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GREE, Inc. v. Supercell Oy

United States Court of Appeals for the Federal Circuit

May 10, 2021, Decided

2020-2125

Reporter

2021 U.S. App. LEXIS 13750 *; 855 Fed. Appx. 740; 2021 U.S.P.Q.2D (BNA) 523; 2021 WL 1850954

GREE, INC., Appellant v. SUPERCCELL OY, Appellee

Notice: THIS DECISION WAS ISSUED AS UNPUBLISHED OR NONPRECEDENTIAL AND MAY NOT BE CITED AS PRECEDENT. PLEASE REFER TO FEDERAL RULES OF APPELLATE PROCEDURE RULE 32.1 GOVERNING THE CITATION TO UNPUBLISHED OPINIONS.

Prior History: [*1] Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. PGR2019-00018.

Disposition: AFFIRMED.

Counsel: SCOTT ANTHONY MCKEOWN, Ropes & Gray LLP, Washington, DC, for appellant. Also represented by DOUGLAS HALLWARD-DRIEMEIER, MATTHEW RIZZOLO, KATHRYN C. THORNTON.

MICHAEL JOHN SACKSTEDER, Fenwick & West LLP, San Francisco, CA, for appellee. Also represented by TODD RICHARD GREGORIAN; JENNIFER RENE BUSH, Mountain View, CA; GEOFFREY ROBERT MILLER, New York, NY.

Judges: Before TARANTO, LINN, and CHEN, Circuit Judges.

Opinion

PER CURIAM.

GREE, Inc. ("GREE") appeals the holding of the Patent Trial and Appeal Board ("Board") in a post-grant review initiated by Supercell Oy ("Supercell") that claims 1-20 of GREE's U.S. Patent Number 9,897,799 ("799 patent") are directed to patent-ineligible subject matter under 35 U.S.C. § 101.

The Board, applying *Alice* Step 1, see *Alice Corp. v.*

CLS Bank Int'l, 573 U.S. 208, 216, 134 S. Ct. 2347, 189 L. Ed. 2d 296 (2014), held that the claims were directed to "the abstract idea of associating game objects and moving one or more of the objects." *Supercell Oy v. GREE, Inc.*, 2020 WL 2858715, at *9 (P.T.A.B. June 2, 2020) ("*Board Op.*"). Under *Alice* Step 2, the Board held that neither the independent step nor the dependent claims included an inventive step and recited merely routine and conventional steps that did not capture the particular improvements disclosed in the specifications. *Id.* at *11, *13-15. The [*2] Board thus held that all instituted claims were patent ineligible. *Id.* at *15. We review the Board's determination of patent ineligibility absent factual disputes *de novo*. *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1255 (Fed. Cir. 2014). We see no error in the Board's holding and thus affirm.

I. Independent Claims

Turning first to independent claims 1, 8, and 15, GREE primarily argues that the claims are directed to a novel gesture-driven control interface for computer gaming, and that this is akin to patent-eligible improvements in computer technology in *Core Wireless Licensing S.A.R.L. v. LG Electronics, Inc.*, 880 F.3d 1356, 1362-63 (Fed. Cir. 2018) and *Data Engine Technologies LLC v. Google, LLC*, 906 F.3d 999, 1008 (Fed. Cir. 2018).

We agree with the Board and Supercell that the claims are directed to "the abstract idea of associating game objects and moving one or more of the objects" rather than to an improvement in a graphic user interface. Claim 1 calls for "[a] computer-implemented method for operating a computer game," comprising basic computer functionality (storing and displaying data), "accepting, via an input face configured to detect a touch operation, operation information regarding a touch operation," "determining, using a processor, whether the operation information comprises a direction operation," moving "one or more of the plurality of associated objects as a group in the direction indicated by the direction operation," [*3] and "displaying, on a computer screen, the new arrangement on the game

field." Claims 8 and 15 are substantively identical, with the addition of a "graphical user interface" in the preamble to claim 15.

The independent claims are not directed to an improvement in the interface. As the Board correctly held, the method of detecting a touch operation via the "input face" is merely "incidental to the claimed method" needed only "to manipulate these objects in accordance with the input provided by a user." *Board Op.* at *7; see also *id.* at *8 (noting that the reference to an "input face" in claim 8 and the "graphical user interface" in the preamble in claim 15 do not focus claims 8 and 15 on the interface for the same reasons as claim 1). The touch interface claimed is merely the mechanism by which the focus of the invention—the movement-based rules comprised of the remaining steps in the claims—is executed. This is made clear by the patent's wholly generic claiming and description of the touch interface, and the claiming of wholly generic touch-screen functionality. Although the claims recite an "input face configured to detect a touch operation," this is the total extent of detail of the nature of the interface. [*4] The inclusion of such "generalized steps to be performed on a computer using conventional computer activity" does not render the claims directed to improvements in computer technology. See *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1338 (Fed. Cir. 2016); see also *In re TLI Commc'ns LLC Pat. Lit.*, 823 F.3d 607, 612 (Fed. Cir. 2016) (holding that claims directed to a method for recording digital images on a telephone were not directed to an improvement to computer functionality because "they are directed to the use of conventional or generic technology in a nascent but well-known environment" without "describ[ing] a new telephone, a new server, or a new physical combination of the two" or "any technical details for the tangible components").

The claims here are wholly unlike the claims we held were directed to patent eligible subject matter in *Core Wireless*. There, the claims called for the display of an application summary window "that can be reached directly from the menu" that displays application summaries while the application is in "an unlaunched state." *Core Wireless*, 880 F.3d at 1359. We explained that the claims specified "a particular manner by which the summary window must be accessed," included specific data to be included in the summary and required that the applications exist in a particular state. *Id.* at 1362. We concluded that these limitations, [*5] taken together, "disclose a specific manner of displaying a limited set of information" as contrasted with conventional user interface methods. *Id.* at 1363. Here,

by contrast, the user interface is described without specificity at a generic level. The Board correctly explained that the "claimed 'input face' is simply not claimed in sufficient detail to require the type of specific user interface found to transform the claims into a practical application in *Core Wireless*, *DDR Holdings*, and other similar cases." *Board Op.* at *11. We also agree with the Board that the addition of "a graphical user interface" in the preamble to claim 15 adds nothing to the generic claiming of the input face.

The claims are also unlike those directed to "a specific method for navigating through three-dimensional electronic spreadsheets," which we held to be patent eligible in *Data Engine*. See 906 F.3d at 1008. There, the interface "solved [a] known technological problem in computers in a particular way," and representative claim 12 "recite[d] specific steps detailing the method of navigating through spreadsheet pages within a three-dimensional spreadsheet." *Id.* The independent claims here stand in stark contrast because they recite only generic functionality [*6] of a touch-screen—recognizing a touch and a movement operation—and thus recite merely the abstract idea of associating and moving an object on a screen.

Turning to *Alice* step 2, we agree with the Board that nothing in the claims constitute an inventive step. As the Board correctly held, each of the limitations separately and in their ordered combination were routine and conventional. GREE argues that the input face has the capacity to distinguish between different types of operations; to wit, the "syntax of touches, swipes, and their combination to particular semantics, or the meaning of such operations." *Appellant's Br.* at 54. We see no error in the Board's conclusion that swipe operations were conventional, as disclosed in the specification's discussion of the prior art. '799 patent, col. 1, ll. 8-28. The Board also correctly explained that none of the syntax of touches and swipes that GREE cites as its inventive step are captured in any of the elements of the claims. See *RecogniCorp, LLC v. Nintendo Co.*, 855 F.3d 1322, 1327 (Fed. Cir. 2017). Moreover, the claims do not recite the ability to move multiple objects simultaneously; rather, the claims call for moving "**one or more** of the plurality of associated objects as a group" (emphasis added). With respect to [*7] the ordered combination of elements, we also agree with the Board that the associating, determining, and moving limitations are merely the itemization of the abstract idea of associating game objects and moving one or more of the objects.

We thus affirm the Board's conclusion that independent claims 1, 8, and 15 are directed to patent-ineligible subject matter.

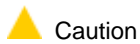
II. Dependent Claims

GREE summarily argues that claims 2, 9, and 16 add the limitation "specifying operation," by which a selected object from the plurality of associated objects is not moved. We see no error in the Board's holding these claims recite only patent-ineligible subject matter. As is the case with the independent claims, neither the dependent claims themselves nor the specification explains how the specifying operation works except in generic terms.

GREE argues that claims 3-6, 10-13, and 17-19, which include "a region into which an object is incapable of progressing," provides a separate inventive step. Again, the particulars of the processing of this limitation are recited in the claims and described in the specification wholly generically. It thus cannot form the basis of the inventive step. The same is true of claims [*8] 7, 14, and 20, which include a limitation that the objects may change "direction."

AFFIRMED

End of Document



iLife Techs., Inc. v. Nintendo of Am., Inc.

United States Court of Appeals for the Federal Circuit

January 13, 2021, Decided; January 13, 2021, Filed

2020-1477

Reporter

839 Fed. Appx. 534 *; 2021 U.S. App. LEXIS 909 **; 2021 U.S.P.Q.2D (BNA) 51; 2021 WL 117027

ILIFE TECHNOLOGIES, INC., Plaintiff-Appellant v.
NINTENDO OF AMERICA, INC., Defendant-Appellee

Texas order holding that claim 1 of U.S. Patent No. 6,864,796 is directed to patent ineligible subject matter under 35 U.S.C. § 101. We affirm.

Notice: THIS DECISION WAS ISSUED AS UNPUBLISHED OR NONPRECEDENTIAL AND MAY NOT BE CITED AS PRECEDENT. PLEASE REFER TO FEDERAL RULES OF APPELLATE PROCEDURE RULE 32.1 GOVERNING THE CITATION TO UNPUBLISHED OPINIONS.

Subsequent History: Petition for certiorari filed at, 06/14/2021

Prior History: **[**1]** Appeal from the United States District Court for the Northern District of Texas in No. 3:13-cv-04987-M, Chief Judge Barbara M.G. Lynn.

iLife Techs., Inc. v. Nintendo of Am., Inc., 2020 U.S. Dist. LEXIS 10018 (N.D. Tex., Jan. 17, 2020)

Counsel: MICHAEL CRAIG WILSON, Munck Wilson Mandala, LLP, Dallas, TX, for plaintiff-appellant. Also represented by CHASE COBERN, SAMUEL WALLACE DUNWOODY, IV, SHAIN KHOSHBIN, WILLIAM A. MUNCK, JORDAN C. STRAUSS.

STEPHEN R. SMITH, Cooley LLP, Washington, DC, for defendant-appellee. Also represented by SAMUEL WHITT; MATTHEW J. BRIGHAM, DENA CHEN, Palo Alto, CA.

Judges: Before MOORE, REYNA, and CHEN, Circuit Judges.

Opinion by: MOORE

Opinion

[*535] MOORE, *Circuit Judge*.

iLife Technologies, Inc., appeals a Northern District of

BACKGROUND

iLife owns the '796 patent, which is directed to a motion detection system that evaluates relative movement of a body based on both dynamic acceleration (*e.g.*, vibration, body movement) and static acceleration (*i.e.*, the position of a body relative to earth). See '796 patent at Abstract; 1:62-67; 3:26-32. Claim 1 recites:

1. A system within a communications device capable of evaluating movement of a body relative to an environment, said system comprising:

[*536] a sensor, associable with said body, that **[**2]** senses dynamic and static accelerative phenomena of said body, and a processor, associated with said sensor, that processes said sensed dynamic and static accelerative phenomena as a function of at least one accelerative event characteristic to thereby determine whether said evaluated body movement is within environmental tolerance wherein said processor generates tolerance indicia in response to said determination; and wherein said communication device transmits said tolerance indicia.

iLife sued Nintendo asserting that Nintendo infringed claim 1. Nintendo moved for summary judgment asserting that claim 1 was directed to patent ineligible subject matter. After the court declined to decide that issue, the parties continued to trial, agreeing not to present eligibility questions to the jury. Following a jury verdict in iLife's favor, Nintendo moved for judgment as a matter of law ("JMOL"), renewing its assertions that claim 1 was directed to ineligible subject matter. The court granted Nintendo's motion, holding that claim 1 was directed to the abstract idea of "gathering,

processing, and transmitting information" and failed to recite an inventive concept. J.A. 25. iLife appeals. We have **[**3]** jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

We review a grant of a motion for JMOL under regional circuit law. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1309 (Fed. Cir. 2009). The Fifth Circuit reviews an order granting JMOL de novo. *Hurst v. Lee Cty., Miss.*, 764 F.3d 480, 483 (5th Cir. 2014). We also review a district court's determination of patent eligibility under 35 U.S.C. § 101 de novo. *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1255 (Fed. Cir. 2014).

We apply a two-step framework for "distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts." *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 217, 134 S. Ct. 2347, 189 L. Ed. 2d 296 (2014). "First, we determine whether the claims at issue are directed to" a patent-ineligible concept, such as an abstract idea. *Id.* If they are, we examine "the elements of [each] claim to determine whether it contains an 'inventive concept' sufficient to 'transform' the claimed abstract idea into a patent-eligible application." *Id.* at 221 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 72, 79-80, 132 S. Ct. 1289, 182 L. Ed. 2d 321 (2012)). If the elements involve "well-understood, routine, [and] conventional activity previously engaged in by researchers in the field," *Mayo*, 566 U.S. at 73, they do not constitute an "inventive concept."

I. Alice Step One

At step one, the district court held that claim 1 is directed to the abstract idea of "gathering, processing, and transmitting information." J.A. 25. We agree. Claim 1 recites a motion sensor system that evaluates and communicates **[**4]** the relative movement of a body using static and dynamic acceleration information collected from sensors. Failing to provide any concrete detail for performing the associated functions, however, claim 1 merely amounts to a system capable of sensing information, processing the collected information, and transmitting processed information.

