

No. C10-0116-1

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IN THE

**SUPREME COURT OF THE UNITED STATES**

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RUNAWAY SCRAPE, L.P.,  
*Petitioner,*  
v.

CHATNOIR, INC.,  
*Respondent.*

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

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RESPONSE BRIEF FOR CHATNOIR, INC., RESPONDENT

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TEAM #4

QUESTIONS PRESENTED

- I. WHETHER THE FOURTEENTH CIRCUIT CORRECTLY CONCLUDED THAT CHATNOIR, INC. CANNOT BE SECONDARILY LIABLE FOR COPYRIGHT INFRINGEMENT WHERE INDIVIDUAL USERS OF ITS PROMOTIOAL SOFTWARE IMPROPERLY USED THE SOFTWARE TO MAKE INFRINGING COPIES OF COPYRIGHTED MATERIAL.
  
- II. WHETHER THE FOURTEENTH CIRCUIT CORRECTLY CONCLUDED THAT RUNAWAY SCRAPE, L.P.'S USE OF "WWW.AARDVARKS.COM," IS LIKELY TO CAUSE DILUTION BY BLURRING OF CHATNOIR, INC.'S VARIOUS AARDVARK TRADEMARKS IN VIOLATION OF THE TRADEMARK DILUTION REVISION ACT, 15 U.S.C. § 1125(c).

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### STATEMENT OF THE CASE

Petitioner Runaway Scrape, Inc. ("Runaway Scrape") appeals from the decision of the Fourteenth Circuit affirming the Northern District of Texas' judgment in favor of Respondent Chatnoir, Inc. ("Chatnoir"). Runaway Scrape's complaint alleged that Chatnoir intentionally encouraged copyright infringement by promoting and distributing a free preview version of Chatnoir's videoconferencing software, Aardvark Lite. Chatnoir then filed a countersuit on the grounds that Runaway Scrape's use of the domain name "www.aardvarks.com" diluted Chatnoir's trademark by blurring. Following a bench trial, the district court found in favor of Chatnoir on both counts, and the Fourteenth Circuit affirmed.

Chatnoir is an electronics and communications company based in New Jack City, Texas. (R. at 3.) A leader in communications software and hardware, Chatnoir specializes in the area of teleconferencing. (R. at 3.) In 2003, Chatnoir launched a new internet-based videoconferencing software product under the federally registered trademark of "Aardvark Media." (R. at 3.) This new product allows users to communicate both visually and aurally over the internet. (R. at 3.)

Aardvark Media experienced great success as one of Chatnoir's biggest sellers. (R. at 4.) In response to customer requests, Chatnoir developed an additional feature that permitted users to disable the video feature of the videoconference while still streaming the audio live. (R. at 4.) This feature permitted customers in low bandwidth areas to use the product

more effectively. (R. at 4.) Chatnoir also developed an archive function, allowing users of Aardvark Media to strip portions of the videoconference, both audio and video, and store it on their computer. (R. at 4.) Both of these new features were going to be incorporated into a new version of the software under the trademark "Aardvark Pro." (R. at 4.)

Prior to launching the new Aardvark Pro, Chatnoir released a limited test version of the software that users could download for free under the name "Aardvark Lite." (R. at 4.) This limited version would only function for six months, after which time the user would have to purchase Aardvark Pro to continue using the video stripping and archiving functions. (R. at 4.)

In February of 2007, Aardvark Lite became available for download through Chatnoir's website. (R. at 5.) To promote Aardvark Lite, Chatnoir sent emails to its current customers, purchased advertising space on various business webpages, and advertised through internet search engines. (R. at 6.) On its webpage, Chatnoir included three statements regarding Aardvark Lite: (1) instructions for using the software, (2) a disclaimer stating "please don't use our product for illegal or unethical purposes," and (3) suggested uses of the software. (R. at 5.) Among the suggested uses was the phrase "make audio recordings of your favorite VuToob videos." (R. at 5.)

VuToob is a very popular website, owned by Poodle Corporation, where users can upload videos that can be viewed by anyone on the internet. (R. at 5.) While some users improperly upload copyright infringing material to VuToob, other musical and



video artists use the website as a promotional tool for their own music or videos. (R. at 5.) VuToob attempts to regulate the material on the site using filtering software to search for and disallow potentially infringing material, but some material violating copyright inevitably gets through. (R. at 5.) VuToob therefore has a policy and reputation for removing the offending videos when directly contacted by the copyright holders. (R. at 5.)

Runaway Scrape, a rock band, uploads some of its music videos onto VuToob as a form of marketing. (R. at 6). Other users of VuToob also occasionally upload pirated copies of Runaway Scrape's music videos, concert videos, or the user's own version of the videos. (R. at 6.) When Runaway Scrape heard about Aardvark Lite, it sent three letters to Chatnoir asking them to police the use of the product in order to prevent all copyright infringement.<sup>1</sup> (R. at 7.) Chatnoir did not respond to the letters simply because it did not consider infringement to pose a problem: stripping audio from copyrighted videos was not the intended or primary purpose of the software, and Aardvark Lite would cease to function after six months. (R. at 7.) Chatnoir was also aware of Vutoob's own well-known policy of policing its website for copyright infringement. (R. at 7.)

