between the two parties. R. at 7. Runaway Scrape had already sent several letters to Chatnoir asking that it cease distributing Aardvark Lite when it created the website. R. at 6-7. From this, the district court could

⁵ Under 15 U.S.C. § 1125(c)(1), a court determines if a mark is famous by looking to the following factors: (A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (C) the duration and extent of advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channels of trade for the good or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

reasonably infer that Runaway Scrape was upset about Aardvark Lite when it registered its www.aardvarks.com domain.

Runaway Scrape's intent is further evident from the website words: "Get it the right way." R. at 7. As the band's Aardvark song was the only other thing on the website and Runaway Scrape was involved in a dispute over whether Chatnoir is aiding in the infringement of the band's copyrights, the district court could reasonably conclude what was the phrase meant--that using Aardvark Lite to obtain the song off of VuToob was the wrong way to access the band's song. Further, these words are linked to the band's official website where its music can be purchased. R. at 7. All of this supports intent by Runaway Scrape to use a variation of Chatnoir's famous mark to funnel some persons who are looking for Chatnoir products to Runaway Scrape's website where those persons can obtain legal copies of Runaway Scrape's music, rather than using Aardvark Lite to obtain the music through infringement.

The statute does not ask whether Runaway Scrape intended to dilute Chatnoir's famous marks. Rather, it asks whether Runaway Scrape intended to create an association between the two marks. 15 U.S.C. § 1125(c)(2)(B)(v). This requirement must be read literally. See *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 109 (2d Cir 2009). Therefore, if there is intent to create any association between Runaway Scrape's domain and Chatnoir's famous marks, then this factor weighs in favor of likelihood of dilution. See *id.* The facts contain overwhelming circumstantial evidence that Runaway Scrape was seeking to associate its new domain with Chatnoir's famous marks.

This factor should support the idea that Runaway Scrape's domain name is likely to dilute Chatnoir's famous marks. Thus, the record contains sufficient evidence to support the lower courts' decision on this dilution by blurring factor.

6. Survey evidence shows an actual association between Chatnoir's famous marks and Runaway Scrape's domain name.

The sixth statutory factor considers "any actual association between the mark or trade name and the famous mark." 15 U.S.C. § 1125(c) (2) (B) (vi). The record includes survey evidence which shows that a percentage of the public associates the domain name www.aardvarks.com with Chatnoir's "Aardvark" family of marks. R. at 8. These uncontested surveys showed that two percent of the general public and eight percent of Aardvark Media users thought of Chatnoir's marks when confronted with the www.aardvarks.com domain. R. at 8. This is similar to *Starbucks Corp.* where Starbucks introduced evidence that 3.1 percent of responding consumers stated that "Charbucks" likely came from Starbucks. 588 F.3d at 109. These may seem like small percentages, but the statute asks whether there is "any" actual association between the two marks, not a substantial or significant association. 15 U.S.C. § 1125(c) (2) (B) (vi) (emphasis added). When reading a statute, the court must start by assuming that congress said what it means in a statute and means what it said. *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992). This means that when the statute uses the word "any," the court should assume that this is not referring the degree or substantiality of the actual association shown, but rather asking whether actual association exists at all. As

a result, the record contains sufficient evidence to support the lower courts' decision on this dilution by blurring factor.

CONCLUSION

This Court should affirm the judgment of the Fourteenth Circuit Court of Appeals in all respects.

Respectfully submitted,

Attorneys for Respondent

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APPENDIX "A"

15 U.S.C. § 1125 (2006)

False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

- (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
 - (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
 - (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

- (2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.
- (3) In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

(b) Importation

Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief

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.

(2) Definitions

(A) For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.

- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.
- (B) 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.
- (C) For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

(3) Exclusions

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

- (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than

as a designation of source for the person's own goods or services, including use in connection with--

- (i) advertising or promotion that permits consumers to compare goods or services; or
- (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

(4) Burden of proof

In a civil action for trade dress dilution under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that--

- (A) the claimed trade dress, taken as a whole, is not functional and is famous; and
- (B) if the claimed trade dress includes any mark or marks registered on the principal register, the unregistered matter, taken as a whole, is famous separate and apart from any fame of such registered marks.