We have routinely held that claims directed to gathering and processing data are directed to an abstract idea. See *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1354 **[*537]** (Fed. Cir. 2016); *SAP Am., Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1167 (Fed. Cir. 2018)

(holding claims directed to the abstract idea of "selecting certain information, analyzing it using mathematical techniques, and reporting or displaying the results of the analysis"); *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat. Ass'n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (holding claims directed to the "abstract idea of 1) collecting data, 2) recognizing certain data within the collected data set, and 3) storing that recognized data in a memory").

iLife argues claim 1 is not directed to an abstract idea because it recites a physical system that incorporates sensors and improved techniques for using raw sensor data like the claims we held eligible in *Thales Visionix Inc. v. United States*, 850 F.3d 1343 (Fed. Cir. 2017) and *CardioNet, LLC v. InfoBionic, Inc.*, 955 F.3d 1358 (Fed. Cir. 2020). But in *Thales*, the claims recited a particular configuration of inertial sensors and a specific choice of reference frame in order to more accurately calculate position **[**5]** and orientation of an object on a moving platform. 850 F.3d at 1349. We held the claims were not directed to an abstract idea because they sought to protect "only the application of physics to the unconventional configuration of sensors as disclosed." *Id.* Likewise, the claims in *CardioNet* were not abstract because they focused on a specific means or method that improved cardiac monitoring technology, improving the detection of, and allowing more reliable and immediate treatment of, atrial fibrillation and atrial flutter. 955 F.3d at 1368. In contrast, claim 1 of the '796 patent is not focused on a specific means or method to improve motion sensor systems, nor is it directed to a specific physical configuration of sensors. It merely recites a motion sensor system that evaluates movement of a body using static and dynamic acceleration information.

While we agree with the district court that these claims are directed to the abstract idea of gathering, processing and transmitting data, the district court erred to the extent that it incorporated conventionality of claim elements at step 1. See, e.g., J.A. 26 ("Nothing in claim 1, understood in light of the specification, requires anything other than conventional sensors and processors **[**6]** performing 'conventional activit[ies] previously known to the industry.'" (quoting *Alice*, 573 U.S. at 225 (quoting *Mayo*, 566 U.S. at 73))). The conventionality of the claim elements is only considered at step two if the claims are deemed at step 1 to be directed to a patent ineligible concept, such as an abstract idea. *Alice*, 573 U.S. at 217, 225. A claim is not directed to an abstract idea simply because it uses conventional technology. This claim is, however,

directed to an abstract idea because it contains nothing more than the idea of gathering processing and transmitting data.

II. *Alice* Step Two

At step two, we "consider the elements of each claim both individually and 'as an ordered combination' to determine whether the additional elements 'transform the nature of the claim' into a patent-eligible application." *Alice*, 573 U.S. at 217 (quoting *Mayo*, 566 U.S. at 78-79). We have explained that this step is satisfied when the claim elements "involve more than performance of 'well-understood, routine, [and] conventional activities previously known to the industry.'" *Content Extraction*, 776 F.3d at 1347-48 (quoting *Alice*, 573 U.S. at 225); see also *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1128 [*538] (Fed. Cir. 2018) (collecting cases).

As the district court held, the elements of claim 1, considered individually and as an ordered combination, fail to recite an inventive concept. J.A. 28. Aside from the abstract idea, the claim [**7] recites only generic computer components, including a sensor, a processor, and a communication device. The specification's description of these elements confirms they are generic. See, e.g., '796 patent at 2:46-50 (communication device includes "cellular phones, . . . laptops, computers, . . . and other similar types of communications equipment"); 2:64-67 (sensor broadly means "a device that senses one or more absolute values, changes in value . . . of at least the sensed accelerative phenomena"); 4:34-38 (processor means "any device, system, or part thereof that controls at least one operation"). *iLife* argues that configuring an acceleration-based sensor and processor to detect and distinguish body movement as a function of both dynamic and static acceleration is an inventive concept. Appellant's Br. at 53-54. But the specification clarifies sensors (e.g., accelerometers) "that measure both static and dynamic acceleration [were] known." '796 patent at 2:1-2. And unlike the claims in *Thales*, claim 1 does not recite any unconventional means or method for configuring or processing that information to distinguish body movement based on dynamic and static acceleration. Therefore, we conclude that claim 1's [**8] mere call for sensing and processing static and dynamic acceleration information using generic components does not transform the nature of claim 1 into patent eligible subject matter. See *Elec. Power*, 830 F.3d at 1355; see also *BSG Tech LLC v. Buyseasons, Inc.*, 899 F.3d 1281, 1290-91 (Fed. Cir. 2018) ("If a claim's only 'inventive concept' is the application of an

abstract idea using conventional and well-understood techniques, the claim has not been transformed into a patent-eligible application of an abstract idea."). Accordingly, we hold claim 1 is directed to patent-ineligible subject matter.

CONCLUSION

We have considered *iLife*'s remaining arguments and find them unpersuasive. For the foregoing reasons, we conclude that claim 1 of the '796 patent is ineligible under § 101, and, therefore, we affirm.

AFFIRMED

End of Document

Atari Interactive, Inc. v. Redbubble, Inc.

United States District Court for the Northern District of California

January 28, 2021, Decided; January 28, 2021, Filed

Case No. 18-cv-03451-JST

Reporter

2021 U.S. Dist. LEXIS 35976 *; 2021 WL 706790

ATARI INTERACTIVE, INC., Plaintiff, v. REDBUBBLE, INC., Defendant.

Subsequent History: Later proceeding at Atari Interactive v. Redbubble, Inc., 2021 U.S. Dist. LEXIS 125856 (N.D. Cal., June 29, 2021)

Counsel: [*1] For Atari Interactive, Inc., Plaintiff: Keith Joseph Wesley, LEAD ATTORNEY, Browne George Ross O'Brien Annaguey & Ellis LLP, Los Angeles, CA; Eric Carl Lauritsen, Browne George Ross LLP, Matthew Lawrence Venezia, Milin Chun, Browne George Ross LLP, Los Angeles, CA.

For Redbubble, Inc., Defendant: Kenneth Brian Wilson, LEAD ATTORNEY, Coastside Legal, Half Moon Bay, CA; Joshua Michael Masur, Zuber Lawler LLP, Redwood City, CA.

Judges: JON S. TIGAR, United States District Judge.

Opinion by: JON S. TIGAR

Opinion

ORDER GRANTING IN PART AND DENYING IN PART PLAINTIFF'S AND DEFENDANT'S MOTIONS FOR SUMMARY JUDGMENT; ORDER SETTING CASE MANAGEMENT CONFERENCE

Re: ECF Nos. 73, 75

Before the Court are the parties' cross-motions for summary judgment. ECF Nos. 73, 75. The Court will grant the motions in part and deny them in part.

I. BACKGROUND

A. The Parties

Plaintiff Atari Interactive, Inc. ("Atari") is an early video game company. ECF No. 64-69 ¶ 15. "The Atari brand is one of the most iconic brands in video game history and has been and remains well-known throughout the public at large." *Id.* ¶ 16. Beginning in the 1970s, Atari created a series of popular arcade video games, including Pong, Asteroids, and Breakout. *Id.* ¶ 23. These [*2] games continue to have "retro" appeal to users, who build fan sites, play the Flash versions of these games, and follow Atari on Twitter. ECF No. 64-71 ¶ 27. Atari capitalizes on this good will by licensing official merchandise, including apparel, toys, games, drinkware, stickers, decals, and replica arcade cabinets. *Id.* ¶ 29. Atari has also released a "greatest hits" collection for Nintendo DS that packages its early games. ECF No. 64-6 ¶ 8.

Defendant Redbubble, Inc. provides a "global online marketplace[]" where independent artists upload their designs and creative works for sale on a range of products." ECF No. 80-1. The products on which the artists' designs are printed include apparel, stationery, housewares, bags, stickers, and wall art. ECF No. 64-28. In promotional materials, Redbubble explains its business model as "personalized on-demand retail." ECF No. 68 (Exhibit B). In traditional retail, customers buy from batch-manufactured goods that are stockpiled with the retailer. *Id.* But in personalized on-demand retail, the customer chooses and customizes the good before it is made. *Id.* Print-on-demand (a "first wave" of this model) relies on batch-manufactured goods that the buyer [*3] customizes through design. *Id.* Redbubble purports to take this evolution a step further by having the manufacturer hold only raw goods, so that the physical product can be customized through its physical form as well as through the design placed upon it. *Id.*

B. Redbubble's Marketplace

Redbubble's online marketplace works as follows: first, an artist uploads her art to Redbubble and selects, from a list predetermined by Redbubble, the products on which the art may be sold (e.g., t-shirts, mugs, etc.). ECF No. 78 ¶¶ 4-5. Redbubble assures the artist that "a lot of effort goes into finding awesome [physical] products that will do justice to your work." ECF No. 64-26 at 23. Redbubble and the artist together set the retail price: Redbubble sets a "base price" that covers its fee and manufacturing costs, while the artist selects the "creator margin" she will receive from the sale. The retail price is the sum of these figures. *Id.* at 24; ECF No. 64-52 at 8. During the upload, the artist can choose to provide additional information for the listing, including a title, description, and keywords. ECF No. 78 ¶ 6.

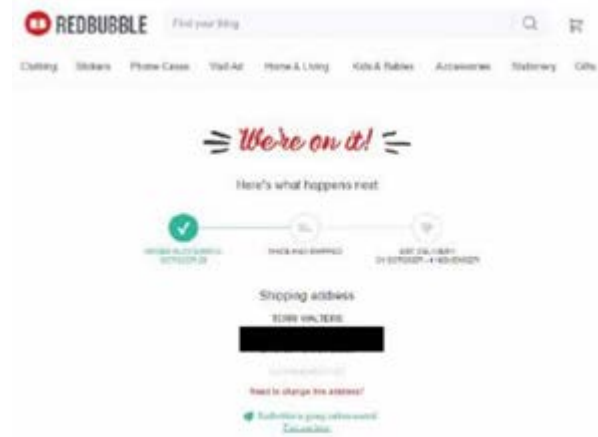
A visitor to Redbubble's website can then project the uploaded art onto stock photos of different [*4] physical products to show the final products available for purchase. ECF No. 78 ¶ 9. The product listings include a title¹ with the words "Designed by [artist]." See ECF No. 64-79 ("Designed by KalebFishStore"). Below the photos is a list of "features" for the physical product drafted by Redbubble, such as that it is "ethically sourced" and has a "Slim fit, but if that's not your thing, order a size up." See *id.*; ECF No. 64-58.² The artist's description - if the artist has provided one - appears after additional photos under the artist's name. See ECF No. 80-7 at 3. A link to "View [Artist's] Store" appears below that. *Id.*

When a customer purchases a product, Redbubble processes the payment and then shows a confirmation page stating, "We're on it!" ECF No. 64-72 ¶¶ 2-5; ECF No. 64-77. Redbubble's web site then informs the customer that the product will be "made and shipped" and provides an estimated delivery date. See ECF No. 64-77. The page encourages the customer to give

¹The title combines the artist's name for the art with Redbubble's name for the physical product. See, e.g., ECF Nos. 64-79 ("Centipede Mural Slim Fit T-Shirt"), 64-80 ("Centipede Slim Fit TShirt").

²Redbubble refers to this as "generic information displayed . . . without any involvement or intervention by Redbubble." ECF No. 80 ¶ 32. The Court interprets Redbubble to mean that its employees write the text and that the software matches it to the product listing based on the type of product selected (e.g., a t-shirt as opposed to a mug). The information shown in the exhibits is not generic - it is specific to the physical product sold. Compare ECF No. 64-79 (slim-fit t-shirt) with ECF No. 64-82 (graphic t-shirt).

"kudos to the artists" by telling them "what you love about their designs," but directs them to contact Redbubble for customer service and any shipping issues. See *id.*



ECF No. 64-77.

Redbubble [*5] then forwards the order to a preselected third-party manufacturer (called a "fulfiller") who creates the final product based on the customer's specifications. ECF No. 79 ¶ 2; ECF No. 64-26 at 43:22-44:6. Redbubble chooses its fulfillers based on quality standards, proximity to the customer, and product type. See ECF No. 68; ECF No. 78 ¶ 12. None of the artist, customer, and fulfiller interact with each other; all communicate exclusively with Redbubble. ECF No. 64-26 at 49:23-50:15. However, Redbubble claims to lack express agreements with its fulfillers. *Id.* at 98:11-25. "They are neither affiliates of Redbubble nor staffed by Redbubble." ECF No. 79 ¶ 4.

Once the fulfiller creates the goods, Redbubble provides it with the customer's shipping instructions - "standard" or "express" - and the fulfiller sends the goods directly to the consumer using one of the two companies with which Redbubble has shipping agreements. ECF No. 64-26 at 44:10-45:22. The customer then receives an email notification that the product has shipped, which encourages the buyer to "meet the artist" and states that "[a] portion of your purchase goes directly to this creative," but otherwise again directs them to [*6] contact Redbubble to check order progress, return or exchange an item, or determine the delivery date. ECF No. 64-74 at 4.

The final product arrives at the consumer in Redbubble packaging, with a Redbubble tag, and with a return addressee of "An Artist on Redbubble." ECF No. 64-76. The tag states that the product is "[c]reated just for you

by an independent artist and carefully printed by happy people in matching socks," but once again directs the customer to Redbubble's website to address any issues. *Id.* at 8; ECF No. 64-26 at 63:18-64:5. If the goods are damaged along the way, Redbubble takes responsibility to arrange a replacement. ECF No. 80-3 at 6. But Redbubble's replacement policy applies only to physical goods - Redbubble takes no responsibility for the "quality of the content (including but not limited to misspelled words, grammatical errors, formatting, design or overall appearance). *Id.* Redbubble handles all returns and refunds; the artist is not involved with the customer care. ECF No. 64-26 at 56:2-6.



ECF No. 64-76

In short, and as shown in the chart below, Redbubble undertakes at least four of the five steps necessary to complete a sales transaction: the artist uploads the art, [*7] but Redbubble manages the order, coordinates the creation of the goods, arranges for delivery, and handles all customer service issues, returns, and refunds. ECF No. 64-26 at 24.