Runaway Scrape sent Chatnoir cease and desist letters on February 24, 2007 and March 24, 2007, alleging that users of Aardvark Lite were making unauthorized MP3 copies of Runaway

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<sup>1</sup> The three letters were dated November 3, 2006, December 14, 2006, and January 3, 2007.

Scrape's material appearing on VuToob. (R. at 7.) On April 10, 2007, when Runaway Scrape did not get a response from Chatnoir, it started a new website with the registered domain name www.aardvarks.com. (R. at 7.)

The web page allowed users to download Runaway Scrape's song titled "Aardvarks," which did not appear on any previously released albums. (R. at 7.) Furthermore, the website also contained a link reading "Get it the right way," which routed the user to the band's official website where they could purchase music and merchandise. (R. at 7.)

Because the domain name "aardvarks.com" was so similar to Chatnoir's federally registered "Aardvark Media" trademark, Chatnoir sent Runaway Scrape two cease and desist letters on April 15, 2007, and May 1, 2007, demanding that the domain name be transferred to Chatnoir and the website taken down. (R. at 7.) Runaway Scrape responded by suing Chatnoir for contributory copyright infringement, alleging that Chatnoir intentionally encouraged copyright infringement. (R. at 7-8.) Chatnoir then countersued on the grounds that Runaway Scrape's use of the domain name "www.aardvarks.com" diluted Chatnoir's trademark by blurring. (R. at 8.)

The undisputed evidence at trial showed that while some users of Aardvark Lite were using the software to make unauthorized copies of Runaway Scrape's music, Chatnoir was in fact surprised by the number of users downloading the software. (R. at 8.) Chatnoir's president and CEO, Stanley Rocker, stated that the number of Aardvark Lite downloads in fact exceeded the

number of anticipated future users of the full Aardvark Pro software package. (R. at 8.)

Runaway Scrape claimed at trial that the high number of users was due to the fact that most Aardvark Lite users intended to use Aardvark Lite to make infringing copies of audio extracted from VuToob videos. In support of this contention, Runaway Scrape offered evidence to prove Chatnoir's intent to encourage or induce copyright infringement in the form of an audio recording of a statement by Stanley Rocker, Chatnoir's president and CEO. (R. at 9.) The recording was provided by Mr. Rocker's former mistress and a former Chatnoir employee, Kasey Stinger. (R. at 8-9). Ms. Stinger claimed she recorded the statement during a nighttime "business meeting" between herself and Mr. Rocker. (R. at 9.) According to Ms. Stinger, after learning of Runaway Scrape's cease and desist letter, Mr. Rocker stated that a successful release of Aardvark Lite would offset the cost of an infringement lawsuit, and noted that a lawsuit brought by a popular band would generate favorable publicity for all of the Aardvark products. (R. at 9.) In the recorded statement, he also noted that Aardvark Lite would provide Chatnoir with a new demographic of potential users. (R. at 9.)

In support of its trademark infringement claim, Chatnoir also presented uncontested evidence of a survey in which eight percent of its current customers responded that "www.aardvarks.com" brings to mind Chatnoir's marks of Aardvark Media, Aardvark Pro, and Aardvark Lite, and two percent of the general public responded in the same fashion. (R. at 8.) At the

conclusion of the trial, the district court issued an opinion and order ruling in favor of Chatnoir on both the copyright infringement and the trademark dilution claims, enjoining Runaway Scrape from using the domain name [www.aardvarks.com](http://www.aardvarks.com). The Fourteenth Circuit affirmed.

#### SUMMARY OF THE ARGUMENT

The Fourteenth Circuit correctly held that Chatnoir is not liable for secondary copyright infringement. To hold a distributor of software liable on an inducement theory of copyright infringement, courts must consider three factors: (a) whether the distributor attempted to market its software to a known copyright infringers, (b) whether the distributor attempts to employ any filtering mechanisms to reduce possible infringement, and (c) whether the success of the company's business model is dependent upon the use of the product for infringement. See *M.G.M. Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

Chatnoir's product, Aardvark Lite, was marketed to many different users and had several suggested purposes apart from the VuToob feature at issue here. There is no evidence to prove that it was marketed to known copyright infringers. Further, Chatnoir considered the possibility of implementing filtering tools, but ultimately concluded that VuToob's own well-known tools and policies would be sufficient. Because VuToob is the only potential source of infringing material, the second factor of the *Grokster* test also weighs in Chatnoir's favor. Finally, the success of Chatnoir's business model is not dependent on the use

of Aardvark Lite for infringing purposes, since Chatnoir has an existing business clientele and Aardvark Lite will only function as a test product for six months.

Although the Ninth Circuit interpreted the *Grokster* test far more broadly, in *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007), in so doing it actually applied a separate test for contributory liability. *Id.* However, imposing this standard liability without *Grokster's* requisite showing of intent would discourage the development and use of technology that could have substantial value and usefulness apart from any potential risk of infringement. Both the district court and the Fourteenth Circuit therefore applied the correct test for inducement liability to find that Chatnoir was not liable for secondary copyright infringement.