(5) Additional remedies

In an action brought under this subsection, the owner of the famous mark shall be entitled to injunctive relief as set forth in section 1116 of this title. The owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity if--

(A) the mark or trade name that is likely to cause dilution by blurring or dilution by tarnishment was first used in commerce by the person against whom the injunction is sought after October 6, 2006; and

(B) in a claim arising under this subsection--

- (i) by reason of dilution by blurring, the person against whom the injunction is sought

willfully intended to trade on the recognition of the famous mark; or

- (ii) by reason of dilution by tarnishment, the person against whom the injunction is sought willfully intended to harm the reputation of the famous mark.

(6) Ownership of valid registration a complete bar to action

The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register under this chapter shall be a complete bar to an action against that person, with respect to that mark, that--

(A)

- (i) is brought by another person under the common law or a statute of a State; and
- (ii) seeks to prevent dilution by blurring or dilution by tarnishment; or

- (B) asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertisement.

(7) Savings clause

Nothing in this subsection shall be construed to impair, modify, or supersede the applicability of the patent laws of the United States.

(d) Cyberpiracy prevention

(1)

- (A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person
 - (i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and
 - (ii) registers, traffics in, or uses a domain name that--

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of Title 18 or section 220506 of Title 36.

(B)

(i) In determining whether a person has a bad faith intent described under subparagraph (a), a court may consider factors such as, but not limited to

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's

online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

- (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;
- (VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;
- (VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without

regard to the goods or services
of the parties; and

(IX) the extent to which the mark
incorporated in the person's
domain name registration is or
is not distinctive and famous
within the meaning of
subsection (c) of this section.

(ii) Bad faith intent described under
subparagraph (A) shall not be found in any
case in which the court determines that the
person believed and had reasonable grounds
to believe that the use of the domain name
was a fair use or otherwise lawful.

(C) In any civil action involving the registration,
trafficking, or use of a domain name under this
paragraph, a court may order the forfeiture or
cancellation of the domain name or the transfer of
the domain name to the owner of the mark.

(D) A person shall be liable for using a domain name
under subparagraph (A) only if that person is the
domain name registrant or that registrant's
authorized licensee.

(E) As used in this paragraph, the term "traffics in"
refers to transactions that include, but are not
limited to, sales, purchases, loans, pledges,
licenses, exchanges of currency, and any other
transfer for consideration or receipt in exchange
for consideration.

(2)

(A) The owner of a mark may file an in rem civil
action against a domain name in the judicial
district in which the domain name registrar,
domain name registry, or other domain name
authority that registered or assigned the domain
name is located if

(i) the domain name violates any right of the
owner of a mark registered in the Patent
and Trademark Office, or protected under
subsection (a) or (c) of this section; and

(ii) (the court finds that the owner—

(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or

(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—

(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

(bb) publishing notice of the action as the court may direct promptly after filing the action.

(B) The actions under subparagraph (A)(ii) shall constitute service of process.

(C) In an in rem action under this paragraph, a domain name shall be deemed to have its situs in the judicial district in which

(i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or

(ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

(D)

(i) The remedies in an in rem action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark. upon receipt of written notification of a filed, stamped

copy of a complaint filed by the owner of a mark in a United States district court under this paragraph, the domain name registrar, domain name registry, or other domain name authority shall

(I) expeditiously deposit with the court documents sufficient to establish the court's control and authority regarding the disposition of the registration and use of the domain name to the court; and

(II) not transfer, suspend, or otherwise modify the domain name during the pendency of the action, except upon order of the court.

(ii) The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.

(3) The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable.

(4) The in rem jurisdiction established under paragraph (2) shall be in addition to any other jurisdiction that otherwise exists, whether in rem or in personam.