C. The Dispute

Some time before the filing of the complaint, Atari noticed that Redbubble carries its trademarked and copyrighted designs. Atari located 114 Atari marks, 18 Pong marks, and 61 copyrighted designs in Redbubble's marketplace. ECF No. 64-30. Atari claims that this reflects a broader pattern of widespread infringement on Redbubble's website. ECF No. 73 at 11:5-12:23. Atari did not, however, notify Redbubble of these infringing products before filing the complaint.



See ECF No. 80 ¶ 26.

Once the complaint was filed, Redbubble immediately removed the listings identified in Atari's complaint. ECF No. 80-5. Redbubble also began to proactively police for Atari-related designs. ECF No. 80 ¶ 27. Redbubble claims that this practice is consistent with its usual policy: while Redbubble does not proactively identify infringing content, it removes infringing listings upon receiving notice, and also works with content owners to proactively screen for their content. *Id.* ¶¶ 7-11; ECF No. 64-54. The parties dispute [*8] the success of these efforts, Atari's experts having identified over 4,000 "repeat offenders," including some artists that were reported for infringement six or more times before being suspended. ECF No. 64-67 ¶¶ 35-36.

II. JURISDICTION

This Court has jurisdiction pursuant to 28 U.S.C. § 1331.

III. LEGAL STANDARD

Summary judgment is proper when a "movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). A dispute is genuine only if there is sufficient evidence "such that a reasonable jury could return a verdict for the nonmoving party," and a fact is material only if it might affect the outcome of the case. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986). When deciding a motion for summary judgment, the court must draw "all justifiable inferences" in the nonmoving party's favor and may not weigh evidence or make credibility determinations. *Id.* at 255.

Where the party moving for summary judgment would bear the burden of proof at trial, that party "has the initial burden of establishing the absence of a genuine issue of fact on each issue material to its case." *C.A.R. Transp. Brokerage Co. v. Darden Rests., Inc.*, 213 F.3d 474, 480 (9th Cir. 2000). Where the party moving for summary judgment would not bear the burden of proof at trial, that party "must either produce evidence [*9] negating an essential element of the nonmoving party's claim or defense or show that the nonmoving party does not have enough evidence of an essential element to carry its ultimate burden of persuasion at trial." *Nissan Fire & Marine Ins. Co. v. Fritz Cos.*, 210 F.3d 1099,

1102 (9th Cir. 2000). If the moving party satisfies its initial burden of production, the nonmoving party must produce admissible evidence to show that a genuine issue of material fact exists. *Id.* at 1102-03. If the nonmoving party fails to make this showing, the moving party is entitled to summary judgment. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322-23, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986).

IV. EVIDENTIARY ISSUES

The Court addresses two threshold evidentiary issues. First, Atari seeks judicial notice of foreign judgments by an Australian trial court that found Redbubble liable for direct trademark infringement. ECF Nos. 64-1, 64-2, 64-3. The existence of those judgments is properly subject to judicial notice. *See Cerner Middle E. Ltd. v. iCapital, LLC*, 939 F.3d 1016, 1023 n.8 (9th Cir. 2019); *Tahaya Misr Invest., Inc. v. Helwan Cement S.A.E.*, No. 2:16-cv-01001-CAS(AFMx), 2016 U.S. Dist. LEXIS 98888, 2016 WL 4072332, at *1 n.3 (C.D. Cal. July 27, 2016). However, that does not mean that the Court assumes the truth of the statements made therein. *See Khoja v. Orexigen Therapeutics, Inc.*, 899 F.3d 988, 999 (9th Cir. 2018). The Court also bears in mind that the Australian courts were not applying American law, and that Atari has made no effort to elaborate the differences or harmonize the Australian [*10] judgments with American law. Thus, the Court takes notice of the judgments but gives them little weight.

Similarly, the Court takes judicial notice of the oral argument in *Ohio State University v. Redbubble, Inc.*, No. 19-388, ECF No. 48 (6th Cir. Mar. 12, 2020), as a public record, but does not assume the truth of the facts stated therein. ECF No. 64-2; *see United States v. Raygoza-Garcia*, 902 F.3d 994, 1001 (9th Cir. 2018); *Engine Mfrs. Ass'n v. S. Coast Air Quality Mgmt. Dist.*, 498 F.3d 1031, 1039 n.2 (9th Cir. 2007).

Second, both parties seek to rely on various statements regarding Redbubble's status as a seller for purposes of taxation. Atari seeks to introduce Redbubble's annual reports, which suggest that Redbubble considers itself a seller for purposes of the sales tax. ECF No. 64-28 at 55. Redbubble seeks to rely on its user agreement, which states that Redbubble does not collect or pay taxes on the artist's behalf because it is merely "facilitating the sale of [the artist's] product." ECF No. 80-3 at 13. While liability for infringement might depend in certain circumstances on whether Redbubble is a "seller," neither party has established that the definition

of a seller for purposes of the sales tax corresponds to the definition relevant here. *Cf. Hoffman v. Connell*, 73 Cal. App. 4th 1194, 87 Cal. Rptr. 2d 272 (1999) ("The federal tax laws are not intended to determine a party's property rights."). The [*11] Court accordingly denies Atari's request and disregards Redbubble's argument based on the user agreement. For similar reasons, the Court disregards statements regarding agency made for purposes of accounting. *E.g.*, ECF No. 64-28 at 52 ("The [Redbubble] Group is acting as the artists' agent in arranging for the selling of the artists' goods to customers"); *see Frank Lyon Co. v. United States*, 435 U.S. 561, 577, 98 S. Ct. 1291, 55 L. Ed. 2d 550 (1978) (accounting does not lend substance).

V. DISCUSSION

The parties cross-move for summary judgment on Atari's trademark and copyright infringement claims based on direct, contributory, and vicarious liability. Redbubble additionally moves for summary judgment on willful infringement and to preclude Atari from offering a damages case. The Court addresses each claim.

A. Direct Trademark Infringement

Atari moves for summary judgment on trademark infringement of Atari and Pong marks based on Redbubble sales of products shown in ECF No. 64-30. The parties' dispute centers on whether Redbubble "uses" these marks in commerce, or merely facilitates others' use.

1. Legal Background

The Lanham Act, which codifies federal trademark law, provides in relevant part that:

Any person who shall, without the consent of the registrant . . . use in commerce [*12] any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C. § 1114(1)(a).

To prevail on a claim of direct trademark infringement,

plaintiff must prove "(1) that it has a protectable ownership interest in the mark; and (2) that the defendant's use of the mark is likely to cause consumer confusion." *Network Automation, Inc. v. Adv. Sys. Concepts, Inc.*, 638 F.3d 1137, 1144 (9th Cir. 2011). Counterfeiting, which is a species of direct trademark infringement, requires the use of "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. § 1127. The Lanham Act does not impose liability on all uses of a trademark - only those that are likely to cause commercial confusion. *Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 676-77 (9th Cir. 2005).

In "patent, trademark . . . and copyright infringement cases, any member of the distribution chain of allegedly infringing products can be jointly and severally liable for the alleged misconduct." *Adobe Sys. Inc. v. Blue Source Grp., Inc.*, 125 F. Supp. 3d 945, 973 (N.D. Cal. 2015). Thus, courts have found liability for a retailer that inadvertently [*13] sold counterfeit goods, *El Greco Leather Prods. Co., Inc. v. Shoe World, Inc.*, 806 F.2d 392, 396 (2d Cir. 1986); a print-on-demand business that made goods based on customer-uploaded designs, *H-D U.S.A., LLC v. SunFrog, LLC*, 311 F. Supp. 3d 1000, 1029-30 (E.D. Wis. 2018); a licensor who licensed others' infringing use, *Gianni Versace, S.p.A., v. Versace 19.69 Abbigliamento Sportivo SRL*, 328 F. Supp. 3d 1007, 1021-22 (N.D. Cal. 2018); and a competitor that used trademarks as "keywords" to advertise its own products. *Network Automation*, 638 F.3d at 1144-45.

However, the alleged infringer must directly use the trademarks; a party that merely facilitates or assists others' use cannot be liable for direct infringement. See *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 854, 102 S. Ct. 2182, 72 L. Ed. 2d 606 (1992). Thus, a flea market or swap meet that provides space for trademark infringers to sell their goods is only indirectly liable. See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264-65 (9th Cir. 1996). Other service providers that aid the infringer may avoid liability altogether. See *Hard Rock Cafe Licensing Corp. v. Concession Serv., Inc.*, 955 F.2d 1143, 1148-49 (7th Cir. 1992) (suggesting that a party that helps an infringer erect a flea market stand would not be liable); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984-85 (9th Cir. 1999) (finding that an internet domain name registrant is not liable for passively routing

infringing domain names).³

2. Use in Commerce

Atari contends that Redbubble "uses" its trademarks in commerce by selling, offering to sell, and advertising t-shirts that bear Atari's logos. ECF No. 73 at 17:6-20:5. Redbubble does not dispute that these actions (which are expressly listed in the Lanham Act) constitute [*14] "use" of the trademarks, but argues that the artists, and not Redbubble, are the ones performing them. ECF No. 75 at 9-11.

a. Sales

A party is strictly liable for selling infringing goods even if it does not itself affix the mark. See, e.g., *Phillip Morris USA Inc. v. Shalabi*, 352 F. Supp. 2d 1067, 1074 (C.D. Cal. 2004) (sellers of cigarettes with infringing packaging liable regardless of whether they knew the goods were counterfeit). Atari argues that Redbubble is liable for infringement as "the primary moving force behind the sales" that occur on its website and the party that "controls every aspect of the sales." ECF No. 73 at 18:6-17. Redbubble disagrees, citing *Ohio State University v. Redbubble, Inc.*, 369 F. Supp. 3d 840 (S.D. Ohio 2019), which found that Redbubble was not a "seller." ECF No. 75 at 8:18-10:15.

In *Ohio State*, the court analogized Redbubble to Amazon Marketplace, which courts have found to be a facilitator of sales between other parties, rather than a seller itself. 369 F. Supp. 3d at 844. For example, in *Milo & Gabby LLC v. Amazon.com, Inc.*, the Federal Circuit found that Amazon was not a seller for purposes of copyright infringement because a "sale" requires transfer of legal title from the seller to the buyer, and Amazon never held title to the goods sold through its website and shipped through its warehouses. 693 F.

³ Redbubble cites *Tiffany Inc. v. eBay, Inc.*, 600 F.3d 93, 103 (2d Cir. 2010), for the proposition that online marketplaces are not liable for direct infringement. However, *Tiffany* does not so hold. On the contrary, the Second Circuit in that case expressly considered eBay's own use of Tiffany's marks on its website, but determined that it constituted "fair use" as describing Tiffany's products. See *id.* at 102; see also *Multi Time Machine, Inc. v. Amazon.com, Inc.*, 804 F.3d 930, 935-36 (9th Cir. 2015) (considering Amazon's practice of showing search results without suggesting that the online marketplace is immune from direct liability).

App'x 879, 886 (Fed. Cir. 2017) (citing the Uniform Commercial Code [*15]). Amazon also "did not control what information or pictures were put up the product-detail page" or "the price for which the product was sold." *Id.* Analogizing to Amazon, the *Ohio State* court found that "Redbubble essentially offers to 'independent artists' an online platform through which to sell their goods and access to Redbubble's relationships with manufacturers and shippers," without directly selling the goods. 369 F. Supp. 3d at 845-46.

The Court respectfully disagrees with these conclusions, as applied here, for three reasons. First, as a factual matter, the evidence before this Court does not show that the artists who upload their designs to Redbubble own the goods being sold - which are physical products bearing the art - sufficient to make them "sellers" under *Milo & Gabby*. Redbubble's user agreement states that artists "may offer *their art* for sale on a physical product" - but the artists may not be offering the physical product itself for sale. ECF No. 80-3 at 11.

Atari submits additional evidence supporting the conclusion that Redbubble, not the artists, own and sell the physical products on Redbubble's website. Redbubble selects the specifications for the physical products and controls that [*16] process enough to make representations about the product's fit and other attributes. See ECF No. 80 ¶ 32; ECF No. 80-7 at 2. Redbubble also takes responsibility for damaged goods and arranges replacements to be made and shipped to the customer. ECF No. 80-3 at 6. As part of that process, Redbubble handles excess inventory generated through returns, reprints, and other activities, and usually discards the items. *Id.*; ECF No. 64-26 at 56:2-10, 65:15-21. Although Redbubble's user agreement states that "title and risk of loss for the [purchased] items pass from the [artist] to the customer/purchaser without passing through [Redbubble]," ECF No. 80-3 at 12, there is no evidence that the artists exercise any indicia of ownership over the physical products.⁴

⁴ Outside of trademark law, courts routinely look beyond legal conclusions in an agreement to determine ownership. See, e.g., *Lone Star Silicon Innovations LLC v. Nanya Tech. Corp.*, 925 F.3d 1225, 1230 (Fed. Cir. 2019) (disregarding legal conclusion in contract to determine ownership for purposes of patent standing); *Adobe Sys. Inc. v. Christenson*, 809 F.3d 1071, 1080 (9th Cir. 2015) (disregarding agreement title to determine copyright first sale); *Sollberger v. C.I.R.*, 691 F.3d 1119, 1123-24 (9th Cir. 2012) (considering eight factors to determine if the "burdens and benefits of ownership" were

Second, as a legal matter, a "sale" is not limited to sales by the owner. Rather, the law recognizes a sale by anyone who has authority to transfer title. See *Area 55, Inc. v. Amazon.com, Inc.*, No. 11-CV-00145-H (NLS), 2012 U.S. Dist. LEXIS 191163, 2012 WL 12517661, at *3-4 (S.D. Cal. May 3, 2012); see also U.C.C. § 2-403(1) ("A purchaser of goods acquires title which his transferor had *or had power to transfer*" (emphasis added)). Thus, even assuming that the artists hold some title in the products, Redbubble may still sell those [*17] products if it had authority to do so as the artists' agent. See ECF No. 80-3 at 11 (recognizing Redbubble as the artist's agent "in relation to the sales transaction between [the artist] and the customer"); cf. Restatement (Third) of Agency § 7.01 (an agent is liable for tortious actions performed on behalf of another).