Additionally, the Fourteenth Circuit correctly found that Runaway Scrape's use of the domain name "www.aardvarks.com" diluted Chatnoir's various famous and distinct marks by blurring. To state a claim under the Federal Trademark Dilution Act (hereinafter "FTDA"), a plaintiff must show that "(1) the mark is famous and distinctive; (2) the defendant is making use of the mark in commerce; (3) the defendant's use began after the mark became famous; and (4) the defendant's use of the mark is likely to cause dilution by blurring . . . ." *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 634 (9th Cir. 2008). The sole issue on appeal concerns the fourth factor, whether Runaway Scrape's use of the domain name is likely to cause dilution by blurring.

The lower court correctly considered the various factors contained within the FTDA to determine whether it is likely Runaway Scrape's use of the domain name in question is likely to dilute Chatnoir's famous and distinct marks. Specifically, the facts support the lower courts finding that there is a high degree of similarity between the domain name and Chatnoir's famous marks; that Runaway Scrape intended to associate with Chatnoir's famous marks; and that there was actual association between Runaway Scrape's domain name and Chatnoir's famous marks. Additionally, the facts also support a fourth factor weighing in favor of finding a likelihood of dilution by blurring, which is a high degree of recognition of Chatnoir's marks.

#### ARGUMENT

- I. THE FOURTEENTH CIRCUIT CORRECTLY CONCLUDED THAT CHATNOIR CANNOT BE SECONDARILY LIABLE FOR COPYRIGHT INFRINGEMENT WHERE INDIVIDUAL USERS OF ITS PROMOTIOAL SOFTWARE IMPROPERLY USED THE SOFTWARE TO MAKE INFRINGING COPIES OF COPYRIGHTED MATERIAL.

Chatnoir is not liable for the infringing activities of its customers. Under the inducement theory of "secondary infringement," the developer of a product that can be used for both lawful and infringing activities can only be held liable when it distributes the device with the object of promoting its use to infringe copyright. *M.G.M. Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936–37 (2005). In order to satisfy this test, the plaintiff copyright holder, Runaway Scrape, must prove Chatnoir's intent by clear expression or other affirmative steps taken to foster infringement. *Id.* at 937. The *Grokster* court was clear that "mere knowledge of infringing potential or of

actual infringing uses would not be enough . . . to subject a distributor to liability." *Id.* Rather, liability is premised on "purposeful, culpable expression and conduct." *Id.*

To determine whether the distributor's conduct was purposeful and culpable, the Supreme Court in *Grokster* examined three factors: (1) whether the distributor aimed to satisfy a source of demand for copyright infringement, (2) whether the distributor attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software, and (3) whether the success of the distributor's business model is based upon the infringing activity. *Id.* at 939–940. All three of these factors, when applied to Chatnoir's distribution of the Aardvark Lite software, weigh in favor of affirming the district court's decision that Chatnoir is not liable under any theory of secondary infringement. *See Prof'l Real Estate Investors, v. Columbia Pictures Indus., Inc.*, 508 U.S. 49 (1993).

**A. Chatnoir did not attempt to market its software to satisfy a source of demand for copyright infringement.**

The district court found no evidence that Chatnoir intentionally targeted known infringers in marketing Aardvark Lite. (R. at 10.) Runaway Scrape argues that Chatnoir's promotional emails suggesting the use of Aardvark Lite for stripping VuToob video and sound, as well as advertising this use through search engines, are enough to prove that Chatnoir intentionally marketed Aardvark Lite to known infringers. (R. at

10.) However, Chatnoir's advertising efforts fall far short of those the Supreme Court deemed sufficient in *Grokster*.

Both *Grokster* defendants were software distributors who developed peer-to-peer file-sharing programs. *Grokster*, 545 U.S. at 919. In their marketing efforts, both companies also intentionally targeted former users of Napster, a notorious file-sharing service that had been shut down after a suit by copyright holders for facilitation of copyright infringement. *Id.* at 924, 939. For example, one defendant's internal documents made "constant references to Napster," it also "initially distributed its . . . software through a . . . program compatible with Napster," and "advertised its program to Napster users." *Id.* at 939. Further, the defendant's software also functioned in the same manner as the Napster software. *Id.*

Runaway Scrape's argument that Chatnoir intentionally targeted known infringers necessarily relies on equating VuToob, a legitimate and fully-operative website, with Napster, whose infringing activities through file-sharing were so egregious that it was shut down as a result. *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1029 (9th Cir. 2001). This comparison is without merit. Unlike Napster, VuToob makes affirmative efforts to prevent users from uploading copyrighted material, and has a policy and reputation for removing the copyrighted material when directly contacted by the copyright holders. (R. at 5). This is a far cry from the circumstances in *Napster*, where eighty-seven percent of the files available for download were copyrighted.



*Id.* at 1013. While the exact percentage of infringing material available on VuToob is not known, it is highly doubtful that the site would remain operative if it contained anywhere near this level of infringing content.