Here, because the products do not exist at the time of the order, the "sale" is not a sale at all under the Uniform Commercial Code, but rather a contract to sell. See U.C.C. § 2-105(2) ("A purported present sale of future goods or of any interest therein operates as a contract to sell."). Accordingly, the key question is whether Redbubble (rather than the artist) can be understood to have contracted with the buyer to deliver title of the goods and whether it had authority to do so, either by virtue of owning the goods or by having authority from the owner. In this respect, Atari's evidence shows that the customer forms a contract with Redbubble, not the artist. Redbubble designs the order process to create the impression that it itself offers the goods for sale. For example, Redbubble's product listings state that the products are "designed by" the artist, not "sold by" the artist. See ECF No. 64-80. Redbubble's software [*18] accepts the orders and forms a contract without any input from the artist. ECF No. 80-3 at 8. Redbubble has the authority to make sales on the artist's behalf. ECF No. 80-3 at 11-12 (giving Redbubble license and instructions to facilitate sale). Redbubble's order confirmations further reinforce Redbubble's responsibility ("We're on it!"), while describing the artist as a mere beneficiary that receives "kudos" and a portion of the proceeds. See ECF Nos. 64-75, 64-77. And the products themselves arrive in Redbubble packaging with a Redbubble tag to reinforce that they are *Redbubble's* products. ECF No. 64-76.

Third, the Court finds this case very similar to *SunFrog*, 311 F. Supp. 3d at 1000. Like Redbubble, "SunFrog is in the business of marketing, printing, and selling apparel, including tshirts, sweatshirts, hoodies, leggings,

transferred for purposes of taxation).

and other products such as mugs, on its website." *Id.* at 1013. Like Redbubble, SunFrog's "website includes an online retail marketplace where consumers can purchase the products advertised thereon." *Id.* Like Redbubble, "the key feature of the site, and the source of much of SunFrog's success, is that it also provides a 'user-friendly,' 'simple' online platform where: (a) 'artists' can upload designs or artwork [*19] to SunFrog's 'All SunFrog Art Online Database' . . . for application to products by the artists and by others." *Id.* And like Redbubble, "SunFrog itself creates no designs, graphics, or images for use on products, though when one user wishes to share his design with others, SunFrog is the intermediary and makes that design available through its website." *Id.* SunFrog was sued by H-D U.S.A., LLC, the owners of the Harley Davidson trademarks, for trademark infringement based on SunFrog's sales of apparel and other goods bearing the registered marks. *Id.* at 1017. The district court granted summary judgment in H-D U.S.A., LLC's favor. *Id.* at 1041.

The similarities between this case and *SunFrog* are striking. As in this case:

- "SunFrog itself creates no designs, graphics, or images for use on products[.]" *Id.* at 1013.
- "SunFrog's sellers create new products by selecting 'blank' products (e.g., a t-shirt bearing no images, designs, or text) made available by SunFrog and then adding logos, images, or text to be printed on the products. Using SunFrog's online software, artists generate mockups of the finished product bearing their images or designs." *Id.* at 1013.
- "SunFrog then advertises and offers these finished products on its website. [*20] For example, sellers have opened accounts, selected a blank t-shirt, and added designs displaying one or more of the H-D Marks in just a few minutes." *Id.* at 1014.
- "When consumers purchase products on SunFrog's website, SunFrog handles the payment transaction and then prints and ships the products to the consumers. SunFrog's printers are 'highly automated' and print on-demand when a user submits a design for printing." *Id.* at 1014.
- "Because all products are produced on-demand, SunFrog does not keep any inventory of finished products." *Id.* at 1015.

There are some distinctions between this case and

SunFrog. Unlike Redbubble, "[i]n addition to printing the products as designed, SunFrog affixes its own trademarks and logos onto the products themselves, the products' tags, or both." *Id.* at 1014. Redbubble does not put its mark on the actual product (although it does affix a tag with its trademark). Also, SunFrog's employees both operated the printers that placed the designs onto the physical product and shipped the finished products to customers. *Id.* at 1029-30. These distinctions are entitled to some weight, certainly. But they do not compel the conclusion that Redbubble is not a seller as a matter of law.

Accordingly, Redbubble's motion for [*21] summary judgment must be denied.

At the same time, "Redbubble does not fit neatly into the category of either an 'auction house' on the one hand, that will generally be free from liability for direct infringement, or a company that itself manufactures and ships products on the other, on which liability for direct infringement can be readily imposed." *Y.Y.G.M. SA v. Redbubble, Inc.*, No. 2:19-cv-04618-RGK(JPR), 2020 U.S. Dist. LEXIS 228578, 2020 WL 3984528, at *3 (C.D. Cal. July 10, 2020). A reasonable jury could conclude that Redbubble is merely a "transactional intermediary" and not a seller. *GMA Accessories, Inc. v. BOP, LLC*, 765 F.Supp.2d 457, 464 (S.D.N.Y. 2011). Redbubble's description of itself as the host of a marketplace "where independent artists upload their designs and creative works for sale on a range of products" has some basis in fact. ECF No. 80-1 at 2. It states that its mission is to give "independent artists a meaningful new way to sell their creations." ECF No. 80-2 at 2. It has no role in the selection of the art that is placed on the physical product. In *GMA Accessories*, the district court denied summary judgment for the trademark holder on direct infringement against a showroom because the showroom was "merely a broker, rather than a direct seller." *Id.* The district court noted there was "no evidence that [Defendant] took [*22] title to the merchandise, maintained an inventory of merchandise, bore the risk of loss or other traditional indicia of status as seller." *Id.*; see also *Ohio State*, 369 F. Supp. 3d at 844 (citing *GMA Accessories*). Here, while there is something much more than "no evidence" that Redbubble acts as a seller, Atari has not established that Redbubble is a seller as a matter of law.⁵

⁵ Indeed, two district courts have ruled that Redbubble is affirmatively not a seller as a matter of law. *Y.Y.G.M.*, 2020 U.S. Dist. LEXIS 228578, 2020 WL 3984528 at *4; *Ohio State*,

Accordingly, the Court denies summary judgment to both Atari and Redbubble on Atari's direct copyright infringement claim insofar as Redbubble is an alleged seller.⁶

b. Offers to Sell

An offer to sell requires "the manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it." Restatement (Second) of Contracts § 24 (1984). A party may be liable for offering to sell an infringing good even if that party does not - and cannot - enter into an actual sale. See *Levi Strauss & Co. v. Shilon*, 121 F.3d 1309, 1312 (9th Cir. 1997). Thus, an online marketplace may be liable for offering to sell an infringing good if "a person shopping on [the website] would have reasonably believed that the [website provider], and not the third-party sellers, was the seller with title or possession of a product who could have entered into a contract [*23] to transfer title or possession." *Alibaba.com Hong Kong LTD v. P.S. Prods., Inc.*, No. C-10-04457 WHA, 2012 U.S. Dist. LEXIS 66437, 2012 WL 1668896, at *3 (N.D. Cal. May 11, 2012) (applying traditional contract law in patent infringement dispute); see also *Milo & Gabby, LLC v. Amazon.com*, No. C13-1932RSM, 2015 U.S. Dist. LEXIS 92890, 2015 WL 4394673, at *14 (W.D. Wash. July 16, 2015).

369 F. Supp. 3d at 845.

⁶Redbubble also defends against this claim on the grounds that Atari has not shown "volitional conduct" by Redbubble. The volitional conduct doctrine is taken from copyright law, not trademark law. It requires that a plaintiff claiming direct copyright infringement "show causation (also referred to as 'volitional conduct') by the defendant." *Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657, 666 (9th Cir. 2017). Volition in this context refers, not to an "act of willing or choosing," but to proximate causation. *Id.* "Stated differently, 'direct liability must be premised on conduct that can reasonably be described as the direct cause of the infringement.'" *VHT, Inc. v. Zillow Grp., Inc.*, 918 F.3d 723, 731 (9th Cir. 2019) (quoting *Perfect 10*, 847 F.3d at 666) (emphasis omitted). The Court is not aware of any case within the Ninth Circuit applying the volitional conduct doctrine to a trademark infringement claim, and courts "have consistently rejected the proposition that a . . . kinship exists between copyright law and trademark law" sufficient to import a doctrine from one area to the other. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19, 104 S. Ct. 774, 78 L. Ed. 2d 574 (1984). The Court declines to address the issue further.

A visitor to Redbubble's website could conclude that either Redbubble or the artist was the offeror for the same reasons that they could conclude that either was the seller. Accordingly, both parties' motions for summary judgment are denied as to this prong also.

c. Advertisements

Advertising provides a separate basis for a finding of trademark infringement. See 15 U.S.C. § 1114(1)(a). That is because advertising goods or services using a mark is likely to result in initial interest confusion, as customers are drawn to a website or vendor by the trademark. See *Nissan Motor Co. v. Nissan Comp. Corp.*, 378 F.3d 1002, 1018 (9th Cir. 2004). This type of confusion creates liability even if "no actual sale is finally completed as a result of the confusion." *Id.* (quoting *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 941 (9th Cir. 2002)); see also *Brookfield Communs., Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999) (giving example of a company putting up a billboard for a competitor to divert traffic at an intersection, even if customers quickly realize that they arrived at a different store).

Here, Redbubble advertises by creating a "continually-updating 'product feed'" of product listings for various advertising [*24] platforms, including Google and Facebook. ECF No. 80 ¶ 33; ECF No. 64-28 at 48:18-49:17. Redbubble does not select any particular listing to advertise, but rather lets Google and other platforms select product listings based on user interest. ECF No. 80 ¶¶ 34-35. For example, Google might select a Redbubble listing that matches the user's search query or browsing history. See ECF No. 80-8 at 2. However, Redbubble disavows any responsibility to advertise on the artists' behalf. See ECF No. 75 at 11:14-16. Thus, the artists cannot be liable for advertising infringement because Redbubble undertakes to advertise on its own initiative without their involvement. Indeed, the exhibits show that Redbubble advertises primarily its own services as a marketplace, and only peripherally the products. See ECF No. 64-32.

Accordingly, Redbubble is the only party that can be said to advertise and is strictly liable for any trademark infringement that occurs as the result. Redbubble argues that it avoids liability because it does not select the listing advertised or affix marks to the displays, but these arguments are unpersuasive. The party that selects listings (Google and other advertising platforms) [*25] does so automatically based on

parameters specified by Redbubble. See ECF No. 80 ¶¶ 34-35. Even if Redbubble lacks knowledge of the particular image shown, it remains strictly liable for actions done without scienter. Nor is there an affixation requirement in the Lanham Act: any party that uses a trademark is liable even if it did not itself affix the mark to the display. See *El Greco*, 806 F.2d at 396; *C&L Int'l Trading Inc. v. Am. Tibetan Health Inst., Inc.*, No. 13 Civ. 2638(LLS), 13 Civ. 2763(LLS), 2015 U.S. Dist. LEXIS 52971, 2015 WL 1849863, at *5 (S.D.N.Y. Aug. 22, 2015). Accordingly, there is no material dispute that Redbubble uses its product listings to advertise.

Nevertheless, Atari has not shown that it has a "protectable interest" in the trademarks advertised. *Network Automation*, 638 F.3d at 1144. Atari introduces trademark registrations for only two of its marks - Atari and Pong. ECF Nos. 64-7, 64-8. By contrast, the marks shown to be advertised by Redbubble involve entirely different designs. See ECF Nos. 64-32, 64-64, 64-65. Thus, Atari has only circumstantial evidence that Redbubble may have advertised the protected marks when Google and other advertising platforms selected the image for display. Because Atari introduces insufficient evidence of how those platforms select listings, it fails to show entitlement [*26] to summary judgment for trademark infringement based on advertising.

Accordingly, both parties' motions for summary judgment are denied as to the third prong.

B. Indirect Trademark Infringement

Atari argues that Redbubble is liable for vicarious and contributory infringement based on direct infringement by fulfillers and artists, respectively. To the extent that those parties are direct infringers, Atari does not establish secondary liability.

1. Vicarious Liability - Fulfillers

Vicarious liability occurs where "the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product." *Visa Int'l Serv.*, 494 F.3d at 807. Atari introduces circumstantial evidence that Redbubble controls the appearance and fit of the physical products, including that Redbubble performs quality control, makes detailed representations about the products, and

instructs the fulfillers to use Redbubble packaging and tags. See, e.g., ECF Nos. 68 (Exhibit C), 64-80, 80. But Atari introduces no direct evidence of the relationship between Redbubble and fulfillers. For example, the order form sent to the fulfillers [*27] and the "terms and conditions" imposed on them - or at least one of them - is missing from the record. See ECF No. 64-26 at 98:11-25. The existence of bare statements by Redbubble employees referring to fulfillers as "partners" cannot backfill that failure. See *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 591 F. Supp. 2d 1098, 1113 (N.D. Cal. 2008). Atari thus fails to satisfy its burden of production.

On the other hand, Redbubble has not established that no reasonable jury could find it vicariously liable based on Atari's circumstantial evidence. Courts have found vicarious infringement where a party exerts significant control over the infringing activity. See, e.g., *Robinson v. Delicious Vinyl Records Inc.*, No. 13-cv-41111, 2013 U.S. Dist. LEXIS 109279, 2013 WL 3983014, at *6 (C.D. Cal. Aug. 1, 2013) (finding likely liability where defendant "directly engages" concert promoters and exercises "complete control" over the content). *But see Visa Int'l Serv.*, 494 F.3d at 803, 808 (no vicarious liability for payment processor that could not stop infringement). Here, given the level of control exercised over the physical product and Redbubble's role in selecting and directing the fulfiller, a reasonable jury could find Redbubble liable for the fulfillers' actions. See *Oper. Tech., Inc. v. Cyme Int'l T&D Inc.*, No. SACV 14-009999 JVS (DFMx), 2016 U.S. Dist. LEXIS 195820, 2016 WL 6246806, at *4 (C.D. Cal. Mar. 31, 2016) (finding triable issues of fact where defendants made the infringing [*28] party the sole authorized sales representative, retained control over scope of the work, and insulating risk from lack of a buyer). Accordingly, neither party is entitled to summary judgment on the vicarious infringement claim.⁷

⁷In *Y.Y.G.M.*, 2020 U.S. Dist. LEXIS 228578, 2020 WL 3984528, at *10, the court found Redbubble not vicariously liable, despite its exercise of control over the products, because Redbubble did not exercise control over the design itself. However, Atari introduces evidence that the fulfillers communicate exclusively with Redbubble about the orders, including about potentially counterfeit designs, which could reasonably lead them to conclude that Redbubble ratifies the content. ECF No. 81-2 at 70:17-25, 74:1-22. Since vicarious infringement arises from agency principles, the key question is whether the fulfillers act under direction from Redbubble in attaching the marks. See *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1251 (10th Cir. 2013).

2. Contributory Infringement - Artists

A service provider contributorily infringes a trademark when it "continue[s] to supply its services to one who it knew or had reason to know was engaging in trademark infringement" and has "direct control and monitoring of the instrumentality used by a third party to infringe." *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 942 (9th Cir. 2011) (quoting *Inwood Labs.*, 456 U.S. at 855). In *Tiffany*, 600 F.3d at 107, the Second Circuit found that contributory infringement requires knowledge of "specific instances of actual infringement," not merely "general knowledge." However, other circuits have not expressly adopted this rule, and the Ninth Circuit requires only "actual or constructive knowledge that the users of [defendants'] services were engaging in trademark infringement." *Akanoc*, 658 F.3d at 943; see *Luxottica Grp., S.p.A. v. Airport Mini Mall, LLC*, 932 F.3d 1303, 1314-15 (11th Cir. 2019) (reserving judgment on whether *Tiffany* standard applies); *Rosetta Stone*, 676 F.3d at 164-65 (finding that *Tiffany* has "limited application" on summary judgment); *1-800 Contacts*, 722 F.3d at 1252-54 (limiting *Tiffany* to cases where party cannot prevent infringement without impinging legal [*29] conduct).

At least two circuits have found contributory infringement where a service provider failed to take reasonable steps to stop infringement despite having general knowledge of infringement. See *1-800 Contacts*, 722 F.3d at 1252-54; *Coach, Inc. v. Goodfellow*, 717 F.3d 498, 504-05 (6th Cir. 2013). In *1-800 Contacts*, the Tenth Circuit found that a company could be contributorily liable for its affiliate's advertisement using a competitor's mark because it "could have stopped the use of ads using [the] mark' by simply . . . send[ing] an email blast to its affiliates forbidding such use," but failed to take "reasonable action to promptly halt the practice" upon obtaining general knowledge of infringement. 722 F.3d at 1254-55. Similarly, in *Goodfellow*, the Sixth Circuit found a flea market operator contributorily liable for vendors' infringement because it "had actual knowledge that the infringing activity was occurring at his flea market," but "failed to deny access to offending vendors or take other reasonable measures to prevent use of flea market resources for unlawful purposes, and failed even to undertake a reasonable investigation." 717 F.3d at 504. And the Eleventh Circuit adopted similar reasoning in concluding that actual or constructive knowledge could arise from "many [*30] sources, including steps [defendants] could have taken to investigate alleged

infringement" after obtaining general knowledge of infringement. *Luxottica*, 932 F.3d at 1314. *But see Hard Rock Cafe*, 955 F.2d at 1149 (finding that "reason to know" does not encompass information arising from duty to investigate).

Accordingly, the balance of authorities suggests that contributory infringement could occur when a service provider fails to take reasonable steps to prevent infringement while having general knowledge that such infringement is taking place. Here, Atari argues that Redbubble fails to take any action to prevent infringement until after it receives notice from a rights holder, even though it has reason to know that widespread trademark infringement is occurring on its website. ECF No. 81 at 19 (describing "a policy to not search for infringements absent prior notice from the rights holder"). But Redbubble's evidence shows that it does significantly more than that. Redbubble's Marketplace Integrity Team proactively screens for infringing content based on information it receives from content owners.⁸ ECF No. 80 ¶ 8. The team searches Redbubble's site for potentially infringing listings using a list of terms "that are related to protected words [*31] or images provided by a content owner, such as trademarks, copyright-protected images, name and likeness." *Id.* ¶ 10. Where the content owner alleges infringement on Redbubble's site generally but refuses to cooperate by identifying specific products, Redbubble attempts to screen based on its own judgment. *Id.* ¶ 11. Given that use of trademarked content is difficult to detect without input from the trademark owners, Atari fails to show that Redbubble's process is unreasonable.⁹

Atari argues that Redbubble could do more, such as disabling search terms on its website based on

⁸ Redbubble cites cases stating that the law does not impose an "affirmative duty to police the Internet in search of potentially infringing uses." See, e.g., *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 966 (C.D. Cal. 1997). However, the *reason* such policing is not required is because such steps are not practicable on the Internet as a whole. See *Luxottica*, 932 F.3d at 1314. What is at issue here is Redbubble's website, not the entire Internet.

⁹ For this reason, the evidence identified in Atari's surreply, which shows additional infringing products available after completion of summary judgment briefing, does not convince. ECF No. 93. As Redbubble shows in its response, these additional products lack identifiable information that would have enabled identification of the counterfeiting. ECF No. 94 at 2:6-22.

trademarked names. Redbubble convincingly responds that many of the excluded search results would actually constitute fair use.¹⁰ In particular, product designs may use Atari's name in a descriptive sense without creating likelihood of confusion. See 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:11 (5th Ed. 2020). Alternatively, Atari's name may be used as a keyword for designs "inspired by" Atari or the general arcade game aesthetic without infringing trademarks. Redbubble is not required to disable functionality capable of substantial non-infringing use merely because some parties [*32] may use it to infringe. *1-800 Contacts*, 722 F.3d at 1253-54.

Atari also submits evidence that Redbubble knowingly allows repeat infringers to upload content to Redbubble's site. Atari's expert testified that of the 4,356 sellers who were reported to Redbubble as having posted infringing content, 1,081 were repeat infringers who had more than one report submitted to Redbubble for an intellectual property violation. ECF No. 64-67 ¶ 35. Such sellers had to be reported to Redbubble between two and 34 times before their accounts were suspended. *Id.* ¶ 36. 412 sellers were reported three or more times; 195 sellers were reported four or more times; 125 sellers were reported five or more times; and 93 sellers were reported six or more times. *Id.* This evidence is significant because the Ninth Circuit focuses on knowledge that "users of [defendants'] services were engaging in trademark infringement," not on knowledge of particular acts of infringement. *Akanoc*, 658 F.3d at 943; *accord Rosetta Stone*, 676 F.3d at 163-65 (vacating summary judgment of no contributory infringement where Google continued to allow known infringers to advertise using different sponsored links). Accordingly, genuine disputes of material fact remain over contributory infringement. [*33]¹¹

¹⁰ The Ninth Circuit has recognized both a "nominative fair use defense" and "a classic fair use defense." *Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt., Inc.*, 618 F.3d 1025, 1031 (9th Cir. 2010). The classic fair use defense, which is the only one at issue here, "allows a party to use a descriptive word 'otherwise than as a mark . . . [and] fairly and in good faith only to describe the goods or services of such party, or their geographic origin.'" *Id.* at 1039 (quoting 15 U.S.C. § 1115(b)(4)).

¹¹ Atari argues that Redbubble acts with willful blindness with respect to infringement. Willful blindness requires a party to "subjectively believe that there is a high probability that a fact exists" and "take deliberate actions to avoid learning of that fact." *Luvdarts, LLC v. AT&T Mobility, LLC*, 710 F.3d 1068,

C. Direct Copyright Infringement

Atari moves for summary judgment on its copyright infringement claims based on the same facts described above. Redbubble cross-moves for summary judgment contending (1) Atari failed to introduce the content of the work submitted with its copyright registration, (2) the volitional conduct doctrine bars liability, and (3) the Digital Millennium Copyright Act ("DMCA") protects Redbubble from liability.

1. Legal Background

To establish direct copyright infringement, a plaintiff must (1) "show ownership of the allegedly infringed material," (2) "demonstrate that the alleged infringers violated at least one exclusive right granted to copyright holders under 17 U.S.C. § 106," and (3) "show causation (also referred to as 'volitional conduct') by the defendant." *Giganews*, 847 F.3d at 666. The exclusive rights protected by copyright law include the rights to "reproduce the copyrighted work in copies or phonorecords," "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership," and "to display the copyrighted work publicly" (for audiovisual works), among others. 17 U.S.C. § 106(1,3,5).

Under the second element, plaintiff must show "copying" of the protected work [*34] - that is, copyright law does not protect against independently created works. See *Skidmore as Tr. of Randy Craig Wolfe Tr. v. Led Zeppelin*, 952 F.3d 1051, 1064 (9th Cir. 2020).

In this context, the word "copy" does not denote "mak[ing] a copy or duplicate of." Webster's Collegiate Dictionary 276 (11th ed. 2012). Rather, "[t]he word 'copying' is shorthand for the infringing of any of the copyright owner's five exclusive rights, described at 17 U.S.C. § 106." *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1085 n.3 (9th Cir. 1989). Thus, because the Copyright Act grants exclusive rights to the copyright owner "to distribute copies or phonorecords of the copyrighted work to the public," 17 U.S.C. § 106(3), distribution of copies of a copyrighted work satisfies the "copying" element of a copyright claim even if the distributor did not produce the copies itself. See, e.g., *Ortiz-Gonzalez v. Fonovisa*, 277 F.3d 59, 62 (1st Cir.

1073 (9th Cir. 2013). The Court finds that Atari has not shown that Redbubble has been willfully blind as a matter of law.

2002); see also H.R. Rep. 94-1476, at 61 (1976) (retailer who "sells copies without having anything to do with their reproduction" infringes).

Atari identifies four actions that it alleges infringe its copyrights: (1) projecting user-uploaded designs to stock photos of physical products; (2) hiring printers to manufacture products with copyrighted designs, (3) selling products bearing copyrighted designs, and (4) publishing infringing photos on third-party websites through advertisement. ECF No. 81 at 15:14-16:10. These [*35] actions implicate the rights to display, reproduce, and distribute protected works. 17 U.S.C. § 106(1,3,5); *Amazon*, 508 F.3d at 1159-63 (defining display and distribution rights).

Redbubble argues that Atari failed to satisfy its evidentiary burden for the first and second elements (ownership and copying) and that, even if Atari's rights were violated, Redbubble did not cause the violations under the third element (causation).

2. Ownership and Copying

Copyright registration establishes a prima facie case of ownership. 17 U.S.C. § 410(c). Plaintiff may establish copying using circumstantial evidence that shows (1) "the defendant had access to the copyrighted work prior to the creation of defendant's work" and (2) "substantial similarity of the general ideas and expressions between the copyrighted work and the defendant's work." *Unicolors, Inc. v. Urban Outfitters, Inc.*, 853 F.3d 980, 984-85 (9th Cir. 2017). Where there is no evidence of access, the two works must be "strikingly similar." *Id.* Demonstrating such similarity requires a side-by-side comparison. *Experian Info. Sols., Inc. v. Nationwide Mktg. Servs.*, 893 F.3d 1176, 1186 (9th Cir. 2018).

Here, Atari has introduced copyright registrations for Atari's Greatest Hit games. ECF Nos. 64-9, 64-10, as well as screenshots from those games, ECF Nos. 64-45 - 64-51, 64-37 ¶ 4. Atari then introduces a side-by-side comparison of these screenshots with photos of products [*36] available on Redbubble. ECF No. 64-30; ECF No. 23 ¶¶ 7, 9. Because the side-by-side comparison shows "striking similarity" (the designs are identical), Atari has made out a prima facie case of copying of the protected elements of its Greatest Hit games.

Redbubble nevertheless argues that Atari failed to meet its burden because the registrations cover only derivative elements (i.e., elements of the new work) and

because Atari failed to submit the specific content submitted to the Copyright Office. As to the first issue, because Atari undisputedly owns the original works' copyrights, the registration of the subsequent work allows Atari to maintain an infringement action for the original copyright. See *Brocade Comm'n's Sys., Inc. v. A10 Networks, Inc.*, No. C 10-3428 PSG, 2013 U.S. Dist. LEXIS 8113, 2013 WL 831528, at *4-5 (N.D. Cal. Jan 10, 2013) (citing *Christopher Phelps & Assocs., LLC v. Galloway*, 492 F.3d 532, 538 (4th Cir. 2007) and *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 747 (2d Cir. 1998)). But see *Borden v. Horwitz*, No. CV 10-00141-MWF (AJWx), 2012 WL 12877995, at *2-3 (C.D. Cal. Sept. 20, 2012) (distinguishing scenario where alleged copying took place after the derivative work was registered).

As to the second issue, the screenshots of the game are sufficient to establish the content of the protected audiovisual elements. *Data E. USA, Inc. v. Epyx, Inc.*, 862 F.2d 204, 207 (9th Cir. 1988). Redbubble cites cases that rejected comparisons based on after-the-fact reconstructions, [*37] *Seiler v. Lucasfilm, Ltd.*, 808 F.2d 1316, 1318-19 (9th Cir. 1986), and expert testimony of source code similarity, *Antonick v. Electronic Arts, Inc.*, 841 F.3d 1062, 1066 (9th Cir. 2016), but those cases are distinguishable because they left plaintiff with inadequate evidence to make a side-by-side comparison. See *Experian*, 893 F.3d at 1186-87. By contrast, the Ninth Circuit requires only "sufficient evidence of content to make a fair comparison." *Id.* at 1187; see also *Epyx*, 862 F.2d at 207 (finding video game screen shots sufficient to make comparison).