Further, Chatnoir's marketing of Aardvark Lite does not come close to the kind of targeted marketing at issue in *Grokster*. Chatnoir did suggest in its promotional email that Aardvark Lite could be used to strip video from VuToob files, some of which do contain concededly infringing material. (R. at 5.) However, there are many other videos available through VuToob that are perfectly legitimate and would create no infringement issue if used with Aardvark Lite. (R. at 5.) Also, the VuToob function was only one of several uses for Aardvark Lite suggested by Chatnoir. (R. at 10.) Chatnoir's promotional email also contained a disclaimer, stating that Aardvark Lite should not be used for illegal or unethical purposes. (R. at 5.) And there is no mention in the record of any internal documents or memoranda to suggest that Chatnoir intended to target those VuToob users who engage in infringing activities. Taken together, these factors demonstrate that unlike the *Grokster* defendants, Chatnoir did not intentionally market Aardvark Lite as a tool for copyright infringement.

The only other evidence of any attempt to target copyright infringers is a recording of a single remark made by Chatnoir's president and CEO, Stanley Rocker, to his mistress and former employee, Kasey Stinger. (R. at 9.) Ms. Stinger secretly recorded a private conversation between herself and Mr. Rocker

one evening, where Mr. Rocker stated that a successful release of Aardvark Lite would more than pay for a copyright infringement lawsuit, and that Aardvark Lite would provide Chatnoir with a demographic it could not have reached otherwise. (R. at 9.) Yet even if Mr. Rocker had made these statements at a board meeting rather than to his mistress in private, and even if these opinions were held that by more than one Chatnoir director or officer, these comments fall far short of the "constant references" to Napster and its untapped market of infringing users found in the *Grokster* defendants' internal documents. See *Grokster*, 545 U.S. at 939. Simply because Mr. Rocker stated that Aardvark Lite was providing Chatnoir with a new demographic of users, it does not necessarily follow that he meant to include infringers in that demographic. Rather, he could just as easily have been referring to the many VuToob users who use VuToob for perfectly legitimate and legal purposes. (R. at 9.)

**B. Chatnoir relied on VuToob's own successful filtering tools to diminish infringing activity.**

As the district court correctly noted, a lack of filtering tools alone is not enough to find evidence of inducement under *Grokster*. *Grokster*, 545 U.S. at 939. (R. at 11.) While Aardvark Lite itself was not equipped with its own filtering mechanisms, Chatnoir's internal emails clearly indicate that the possibility of filtering tools was considered and dismissed. (R. at 11.) This was not to encourage infringement, but rather because VuToob, the only potential source of infringing material, already had effective filtering tools in place. (R. at 11.) As

discussed above, in addition to its filtering tools, VuToob also had a well-known policy of removing infringing materials when directly contacted by the copyright holders. (R. at 5.)

While Chatnoir and VuToob's efforts to prevent infringement obviously were not (and could not have been) one hundred percent effective, the *Grokster* court focused exclusively on the attempt to filter, not on the efficacy of the measures undertaken. See *Grokster*, 545 U.S. at 939 ("evidence of unlawful objective is given added significance by MGM's showing that neither company **attempted** to develop filtering tools or other mechanisms to diminish the infringing activity . . . .")(emphasis added).

It is also significant that policies similar to those implemented by VuToob have recently been held to be sufficient under the safe harbor provisions of the Digital Millennium Copyright Right Act, 17 U.S.C. § 512(c). In *Viacom Int'l, Inc. v. YouTube, Inc.*, the Southern District of New York held that defendant YouTube's practices of removing copyrighted information when alerted by the copyright holders, even without making affirmative efforts to police the material uploaded to its website, were enough to bring it within the act's safe harbor provisions. 718 F.Supp. 2d 514, 528-29 (S.D.N.Y. 2010). While these provisions are not directly applicable to Chatnoir as a distributor of software, the fact that VuToob's own practices would almost certainly fall within the safe harbor is further evidence of Chatnoir's legitimate and good faith reliance on the effectiveness of these policies.

Here, it is clear from the internal emails reviewed by the district court that Chatnoir did analyze the possibility of additional filtering tools, and ultimately concluded that VuToob's existing protections would be sufficient. (R. at 11.) Therefore, the mere fact that Chatnoir did not develop additional filtering tools to use in addition to VuToob's own adequate filtering mechanisms does not indicate any purposeful intent to induce infringement.

**C. Chatnoir's business model is in no way dependent on the use of Aardvark Lite for illegal infringement.**

Chatnoir developed Aardvark Lite to promote a new version of its existing videoconferencing software, Aardvark Media. (R. at 11.) The new version, Aardvark Pro, was also designed and marketed towards businesses to use for videoconferencing. (R. at 11.) Before the release of Aardvark Lite, Aardvark Media was already a widely used and successful product, not because of its potential use for copyright infringement, but because many American businesses used it for videoconferencing. (R. at 4.) Aardvark Media was popular among these businesses for its quality, affordability, and ability to connect users. (R. at 4.) The audio-stripping and archiving features of Aardvark Pro were also intended to facilitate the product's legitimate business uses, permitting users in low-bandwidth areas to stream only the audio from a videoconference so that the user could still take part in the conversation without having to stream the video, and then store the content for future reference. (R. at 4.) Again, this feature was not developed with the intent of fostering

copyright infringement, but rather at the request of Chatnoir's business customers who were users of Aardvark Media before Aardvark Lite was ever released. (R. at 4.)