Accordingly, Atari has established that the designs in Exhibit F of the Wesley Declaration were copied from protected audiovisual elements of Atari's works.

3. Volitional Conduct and Infringement

To establish copyright infringement, Atari "must also establish causation, which is commonly referred to as the 'volitional-conduct requirement.'" *VHT*, 918 F.3d at 731 (citing *Giganews*, 847 F.3d at 666). The volitional conduct doctrine requires a party to be the "direct cause" and "actively involved" in infringement for direct liability to attach. *Id.* The doctrine arises primarily in cases where the defendant "does nothing more than operate an automated, usercontrolled system." *Id.* (quoting *ABC, Inc. v. Aereo, Inc.*, 573 U.S. 431, 454, 134 S. Ct. 2498, 189 L. Ed. 2d 476 (2014)). In those situations, the plaintiff must provide evidence "showing

the alleged infringer exercised control (other than by general operation of its website); selected any material for upload, download, [*38] transmission, or storage; or instigated any copying, storage, or distribution of its photos." *Id.* at 732 (quoting *Giganews*, 847 F.3d at 666, 670) (quotation marks and internal brackets omitted). Volitional conduct "simply stands for the unremarkable proposition that proximate causation historically underlines copyright infringement liability no less than other torts." *Giganews*, 847 F.3d at 666 (quoting 4 David Nimmer & Melville B. Nimmer, *Nimmer on Copyright* § 13.08[C][1]).

In *VHT*, Zillow hosted a "listing platform" that allowed real estate agents to upload photos and information about available properties, along with a "Digs" platform in which Zillow tagged photos of "artfully designed rooms" from the listing database. *Id.* at 730. The court found that Zillow did not infringe copyrights through its listing platform because third-parties selected the displayed photos and Zillow exercised no control over content "beyond the 'general operation of its website.'" *Id.* at 733 (quoting *Giganews*, 847 F.3d at 670). Moreover, the listing platform was "constructed in a copyright-protective way," with users required to attest to the permissible use of data and Zillow invoking "copyright protective 'trumping' rules" to avoid likely infringement. *Id.* By contrast, the court noted with approval the jury verdict that Zillow was directly liable [*39] for displaying photos that its employees tagged for search on the Digs platform. *Id.* at 736. But it distinguished that verdict from "private boards" where the user instigated the photo selection and display because the system there "responds automatically to users' input without intervening conduct by the website owner." *Id.* at 737-38. Accordingly, Zillow could not be directly liable for infringement that occurred automatically based on users' actions.

The decision in *VHT* flowed from earlier cases that found providers of machines or services not liable unless their conduct has "a nexus sufficiently close and causal to the illegal copying that one could conclude that the [service provider] [itself] trespassed on the exclusive domain of the copyright owner." *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544 (4th Cir. 2004); see, e.g., *Giganews*, 847 F.3d at 670 (finding server provider for peer network not directly liable); *Fox Broadcasting Co., Inc. v. Dish Network, L.L.C.*, 747 F.3d 1060, 1066 (9th Cir. 2014) (same for broadcast retransmitter); *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 131 (2d Cir. 2008) (same for video recording system provider). These cases rely

on the intuition that a party that merely supplies a copy machine to the public should not be directly liable for others' use of that machine. See *Aereo*, 573 U.S. at 455 (Scalia, J. dissenting); *CoStar*, 373 F.3d at 550; *Cartoon Network*, 536 F.3d at 132; *Religious Tech. Ctr. v. Netcom On-Line Comm'n's Servs., Inc.*, 907 F. Supp. 1361, 1369 (N.D. Cal. 1995).

Applying these authorities, the Court finds that Redbubble does not "exercise control (other than by general [*40] operation of its website)" for display rights. Although Redbubble arguably modifies the infringing images it receives from artists by applying them to stock photos of physical goods such as apparel, those acts do not demonstrate the type of control that will support direct liability. Any modification occurs automatically with no intervening act by Redbubble employees. ECF No. 78 ¶ 8. Nor does Redbubble "select any material for upload, download, transmission, or storage." These acts are performed by the website's users. Redbubble exercises no control or selection over infringing designs and cannot stop them from being uploaded. Redbubble does not initiate the display of infringing images, which occurs automatically in response to user actions. Redbubble's website overall is designed in a "copyright protective" way, with rules similar to those in *VHT* to protect against infringement. Accordingly, Redbubble's only "act" - providing a system where artists can upload their designs for display on a picture of a product - does not subject it to direct liability because Redbubble does not select the content, exercise control beyond the general operation of its website, or instigate the display. [*41]

On the other hand, there is a question of material fact whether Redbubble "instigates any copying, storage, or distribution" of infringing images. As described in Section V.A, *supra*, Redbubble holds itself out as the seller of the goods on its website. Redbubble offers those items for sale and then facilitates or causes their creation and delivery, with no involvement from the artists who uploaded the designs. Even though each step is performed automatically by a computer, the acts remain volitional because Redbubble designed its software to accomplish those tasks and for its own financial benefit. Moreover, Redbubble exercises control over every aspect of the sale, from manufacturing to shipping and returns, and thus holds the best position to prevent infringement. Accordingly, since Redbubble actively instigates and exercises control over the sales on its website, a reasonable jury could find that Redbubble is liable for direct infringement of Atari's copyright distribution rights. Both parties' motions for

summary judgment as to Atari's claim for copyright infringement are denied.

4. DMCA

Redbubble asserts that it is protected from liability by the DMCA. Section 512(c) of the DMCA provides a safe harbor for "service [*42] providers" (defined as "a provider of online services or network access, or the operator of facilities thereof") for copyright infringement "by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider."¹² 17 U.S.C. § 512(c). "To be eligible at the threshold for the § 512(c) safe harbor, a service provider must show that the infringing material was stored 'at the direction of the user.'" *Mavrix Photographs, LLC v. Livejournal, Inc.*, 873 F.3d 1045, 1052 (9th Cir. 2017) (quoting 17 U.S.C. § 512(c)(1)). "If it meets that threshold requirement, the service provider must then show that (1) it lacked actual or red flag knowledge of the infringing material; and (2) it did not receive a 'financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity.'" *Id.* (quoting 17 U.S.C. § 512(c)(1)). Because the § 512(c) safe harbor is an affirmative defense, Redbubble must establish "beyond controversy every essential element" or lose the protection of the section 512(c)'s safe harbor. *Id.* If Redbubble establishes this defense, it remains liable for any proven infringement, but Atari can only obtain limited injunctive relief. 17 U.S.C. §§ 512(c)(1), 512(j).

The parties here initially dispute whether Redbubble's use [*43] of the artists' uploaded images satisfies the "by reason of storage" requirement. Atari contends that Redbubble's "volitional acts" in copying infringing designs onto model photos to create images of products for sale, and exhibiting those images on Redbubble's product pages that are hosted on its website, "distinguish Redbubble from a service provider that merely provides a platform to which a third party uploads infringing material." ECF No. 64 at 30. Redbubble responds that, "[l]ike the Amazon Marketplace software, the Redbubble platform software performs functions 'for the purpose of facilitating access'

to the listings uploaded by third-party Sellers, and therefore satisfies this element." ECF No. 75 at 29 (citing *Milo & Gabby I*, 2015 U.S. Dist. LEXIS 92890, 2015 WL 4394673 at *6).

"[T]he phrase "by reason of the storage at the direction of a user" covers more than "mere electronic storage lockers." *Ventura Content, Ltd. v. Motherless, Inc.*, 885 F.3d 597, 605-06 (9th Cir. 2018) (quoting *UMG Recordings*, 718 F.3d at 1016). For example, "[i]t allows service providers to perform access-facilitating processes such as breaking up the files for faster viewing" and converting them to a more user-friendly format. *Id.* In *Mavrix*, the court held that "[i]nfringing material is stored at the direction of the user if the service provider played no role in making the [*44] infringing material accessible on its site or if the service provider carried out activities that were 'narrowly directed' towards enhancing the accessibility of the posts." *Mavrix*, 873 F.3d at 1056. Courts will find the "by reason of storage" element met where the users of a website, and not the website itself or the defendant's employees, "decide what to upload and what file names and tags to use." *Ventura Content*, 885 F.3d at 606.

There appears to be little authority on point. Both of the cases Redbubble cites as extending DMCA immunity from suit do not even discuss the "by reason of storage" element. *Milo & Gabby I*, 2015 U.S. Dist. LEXIS 92890, 2015 WL 4394673 at *6; *Corbis Corp. v. Amazon.com, Inc.*, 351 F.Supp.2d 1090, 1100 (W.D. Wash. 2004). Redbubble cites no authority finding a failure to establish this element on similar facts. See ECF No. 81 at 25. Applying the principles set forth in *Ventura Content*, *Mavrix*, and *UMG Recordings*, however, the Court concludes that Redbubble fails to satisfy this element. The images on its website are not stored "at the direction of the user" because Redbubble actively participates in modifying the files uploaded by users to display the designs on Redbubble-selected physical products. See *Mavrix*, 873 F.3d at 1055 (requiring defendant to "play[] no role" in making the infringing material accessible beyond narrow access-facilitating conduct). Thus, Redbubble is [*45] not entitled to the safe harbor protections of 17 U.S.C. § 512(c).

D. Indirect Copyright Infringement

As with trademark infringement, Atari asserts that Redbubble is liable for contributory and vicarious infringement based on the actions of its artist users. Atari cannot succeed on these claims.

¹² Atari cites section 512(k)(1) to argue that Redbubble is not a service provider because it modifies content. However, that subsection only applies to the section 512(a) safe harbor; the section 512(c) safe harbor is governed by the broader definition in section 512(k)(2).

1. Contributory Infringement

Contributory copyright infringement requires showing that defendant "(1) has knowledge of another's infringement and (2) either (a) materially contributes to or (b) induces that infringement." *Visa*, 494 F.3d at 795. Defendant must know of "specific infringing material" and fail to "take simple measures to prevent further damage." *Amazon*, 508 F.3d at 1171-72 (quoting *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1022 (9th Cir. 2001) and *Netcom*, 907 F. Supp. at 1375). However, the law remains unsettled over whether "reason to know" of specific infringement satisfies the standard. See *Erickson Productions, Inc. v. Kast*, 921 F.3d 822, 832 (9th Cir. 2019) (noting inconsistency in case law).

Regardless of the precise standard for knowledge required, Atari fails to satisfy it here. Atari provides no evidence that Redbubble knew of "specific infringing material" and failed to act. Redbubble introduces evidence that it promptly removed any allegedly infringing listings identified by Atari upon receiving notice. ECF No. 80 ¶ 26; 77-1. Although Atari claims that additional infringing listings remain on [*46] Redbubble's website, there is no evidence that Atari notified Redbubble of those listings. See ECF No. 64-44. Instead, Atari relies on broad "willful blindness" claims due to "widespread infringement" on Redbubble's website. But as explained in Section V.B.2, *supra*, that is not sufficient. Generalized knowledge of infringement might support liability only if Redbubble failed to take reasonable steps to prevent infringement, but that is not what the record shows. Atari neither identifies affirmative steps that Redbubble took to avoid learning of infringement nor shows that Redbubble's moderation policies are unreasonable. Accordingly, Atari cannot prevail on its contributory copyright infringement claim, and Redbubble is entitled to judgment.

2. Vicarious Infringement

Vicarious copyright infringement requires showing that "defendant has (1) the right and ability to supervise the infringing conduct and (2) a direct financial interest in the infringing activity." *Giganews*, 847 F.3d at 673; see also *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930, 125 S. Ct. 2764, 162 L. Ed. 2d 781 (2005) ("One infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it."). Redbubble does not dispute that it

derives a financial interest from infringement, given [*47] that it receives a fee from each sale. See ECF No. 80-3 at 12. However, Redbubble argues that it lacks practical ability to stop infringement. See *Amazon*, 508 F.3d at 1173 (requiring that defendant "has both a legal right to stop or limit the directly infringing conduct, as well as the practical ability to do so").

In *Napster*, an MP3 music sharing website was accused of vicariously liability for users' sharing of copyrighted songs. 239 F.3d at 1011. Addressing the right and ability to supervise, the court found that Napster had the right to control access to its system because it reserved the right to terminate users. *Id.* at 1023. Although the boundaries of Napster's control were limited by the system's "architecture," Napster maintained song indices which it could use to locate infringing material and which "as a practical matter" gave it ability to stop infringement. *Id.* at 1023-24. While users could technically alter file names, the names would have to "roughly" correspond to copyrighted music in order for users to find it through search. *Id.* at 1024. The court thus concluded that Napster had practical ability to supervise infringement. *Id.*

Subsequent to *Napster*, courts frequently rejected vicarious infringement for online service providers who lacked the [*48] practical ability to stop infringement. See, e.g., *Visa*, 494 F.3d at 803-04; *Amazon*, 508 F.3d at 1174. For example, in *Amazon*, the court found that Google lacked the ability to control infringement through its search engine because the infringement took place on third party websites. *Id.* at 1174. Google also lacked practical ability to police activity because policing would require it to "analyze every image on the [I]nternet, compare each image to all the other copyrighted images that exist in the world," and determine infringement, which it could not due absent image-recognition technology. *Id.* Furthermore, vicarious liability did not require Google to "change its operations to avoid assisting websites to dispute their infringing content," which is properly analyzed under contributory infringement. *Id.* at 1175. But district courts continued to find websites similar to Napster potentially liable for vicarious infringement. See, e.g., *Keck v. Alibaba.com Hong Kong Ltd.*, 369 F. Supp. 3d 932, 936-38 (N.D. Cal. 2019).

In *VHT*, however, the court found that Zillow lacked practical ability to police copyright infringement for real estate photos uploaded to its website. 918 F.3d at 746. Although Zillow could identify a property by its address, that was not sufficient to identify a specific product feed

or photo where "Zillow receives multiple copies of [*49] the same photograph, depicting the same property, with the same listing agent, from different feeds." *Id.* at 745. Absent an image URL, "ferreting out claimed infringement through use on Digs was beyond hunting for a needle in a haystack." *Id.* at 745-46. And, as in *Amazon*, Zillow was not required to change its operations to avoid assisting users' infringement under vicarious infringement. *Id.* at 746.

On balance, Redbubble is closer to *VHT* than to *Napster*. Read together, the cases require a relatively close relationship between the means for finding infringement (music index, image URL, etc.) and the infringing content. Here, search terms for particular brands would presumably find infringing content because, as in *Napster*, artists would tag the infringing content to enable users to find it. However, the keywords would also find a variety of non-copyrighted or fair use content that happened to be tagged with the brand. For example, Redbubble shows that a search for "Atari" on Redbubble produces designs of pixelated graphics, game controllers, Isle of Dogs tshirts, "I love the 90s" stickers, and a variety of references old-school gaming. ECF No. 80-6. Also, depending on the keywords submitted by artists, word searches [*50] might be ineffective in identifying some infringing content. Moreover, Redbubble introduces evidence that it lacks ability to monitor infringing images and that it requires cooperation from the content owner to determine whether particular content infringes. ECF No. 80 ¶¶ 10-18.

On these facts, the Court agrees that finding infringement would be like "searching for a needle in a haystack" (where Redbubble lacks knowledge of needles' appearance). Atari therefore cannot establish vicarious copyright infringement, and Redbubble is entitled to judgment.

E. Willfulness

Atari also cannot establish willfulness. Willful infringement requires showing "(1) that the infringing party was actually aware of the infringing activity, or (2) that the infringing party's actions were the result of reckless disregard, or willful blindness to, the copyright holder's rights." *VHT*, 918 F.3d at 748 (quoting *Unicolors*, 853 F.3d at 991). As described in previous sections, Atari fails to establish either knowledge or willful blindness to infringement of Atari's copyrights. Nor did Redbubble act with reckless disregard, since it

promptly removed infringing listings and began to police for Atari's content. See ECF No. 80 ¶¶ 25-27. Redbubble's systems overall [*51] appear to be designed in a "copyright protective" way, similar to *VHT*'s system. See *VHT*, 918 F.3d at 748-49; ECF No. 80 ¶¶ 7-27. These are simply not the facts of willful infringement. Redbubble is entitled to judgment on this claim.

F. Damages

Last, Redbubble moves to preclude Atari from offering a damages case because it failed to disclose to disclose damages calculations in discovery. Rule 26(a)(1)(A)(iii) requires a party to disclose "a computation of each category of damages claimed by the disclosing party" and make available "documents or other evidentiary material . . . on which the computation is based." *Ingenco Holdings, LLC v. Ace Am. Ins. Co.*, 921 F.3d 803, 821 (9th Cir. 2019). Atari broadly disclosed a statutory damages range "per infringed work" and "per type of counterfeit good." ECF No. 76-7 at 4.

There is some tension in the law concerning exclusion of evidence for failure to comply with discovery obligations. On the one hand, many cases hold that "[t]he exclusion of non-disclosed evidence is automatic and mandatory under Rule 37(c)(1) unless non-disclosure was justified or harmless." *United Nat. Maint., Inc. v. San Diego Convention Ctr. Corp.*, No. 07-CV-2172-AJB, 2011 U.S. Dist. LEXIS 16393, 2011 WL 672799, at *2 (S.D. Cal. Feb. 18, 2011) (quoting *Musser v. Gentiva Health Servs.*, 356 F.3d 751, 758 (7th Cir. 2004)). However, before determining whether to exclude evidence, some courts go on to "consider the following factors: '(1) the surprise to [*52] the party against whom the evidence would be offered; (2) the ability of that party to cure the surprise; (3) the extent to which allowing the evidence would disrupt trial; (4) the importance of the evidence; and (5) the nondisclosing party's explanation for its failure to disclose the evidence.'" *Blair v. CBE Grp., Inc.*, 309 F.R.D. 621, 626 (S.D. Cal. 2015) (quoting *Allen v. Similasan Corp.*, 306 F.R.D. 635, 640 (S.D. Cal. 2015)).

While it does not completely resolve the tension in the caselaw, the Court notes that Rule 37(c)(1) itself recognizes that "[i]n addition to *or instead of* this [preclusion] sanction, the court, on motion and after affording an opportunity to be heard, may impose other appropriate sanctions." Fed. R. Civ. 37(c)(1) (emphasis in original). "Thus, the plain text of the rule provides that

if an appropriate motion is made and a hearing has been held, the court does have discretion to impose other, less drastic, sanctions." *Design Strategy, Inc. v. Davis*, 469 F.3d 284, 298 (2d Cir. 2006) (emphasis in original); see also Steven S. Gensler & Lumen N. Mulligan, 1 Federal Rules of Civil Procedure, Rules and Commentary, Rule 37 (2021) ("Many courts have stated that, absent a showing of substantial justification or harmlessness, the exclusion sanction is 'automatic and mandatory.' Other courts, however, have rejected that view and held that trial courts retain discretion to impose a sanction other than exclusion [*53] even after finding that the failure was neither substantially justified nor harmless.").

The parties' sparse briefing does not address the foregoing considerations and is not sufficient to resolve the important question of whether Atari may present a damages case. Redbubble's motion to preclude Atari from presenting damages evidence is therefore denied without prejudice. The Court will conduct a case management case shortly after the issuance of this order at which Redbubble may renew its motion and the Court and parties can discuss what further briefing or other proceedings might be appropriate.

CONCLUSION

For the reasons set forth above, the Court DENIES Atari's motion in its entirety, GRANTS Redbubble's motion on contributory and vicarious copyright infringement and willful copyright and trademark infringement, and DENIES Redbubble's motion on the remaining claims.

The Court will conduct a case management conference on March 9, 2021 at 2:00 p.m. An updated case management statement is due March 2, 2021.

IT IS SO ORDERED.

Dated: January 28, 2021

/s/ Jon S. Tigar

JON S. TIGAR

United States District Judge



Huffman v. Activision Publ'g, Inc.

United States District Court for the Eastern District of Texas, Marshall Division

June 8, 2021, Decided; June 8, 2021, Filed

Case No. 2:19-cv-00050-RWS-RSP

Reporter

2021 U.S. Dist. LEXIS 106838 *; 2021 U.S.P.Q.2D (BNA) 624; 2021 WL 2339193

BOOKER T. HUFFMAN, Plaintiff, v. ACTIVISION PUBLISHING, INC., ACTIVISION BLIZZARD, INC., MAJOR LEAGUE GAMING CORP., and TREYARCH CORPORATION, Defendants.

rather [*2] than legal. *Id.* at 3¹. The Motion is **DENIED**.

Counsel: [*1] For Booker T. Huffman, Plaintiff: Christopher David Lindstrom, Potts Law Firm, LLP - Houston, Houston, TX; Timothy Micah Dortch, Potts Law Firm LLP - Dallas, Dallas, TX; Patrick Zummo, Law Offices of Patrick Zummo, Houston, TX.

For Activision Publishing, Inc., Activision Blizzard, Inc., Major League Gaming Corp., Defendants: Aaron J. Benmark, Joseph Charles Gratz, Mark A Lemley, Matthew Walter Samuels, Durie Tangri, LLP, San Francisco, CA; Bobby Lamb, Melissa Richards Smith, Gillam & Smith, LLP, Marshall, TX; Courtney Barksdale Perez, Edgar Leon Carter, Carter Arnett PLLC, Dallas, TX.

For Treyarch Corporation, Defendant: Melissa Richards Smith, Gillam & Smith, LLP, Marshall, TX.

Judges: ROY S. PAYNE, UNITED STATES MAGISTRATE JUDGE.

Opinion by: ROY S. PAYNE

Opinion

MEMORANDUM ORDER

Before the Court is the Motion to Strike Plaintiff's Jury Demand ("Motion"), filed by Defendants Activision Publishing, Inc., Activision Blizzard, Inc., Major League Gaming Corp., and Treyarch Corporation (collectively, the "Defendants"). Dkt. No. 135. Defendants move the Court to strike Plaintiff Booker T. Huffman's ("Plaintiff" or "Huffman") jury demand under the theory that the remedies sought by the Plaintiff are purely equitable,

I. BACKGROUND

The Court has discussed the relevant background facts in the above-captioned matter in its most recent Report and Recommendation. *See generally* Dkt. No. 151, Background. There is no need to repeat those details here. It is worth noting that the Plaintiff did not rebut Defendants' assertion that the only remedy it seeks for the alleged copyright infringement is in the form of infringer's profits, not actual or statutory damages. Dkt. No. 149 at 2. Additionally, Plaintiff did not rebut that it seeks only statutory damages for its cause of action under the Digital Millennium Copyright Act ("DMCA"). Dkt. No. 149 at 2.

A. Defendants' Move to Strike Plaintiff's Jury Demand

Plaintiff asserts two causes of action against the Defendants: (1) copyright infringement ("Count I") and (2) violation of 17 U.S.C. § 1202(b) ("Count II"). Dkt. No. 135 at 3. Defendants argue "[t]here is no statutory or constitutional right to a jury trial for Plaintiff's" Count I remedy (i.e. infringer's profits). *Id.* at 6. Defendants further argue "the statute permitting a plaintiff to recover infringer's profits on an infringement claim, 17 U.S.C. § 504(b), does not specify any right to a jury trial." *Id.* Defendants rely on the analysis provided [*3] in *Fair Isaac Corp. v. Fed. Ins. Co.*, 408 F. Supp. 3d 1019, 1024-25 (D. Minn. 2019) to support their argument that there is no statutory right to a jury trial. Defendants also argue there is no constitutional right to a jury trial for the "infringer's profits" remedy. Dkt. No. 135 at 6. Defendants draw this conclusion, as it relates to Count I,

¹ Citations are to the document numbers and page numbers assigned through ECF.

from a footnote in *Petrella v. MGM*, 572 U.S. 663, 668 n.1, 134 S. Ct. 1962, 188 L. Ed. 2d 979 (2014). Dkt. No. 135 at 7 ("[T]he United States Supreme Court *already has concluded that recovery of profits under § 504(b) is an equitable remedy.*"). The *Petrella* footnote states:

As infringement remedies, the Copyright Act provides for injunctions, §502, impoundment and disposition of infringing articles, §503, damages and profits, §504, costs and attorney's fees, §505. Like other restitutional remedies, recovery of profits "is not easily characterized as legal or equitable," for it is an "amalgamation of rights and remedies drawn from both systems." Restatement (Third) of Restitution and Unjust Enrichment § 4, Comment *b*, p. 28 (2010). Given the "protean character" of the profits-recovery remedy, *see id.*, Comment *c*, at 30, we regard as appropriate its treatment as "equitable" in this case.

Petrella, 572 U.S. at 668 n.1. The Defendants urge this Court to interpret this footnote, as two other district courts have done, as an express determination that infringer's profits under 504(b) are "purely equitable" in nature. Dkt. No. 135 at 8; *see Fair Isaac*, 408 F. Supp. 3d at 1019; [*4] *see also Navarro v. P&G Co.*, No. 1:17-cv-406-DRC, 2021 U.S. Dist. LEXIS 59169, *1-2 (S.D. Ohio Mar. 29, 2021).

As for Count II, the Defendants assert that Congress expressly pronounced § 1203 as an equitable remedy. They contend "[t]he text of [17 U.S.C.] § 1203 [] plainly provides that any such award of statutory damages is for the Court to determine, as a 'Power[] of the court' under subsection (b)." Dkt. No. 135 at 10. The Defendants also asserts there is no implicit constitutional right to a jury because the DMCA has "no comparator [to any cause of action] in late-18th-century England." *Id.* at 11. Defendants submits "this type of action and associated remedy was entirely unknown to England and the United States until the DMCA was enacted in 1998." *Id.*

B. Plaintiff's Response and Arguments to Defendants' Motion

As to Count I, Plaintiff contends there is a constitutional right to a jury trial.² Plaintiff responds that "[t]he Fifth

² Plaintiff dedicates most of their brief to address Defendants' assertion that there is no constitutional right to a jury trial. Plaintiff fails to directly address whether there is a statutory

Circuit decided [the infringer's profits] issue against Defendants over fifty years ago." Dkt. No. 144 at 7; *Swofford v. B & W, Inc.*, 336 F.2d 406 (5th Cir. 1964), *cert. denied*, 379 U.S. 962, 85 S. Ct. 653, 13 L. Ed. 2d 557 (1965). Plaintiff argues that *Swofford* long ago settled this very issue. Dkt. No. 144 at 7 ("[*Swofford*] rejected the defendant's argument that the plaintiffs' claim was equitable because they requested an accounting and was not a 'demand for fixed money damages in the legal sense.' [*5] Following *Dairy Queen v. Wood*, the court held that there was a legal issue in the request for an accounting." (internal citation omitted).

Plaintiff criticizes the case law cited by the Defendants as "out-of-circuit" and "contrary" to Fifth Circuit precedent. *Id.* at 9. Plaintiff states that "[i]n asking this Court to follow these out of circuit opinions, Defendants invite the Court to use a back-door device to overrule binding Fifth Circuit precedent." *Id.*

As to Count II, Huffman cites Fifth Circuit precedent to argue that claims for statutory damages arising from the DMCA can be tried before a jury. *See id.* at 17 (citing *Energy Intelligence Grp., Inc. v. Kayne Anderson Capital Advisors, L.P.*, 948 F.3d 261 (5th Cir. 2020)). Plaintiff contends that *Energy Intelligence Grp.* "explained that the DMCA was meant to add to traditional copyright protections" and merely strengthened traditional copyright protections. *Id.*

II. LEGAL STANDARDS

"In an action where a single claim is presented and a single remedy demanded, the action can rationally be classified as one which historically would have been either legal or equitable." *Swofford*, 336 F.2d 406 at 409.