The district court in fact found no evidence whatsoever that the success of Aardvark Pro or any other Chatnoir product depended upon the use of Aardvark Lite for improper purposes. (R. at 11.) The purpose of Aardvark Lite was to test the new feature and to promote the full version of the new software, which was also marketed to companies for use in videoconferencing. (R. at 11.)

This business model is in no way comparable to those at issue in *Grokster* and its progeny. Both *Grokster* defendants made money exclusively by selling advertising space, "directing advertisements to the screens of computers employing their [file-sharing] software." *Grokster*, 545 U.S. at 940. The *Grokster* Court observed "since the extent of the software's use determines the gain to the distributors, the commercial sense of their enterprise turns on high-volume use, which the record shows is infringing." *Id.* As the Fourteenth Circuit accurately observed in its opinion below, subsequent cases applying *Grokster* to find secondary liability have dealt almost exclusively with distributors of file-sharing software, not companies with an existing customer base that primarily use the software for legitimate business purposes. See, e.g., *Arista Records, LLC v. Lime Group, LLC*, 715 F.Supp. 2d 481 (S.D.N.Y. 2010); *Arista Records, LLC v. Usenet.com, Inc.*, 633 F.Supp. 2d 124 (S.D.N.Y. 2009); *Columbia Pictures Indus., Inc. v. Fung*, No. CV 06-5578

SVW(JCx), 2009 WL 6355911 (C.D. Cal. Dec. 31, 2009)(all involving file-sharing defendants).

While it is true that Chatnoir did receive some revenue from advertising maintained by VuToob's parent company on its website, (R. at 17), this certainly was not the exclusive source of its income, nor is has it been proven that this income was generated exclusively by the infringing users. And while Chatnoir may have sought to expand its customer base through the release and legitimate use of Aardvark Lite, it already had a successful business model in place based on its existing business clientele, who did not use Chatnoir's various software products for any infringing purpose. (R. at 3-4.)

Even if this court interprets "business model" narrowly as to apply only to the success of Aardvark Lite itself, rather than within the larger business model of Chatnoir as a whole, the record is clear that Aardvark Lite was only intended for temporary release as a test product for certain Aardvark Pro features. (R. at 4.) After six months it would cease to function, and users would then have to purchase Aardvark Pro. At that point, they would no longer be able to strip the audio from VuToob files, since this feature would not be included in the final version of the software. (R. at 4, 17.) Upon the release of Aardvark Pro, Aardvark Lite would also be discontinued. (R. at 5.) Therefore, it cannot be said that Chatnoir's business model, even solely with regard to Aardvark Lite, depended in any way on the unintended use of Aardvark Lite for infringing purposes.

**D. The Ninth Circuit's interpretation of the *Grokster* standard for inducement liability is overbroad and would discourage technological innovation.**

The Ninth Circuit has adopted a stricter test for secondary infringement in *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1170–71 (9th Cir. 2007). While the Fourteenth Circuit's dissenting opinion reads *Perfect 10* as an application of *Grokster*, *Perfect 10* actually articulates a separate test for contributory liability, rather than applying *Grokster's* rule for secondary infringement by inducement. *Id.* at 1172. In fact, the controlling majority opinion in *Grokster* only addressed the latter, although contributory liability was addressed in the concurring opinions. See *Grokster*, 545 U.S. at 931, n. 9 ("Because we resolve this case based on an inducement theory, there is no need to analyze separately MGM's vicarious liability theory.") As Justice Ginsberg recognized in that concurring opinion, these doctrines are distinct. See *id.* at 942 (Ginsburg, J., concurring) ("While the two categories [inducement and contributory liability] overlap, they capture different culpable behavior.").

Regardless of whether the Ninth Circuit attempted to apply *Grokster's* inducement theory or a different theory of contributory liability, its approach in *Perfect 10* is flawed. *Perfect 10's* interpretation of Court's holding in *Grokster* does not appropriately balance the competing concern of "discouraging the development of technologies with lawful and unlawful potential." See *Grokster*, 545 U.S. at 937 ("We are, of course, mindful of the need to keep from trenching on regular commerce or

discouraging the development of technologies with lawful and unlawful potential." ). The Ninth Circuit instead used a different three-pronged test, requiring only that (1) the distributor has actual knowledge that specific infringing material is available using its software, (2) it can take simple measures to prevent further damage to copyrighted works, and (3) the operator continues to provide access to infringing works. *Perfect 10*, 508 F.3d at 1170–71. As one federal district court has recently noted, "[u]nlike an inducement claim, a claim for contributory infringement does not require a showing that the defendant intended to foster infringement." *Arista Records, LLC v. Lime Group, LLC*, 715 F.Supp. 2d 481, 515 (S.D.N.Y. 2010).

Yet the Supreme Court specifically rejected this approach in *Grokster*. Citing *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), the *Grokster* court stated that secondary liability cannot be based solely on presumed or imputed intent to cause infringement from the product's design or distribution. *Grokster*, 545 U.S. at 933. Imposing liability without *Grokster*'s requisite showing of intent would discourage the development and use of technology that could have substantial value and usefulness apart from any potential risk of infringement. See *Sony*, 464 U.S. at 441–42 (discussing the need to balance the copyright holder's proprietary interest with the encouragement and development of commerce).

Here, Chatnoir used Aardvark Lite to test and market a version of its software that had a legitimate and useful purpose. Not only does the *Perfect 10* approach prevent Chatnoir and other



software developers from improving the quality of its products through test releases, it also prevents and discourages the development of those products for other legitimate uses. While it may be correct that the initial users of Aardvark Lite or file-sharing software may be predominately those who use it for copyright infringement, the threat of liability under *Perfect 10's* test does not allow for the natural development of non-infringing uses. Both the *Grokster* and *Sony* courts were careful to balance the protection of copyrighted works with the need to foster innovation, and *Perfect 10's* contributory infringement doctrine in these circumstances does not respect that balance. Both the district court and the Fourteenth Circuit therefore applied the correct test in determining that Chatnoir was not secondarily liable for infringement.

II. THE FOURTEENTH CIRCUIT CORRECTLY CONCLUDED THAT RUNAWAY SCRAPE, L.P.'S USE OF "WWW.AARDVARKS.COM," IS LIKELY TO CAUSE DILUTION BY BLURRING OF CHATNOIR, INC.'S VARIOUS AARDVARK TRADEMARKS IN VIOLATION OF THE TRADEMARK DILUTION REVISION ACT, 15 U.S.C. § 1125(c).

Ordinarily, factual findings are reviewed for clear error and conclusions of law and its resolution of mixed questions of law and fact are reviewed de novo. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009). However, in the trademark context, the determination as to each factor of 15 U.S.C. § 1125(c) (2006) is reviewed for clear error, while the court's balancing of those factors is a matter of law subject to de novo review. *Starbucks*, at 105.

A trademark includes "any word, name, symbol, or device, or any combination thereof . . . to identify and distinguish [the owner's] goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." 15 U.S.C. § 1127 (2006). Infringement occurs when there is an unauthorized use of a trademark that is likely to confuse an ordinary consumer as to the source of the goods. *Anheuser Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 318 (4th Cir. 1992).

Under the Federal Trademark Dilution Act (hereinafter "FTDA") an owner of a famous and "distinctive mark is entitled to an injunction against the use of a mark that is 'likely' to cause dilution of the famous mark." *Starbucks Corp. v. Wolfe's Borough coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009)(quoting 15 U.S.C. § 1125(c)(1)). To state a claim for trademark dilution, a plaintiff must show that "(1) the mark is famous and distinctive; (2) the defendant is making use of the mark in commerce; (3) the defendant's use began after the mark became famous; and (4) the defendant's use of the mark is likely to cause dilution by blurring . . . ." *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 634 (9th Cir. 2008).

In the subject case, Runaway Scrape admits that Chatnoir's marks "Aardvark Media," "Aardvark Pro," and "Aardvark Lite" are both famous and distinctive. (R. at 13.) The only issue before the Court is whether Runaway Scrape's use of [www.aardvarks.com](http://www.aardvarks.com) is likely to dilute Chatnoir's marks.

Pursuant to the FTDA, dilution of a trademark is actionable in two situations: (1) dilution by blurring and (2) dilution by tarnishment. 15 U.S.C. § 1125(c). This case deals solely with the first actionable situation, dilution by blurring. (R. at 2.)

As stated by the lower court, "dilution by blurring is defined 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." (R. at 2)(citing 15 U.S.C. § 1125(c)(2)(B)). It is important to note that dilution isn't confusion, but rather it occurs when consumers form new and different associations with a trademark. *Visa Int'l Serv. Assoc. v. JSL Corp.*, 610 F.3d 1088, 1090 (9th Cir. 2010). Anti-dilution law addresses instances "when marks are placed in new and different contexts, thereby weakening the mark's ability to bring to mind the plaintiff's goods and services." See *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903-04 (9th Cir. 2002).

When determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors including, but not limited to 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; and
- (vi) any actual association between the mark or trade name and the famous mark.

15 U.S.C. § 1125(c)(2)(B). An analysis of these factors clearly supports the lower court's finding that Chatnoir's "Aardvark" marks have been diluted by blurring.

**A. Runaway Scrape's domain name, *www.aardvarks.com*, has a high degree of similarity to Chatnoir's marks, which are distinct famous marks**

The first factor considered by the Appellate Court was the degree of similarity between the mark or trade name and the famous mark. 15 U.S.C. § 1125(c)(2)(B)(i). A district court must weigh the degree of similarity between particular marks as one of the factors that bear on the existence of dilution. *Miss Universe, L.P. v. Villegas*, 672 F.Supp. 2d 575, 593 (S.D.N.Y. 2009). "The similarity between the famous mark and the allegedly blurring mark need not be 'substantial' in order for the dilution by blurring claim to succeed." *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).

**i. The mere addition of a suffix to a famous mark is insufficient to distinguish the new mark from the famous mark.**

In the subject case, the lower court found that Runaway Scrape's use of the domain name "*www.aardvarks.com*" has a high degree of similarity to that of Chatnoir's "Aardvark" marks. (R. at 14.) It noted that the only real differences between the marks is that Runaway Scrape uses the plural version of aardvark and does not include "Media," "Pro," or "Lite." (R. at 14.) These differences, however, are not sufficient to distinguish the two marks; therefore the first factor weighs in favor of Chatnoir's dilution claim.

The Appellate Court compared the current case to that of *Visa Int'l*, where the Ninth Circuit found that adding the letter "e" to the beginning of "visa" did not adequately distinguish a domain name from the famous Visa mark. (R. at 14.) The court in *Visa Int'l* held that the "e" used in the domain name eVisa is generally understood to mean electronic and the commonly used prefix did not distinguish the mark from the famous Visa mark. *Int'l Visa*, at 1090. The court in *Visa Int'l* found that the marks were effectively identical and that the prefix does nothing more to distinguish the two marks than adding words like "Corp." or "Inc." to the end of a famous mark. *Id.*

Similarly, in the present case, Runaway Scrape added the suffix "s" to the end of "Aardvark." (R. at 7.) The actual root of the word is still the same, as was the case in *Visa Int'l*, and the mere addition of a commonly used suffix is insufficient to adequately distinguish the two marks.

The dissent, however, likens the subject case to that of *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009), where the court carefully considered the element of the degree of similarity between two marks. There, Starbucks sued Wolfe's Borough Coffee, Inc. because Wolfe used the mark "Charbucks" on one of the coffee blends it offered for sale. *Id.* The Second Circuit determined that there was minimal similarity between the marks, *id.*, and also noted that the word used was "Charbucks" and not "Starbucks." *Id.* at 106. Wolfe did not merely add a prefix or a suffix to Starbucks, but changed the actual root of the word. By changing the actual root of the

word, the two marks were only minimally similar due to the fact that they sounded alike. *Id.*

In the subject case, Runaway Scrape did not change the actual root of the word. It did not use the domain name "bardvark.com" or something similar. Instead, it used the same exact word that Chatnoir uses for its famous marks and merely made the word plural. The facts in this case are therefore more like *Visa Int'l* and less like *Starbucks*, which supports the lower courts finding of a high degree of similarity.

**ii. Failing to include a word after "aardvarks" does not adequately distinguish Runaway Scrape's domain name from Chatnoir's famous marks.**

The *Starbucks* court also recognized that Charbucks was always accompanied by another word like "Mister Charbucks" or "Charbucks Blend." *Id.* While Chatnoir's marks are accompanied by another word such as "Media," "Pro," or "Lite," (R. at 18) this factor was only one of the characteristics examined by the court in *Starbucks* in determining the degree of similarity. The court also examined the packaging of the product, which made it clear that the product was from a Micro Roastery in New Hampshire. *Starbucks*, at 106. The court in *Starbucks* recognized that the Charbucks coffee had "different imagery, color, and format from Starbuck's logo and signage." *Id.* Conversely, here the only thing customers see is "www.aardvarks.com." The domain name is not capable of distinguishing its appearance like the product in *Starbucks*. This analysis also supports the finding that the current case is more like *Visa Int'l* than *Starbucks*.

Additionally, the court in *Intel Corp. v. Am. News Intel Publ'g*, No. C 09-05085CRB, 2010 U.S. Dist. LEXIS 69386 (N.D. Cal. July 12, 2010), found "Americas News Intel Publishing" to be substantially similar to the famous "INTEL" mark because of the emphasis on the word "INTEL." *Id* at \*13. It determined that the additional words used by Americas News Intel Publishing did not adequately distinguish the new mark from the famous mark. *Id*.

Further, the use of "Media," "Pro," or "Lite" with Chatnoir's marks help the customers distinguish between Chatnoir's various products. The common word within the marks that allows customers to recognize the brand is "Aardvark." Runaway Scrape's use of the word that makes Chatnoir's marks famous is the source of the dilution by blurring. For example, Chatnoir would not contend that there would be dilution by blurring if Runaway Scrape had used the domain name "www.anteatersLite.com" or "www.anteatersPro.com" because the links do not contain the defining word of Chatnoir's marks.

Since there is a high degree of similarity between the marks, similar to that of *Int'l Visa*, the first factor weighs in favor of Chatnoir's claim of dilution. The second factor also weighs in favor of Chatnoir's claim because Runaway Scrape concedes that Chatnoir's "Aardvark" marks are famous and distinct. (R. at 13.)

**B. The high degree of recognition of Chatnoir's marks and Runaway Scrape's intended association with Chatnoir's marks weigh in favor of Chatnoir's claim of dilution by blurring**

While not discussed by the lower court, Chatnoir's "Aardvark" marks achieved a high degree of recognition through

several marketing campaigns. Chatnoir promoted "Aardvark Lite" by sending emails to its current customers (R. at 5), purchasing advertising space on various business websites, and purchasing advertising through internet search engines (R. at 6). The recognition and use of "Aardvark Lite" exceeded that anticipated by Chatnoir. (R. at 8.) There were a large number of people downloading the "Aardvark Lite" software. (R. at 8.) Thus, it is clear that users of the product were aware of its features and recognized the product by its mark, further supporting the lower courts finding of dilution by blurring.

The fifth factor to consider when determining whether there is dilution by blurring is the intended association with the famous mark. 15 U.S.C. § 1125(c)(2)(B)(v). Where the allegedly diluting mark was created with an intent to associate with the famous mark, it favors a finding of a likelihood of dilution. *Starbucks*, at 109. Here, there is sufficient evidence to support the lower court's finding that Runaway Scrape intended to associate with Chatnoir's marks.

Runaway Scrape's domain name was created to attract "Aardvark Lite" users through deception. It created the domain name "www.aardvarks.com," which contained a link reading "Get it the right way." (R. at 15.) The lower court found that the link was directly related to Runaway Scrape's dispute with Chatnoir over the related copyright infringement issue. (R. at 15.) While the title of the song available for download on the site is "Aardvarks," (R. at 7), the Appellant failed to present any evidence that the song was produced before the dispute between



Chatnoir and Runaway Scrape. (R. at 7, n.3.) The fact that Runaway Scrape didn't purchase the subject domain name until the copyright dispute arose is, within itself, evidence of an intended association with the Chatnoir marks.

**C. The actual association between Runaway Scrape's domain name and Chatnoir's marks support a showing of dilution by blurring**

The final factor to consider when determining whether there is dilution by blurring is the presence of actual association with the famous mark. For example, in *Jada Toys, Inc. v. Mattel, Inc.* 518 F.3d 628 (9th Cir. 2008), Mattel presented evidence of actual association between the alleged diluting mark, HOT RIGZ, and the famous mark, HOT WHEELS. *Id.* at 636. Mattel presented two surveys. *Id.* The first revealed that twenty-eight percent of respondents thought the HOT RIGZ toy was either made by Mattel or by the same company that produces HOT WHEELS. *Id.* The second revealed that seven percent of respondents believed that HOT RIGZ was made by Mattel after seeing the package. *Id.* The court ruled that such evidence was sufficient to establish the existence of a likelihood of dilution. *Id.*

Here there is also evidence of actual association between Runaway Scrape's mark and Chatnoir's marks. As noted by the lower court, Chatnoir conducted surveys to see how much the public and Chatnoir's customers associated the marks. (R. at 15.) The surveys revealed that two percent of the general public and eight percent of Chatnoir's customers responded that Chatnoir's products came to mind when they heard the name "www.aardvarks.com." (R. at 8.) As noted in the dissent, TDRA

says "any association," and it is clear by the evidence that there is actual association with Chatnoir's marks. Presenting any evidence of actual association is sufficient to weigh in favor of finding dilution by blurring. See e.g. *Starbucks*, at 109.

#### CONCLUSION

The Fourteenth Circuit's ruling in favor of Chatnoir must be affirmed on both counts. Chatnoir is not liable for inducing copyright infringement through distribution of Aardvark Lite, because it did not market the product to known infringers, it relied on VuToob's effective filtering mechanisms and policies, and its business model in no way depended on the use of its software for illegal infringement.

Further, the lower court's finding of trademark dilution by blurring must be upheld. The standard of review regarding the analysis of each factor considered in determining dilution by blurring is clear error. There is sufficient precedent to support the lower court's determination of each factor contained in the FTDA as to dilution by blurring. Runaway Scrape's domain name is substantially similar to that of Chatnoir's famous and distinct marks; there is a high degree of recognition of Chatnoir's marks and Runaway Scrape intended to associate with Chatnoir's marks; and there is evidence of actual association between Runaway Scrape's domain name and Chatnoir's famous marks. Each of these factors weigh in favor of finding dilution by blurring and therefore, the lower court's findings should be upheld.

## APPENDIX

### **15 U.S.C. § 1125(c) (2006)**

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.

**15 U.S.C. § 1127 (2006)**

The term "trademark" includes any word, name, symbol, or device, or any combination thereof--(1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

**17 U.S.C. § 512(c) (1999)**

(C) the service provider does not interfere with the ability of technology associated with the material to return to the person described in paragraph (1)(A) the information that would have been available to that person if the material had been obtained by the subsequent users described in paragraph (1)(C) directly from that person, except that this subparagraph applies only if that technology--

(i) does not significantly interfere with the performance of the provider's system or network or with the intermediate storage of the material;

(ii) is consistent with generally accepted industry standard communications protocols; and

(iii) does not extract information from the provider's system or network other than the information that would have been available to the person described in paragraph (1)(A) if the subsequent users had gained access to the material directly from that person;