Whether Plaintiff's jury demand should be stricken, depends on whether the Plaintiff has "a statutory or constitutional right to a jury trial, and, if it did, the nature [*6] and extent of the right." *City of Monterey v. Del Monte Dunes at Monterey, Ltd.*, 526 U.S. 687, 707, 119 S. Ct. 1624, 143 L. Ed. 2d 882 (1999). If there is a statutory right to a jury trial than the analysis is complete. If not, the Court must consider whether the Seventh Amendment creates a right to jury trial. *See Feltner v. Columbia Pictures Tv*, 523 U.S. 340, 345-47, 118 S. Ct. 1279, 140 L. Ed. 2d 438 (1964).

right to a jury trial.

The Seventh Amendment states:

In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any court of the United States, than according to the rules of the common law.

U.S. Const. VII. However, merely because a statute authorizes a cause of action or remedy does not necessarily "imply[] a right to a jury trial." *City of Monterey v. Del Monte Dunes at Monterey, Ltd.*, 526 U.S. 687, 707-08, 119 S. Ct. 1624, 143 L. Ed. 2d 882 (1999).

"Suits at common law" refers not only to suits which the common law recognized, but to "suits in which legal rights were to be ascertained and determined, in contradistinction to those where equitable rights alone were recognized, and equitable remedies were administered." *Parsons v. Bedford*, 28 U.S. 433, 3 Peters 433, 447, 7 L. Ed. 732 (1830); see *Feltner*, 523 U.S. at 347-48.

The Seventh Amendment "applies not only to common-law causes of action, but also to actions brought to enforce statutory rights that are analogous to common-law causes of action ordinarily decided in English law courts in the late 18th century, as opposed to those customarily heard by courts of equity" *Feltner* 523 U.S. at 348 (quoting *Granfinanciera, S. A. v. Nordberg*, 492 U.S. 33, 42, 109 S. Ct. 2782, 106 L. Ed. 2d 26 (1989)) (internal quotations [*7] omitted).

Determining whether a cause of action is more analogous to cases tried in courts of law rather than courts of equity, the court examines both the nature of the action and the remedy sought. See *Tull v. United States*, 481 U.S. 412, 417-18, 107 S. Ct. 1831, 95 L. Ed. 2d 365 (1987); cf. *Chauffeurs, Teamsters & Helpers, Local No. 391 v. Terry*, 494 U.S. 558, 570, 110 S. Ct. 1339, 108 L. Ed. 2d 519 (1990).

III. ANALYSIS

In this case, this Court considers whether the Plaintiff is entitled to a jury trial for Count I and Count II.

A. Count I: § 504(b)'s Actual Damages and Profits

(b) Actual Damages and Profits.—The copyright owner is entitled to recover the actual damages

suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

17 U.S.C. § 504(b). This Court finds the Plaintiff possess at least a statutory right to a jury trial.

1. Statutory Right to a Jury Trial

Defendants contend that although § 504(b), is clearly intended to remedy copyright infringement, it does not give a statutory right to a jury trial. [*8] Dkt. No. 135 at 6. Defendants argue that the statute does not discuss whether these remedies are legal or equitable—and more importantly who should decide them. *Id.* ("First, the statute permitting a plaintiff to recover infringer's profits on an infringement claim, 17 U.S.C. § 504(b), does not specify any right to a jury trial."). Defendants do not offer much analysis on this point; they principally rely on the analysis in *Fair Isaac*. See *id.*; *Fair Isaac*, 408 F. Supp. 3d at 1024-25.

Fair Isaac, however, was too quick to dismiss whether a statutory right to a jury trial exists under 17 U.S.C. § 504(b); more specifically, *Fair Isaac* too quickly eschewed statutory analysis using the canons of statutory construction. See *Fair Isaac*, 408 F. Supp. 3d at 1023-1024. Though *Fair Isaac* presents one reasonable interpretation of § 504(b), there is another competing fair and reasonable interpretation that would sidestep the underlying constitutional question; the alternative construction is therefore the preferred construction. *Feltner* 523 U.S. at 345 ("Before inquiring into the applicability of the Seventh Amendment, we must first ascertain whether a construction of the statute is fairly possible by which the [constitutional] question may be avoided." (quoting *Tull v. United States*, 481 U.S. 412, 417 n.3, 107 S. Ct. 1831, 95 L. Ed. 2d 365 (1987) (internal quotations omitted) (alteration in original))). To avoid the constitutional issue, this [*9] Court will adopt the alternative fair and reasonable interpretation of § 504(b). See *United States ex rel. Attorney General v. Delaware & Hudson Co.*, 213 U.S. 366, 408, 53 L. Ed. 836, 29 S. Ct. 527 (1909) ("Where a statute is susceptible of two constructions, by one of which grave and doubtful constitutional questions arise

and by the other of which such questions are avoided, our duty is to adopt the latter."); *see also Feltner*, 523 U.S. at 358 (Scalia, J., concurring) ("The doctrine of constitutional doubt does not require that the problem-avoiding construction be the *preferable* one—the one the Court would adopt in any event. Such a standard would deprive the doctrine of all function." (quoting *Almendarez-Torres v. United States*, 523 U.S. 224, 270, 118 S. Ct. 1219, 140 L. Ed. 2d 350)).

i. Semantic Canons of Construction

To construe § 504(b) the Court will read the statute within the context of the surrounding statutory provisions as well as the Copyright Act as a whole. *See FDA v. Brown & Williamson*, 529 U.S. 120, 133, 120 S. Ct. 1291, 146 L. Ed. 2d 121 (2000) ("It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme." (internal citation omitted)).

First, unlike §§ 502, 503, 504(c), and 505, § 504(b) does not incorporate the term "the court." Congress is presumed to have purposely omitted that term in order to distinguish it from the other remedies. *See Sosa v. Alvarez-Machain*, 542 U.S. 692, 711 n.9, 124 S. Ct. 2739, 159 L. Ed. 2d 718 (2004) ("[W]hen the legislature uses certain language in one part of the statute [*10] and different language in another, the court assumes different meanings were intended." (internal citation omitted)). This is clear Congressional intent to statutorily provide a right to a jury trial. *Fair Isaac* misplaces its focus on the absence of the term "jury" from § 504(b) as determinative of whether there is a statutory right. But when § 504(b) is read in context, the absence of "jury" actually provides clarity on Congressional intent. Moreover, the reasoning in *Fair Isaac* leads to the conclusion that unless the term "jury" is used in a statute then there will always be an ambiguity about whether there is a statutory right to a jury trial. That is too narrow an interpretation. This statutory construction provides a similarly fair and reasonable explanation that avoids the constitutional question.

Further, this Court's alternative understanding is affirmed in *Feltner*. *See Feltner*, 523 U.S. at 346. The *Feltner* Court appreciated this specific distinction when it stated:

In fact, the other remedies provisions of the Copyright Act use the term "court" in contexts

generally thought to confer authority on a judge, rather than a jury. *See, e.g.*, § 502 ("court . . . may . . . grant temporary and final injunctions"); § 503(a) ("the court [*11] may order the impounding . . . of all copies or phonorecords"); § 503(b) ("as part of a final judgment or decree, the court may order the destruction or other reasonable disposition of all copies or phonorecords"); § 505 ("the court in its discretion may allow the recovery of full costs" of litigation and "the court may also award a reasonable attorney's fee"). ***In contrast, the Copyright Act does not use the term "court" in the subsection addressing awards of actual damages and profits, see § 504(b), which generally are thought to constitute legal relief.***

Feltner, 523 U.S. at 346 (emphasis added). The *Feltner* Court similarly interpreted the absence of "the court" as Congressional intent to categorize § 504(b) as legal relief. Though some have characterized this passage as *dictum* and not binding, this Court finds this statement to strongly support, if not confirm, its own interpretation of § 504(b). *Navarro*, 2021 U.S. Dist. LEXIS 59169, *13-14. And as discussed above, this construction should be adopted to avoid the constitutional question.

Second, Congressional intent to grant a statutory right to a jury trial can be inferred from the pairing of actual damages and "infringer's profits." The actual damages remedy is unmistakably legal in nature, by pairing an unmistakably legal remedy with [*12] "infringer's profits" Congress expressed an intent for courts to treat both remedies as legal. Pairing an unambiguously legal remedy with a "protean" remedy—without a stronger indication that "infringer's profits" is intended to be equitable—is a signal that Congress intended for the "profits-recovery remedy" to take on a legal nature. *Cf. id.* at *14 (Congress knows how to expressly provide for a jury trial, by that same token, Congress also knows how to expressly delineate equitable remedies from legal ones). If that were not the case, as Defendants have suggested, an odd result would occur. *Public Citizen v. United States Dep't of Justice*, 491 U.S. 440, 454, 109 S. Ct. 2558, 105 L. Ed. 2d 377 (1989) ("Where the literal reading of a statutory term would 'compel an odd result,' we must search for other evidence of congressional intent to lend the term its proper scope." (quoting *Green v. Bock Laundry Machine Co.*, 490 U.S. 504, 509, 109 S. Ct. 1981, 104 L. Ed. 2d 557 (1989))). Defendants interpret § 504(b) to mean "The copyright owner is entitled to recover the actual damages [decided by a jury] . . . and any profits of the infringer [decided by the judge] that are attributable to the

infringement" This Court is skeptical that Congress intended for § 504(b) to be interpreted this way. If Congress truly meant for infringer's profits to be an equitable remedy surely, it would have at least referenced [*13] "the court." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108, 111 S. Ct. 2166, 115 L. Ed. 2d 96 (1991) ("Congress is understood to legislate against a background of common-law adjudicatory principles. Thus, where a common-law principle is well established, . . . the courts may take it as given that Congress has legislated with an expectation that the principle will apply except when a statutory purpose to the contrary is evident." (internal quotation marks and citations omitted)). This Court must conclude that the noticeable absence of this reference was purposeful.

Lastly—and perhaps most importantly—the Defendants' interpretation of § 504(b) goes against longstanding precedent, not only in this circuit, but in circuits throughout the United States. *Hewlett Custom Home Design, Inc. v. Frontier Custom Builders, Inc.*, 588 Fed. Appx. 359 (5th Cir. 2014); *Swofford*, 336 F.2d at 406; *Gaste v. Kaiserman*, 863 F.2d 1061, 1070 (2nd Cir. 1988); *Abeshouse v. Ultragraphics, Inc.*, 754 F.2d 467, 470 (2nd Cir. 1985); *Singleton Construction, LLC v. Reda Home Builders, Inc.*, 815 Fed. Appx. 892, 896 (6th Cir. 2020); *Balsley v. LFP, Inc.*, 691 F.3d 747, 770 (6th Cir. 2012); *Sid and Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977); *Looney Ricks Kiss Architects, Inc. v. Bryan*, No. 07-0572, 2014 U.S. Dist. LEXIS 31436, 2014 WL 931781 (W.D. La. Mar. 10, 2014); *PAR Microsystems v. Pinnacle Dev. Corp.*, 995 F. Supp. 658, 662 (N.D. Tex. 1998); *Plain Jane, Inc. v. Lechters, Inc.*, No. 95-2724, 1995 U.S. Dist. LEXIS 15461, *15, 1995 WL 608483 (E.D. La. Oct. 16, 1995); Manual of Model Civil Jury Instructions for the District Courts of the Ninth Circuit (2017 Edition, "Last Updated September 2020". The weight of this precedent is not taken lightly, there is an overwhelming amount of authority confirming that "infringer's profits" under § 504(b) are legal money damages. Each of the case cited above had the "infringer's profit" remedy calculated by a jury. Defendants characterization of Plaintiff's selected remedy as "a disgorgement," "an accounting," and "equitable" elevates form over substance. [*14] Dkt. No. 135 at 7-8; see *Swofford*, 336 F.2d at 411 (5th Cir. 1964). Indeed, by putting the infringer's profit calculation in province of the jury the courts have ratified the notion that § 504(b) is a legal money damages remedy. Defendants argue this Court should discard this weighty and binding precedent based on *Fair Isaac*. The Court is

unwilling to do so.

2. Constitutional Right to a Jury Trial

Based on this Court's understanding of the history of copyright infringement in England there is a high likelihood that the Seventh Amendment gives an implied right to a jury trial. There is strong indication that the "infringer's profits" remedy is a corollary, or otherwise similar in nature, to the actual damages remedy of § 504(b). See *Feltner*, 523 U.S. at 345-46; *Swofford*, 336 F.2d at 411. Thus, "infringer's profits" is likely based in the common law. However, since the Court finds there is a statutory grant of a jury trial, the constitutional issue need not be addressed.

B. Count II: 17 U.S.C. §§ 1202(a), 1203(b)(3), 1203(c)(3)

17 U.S.C. § 1202(a) provides:

- (a) False Copyright Management Information.—No person shall knowingly and with the intent to induce, enable, facilitate, or conceal infringement—
- (1) provide copyright management information that is false, or
 - (2) distribute or import for distribution copyright management information that is false.

The remedies for violations [*15] of § 1202(a) are provided under § 1203:

- (a) Civil Actions.— Any person injured by a violation of section 1201 or 1202 may bring a civil action in an appropriate United States district court for such violation.
- (b) Powers of the Court.—In an action brought under subsection (a), the court—
- (1) may grant temporary and permanent injunctions on such terms as it deems reasonable to prevent or restrain a violation, but in no event shall impose a prior restraint on free speech or the press protected under the 1st amendment to the Constitution;
 - (2) at any time while an action is pending, may order the impounding, on such terms as it deems reasonable, of any device or product that is in the custody or control of the alleged violator and that the court has reasonable cause to believe was involved in a violation;
 - (3) may award damages under subsection (c);

...

- (c) Award of Damages.—

(1) In general.—Except as otherwise provided in this title, a person committing a violation of section 1201 or 1202 is liable for either—

(A) the actual damages and any additional profits of the violator, as provided in paragraph (2), or

(B) statutory damages, as provided in paragraph (3).

...

(3) Statutory damages.—

(A) At any time before final judgment is entered, a complaining party may elect to recover an award of statutory damages for each violation [*16] of section 1201 in the sum of not less than \$200 or more than \$2,500 per act of circumvention, device, product, component, offer, or performance of service, as the court considers just.

(B) At any time before final judgment is entered, a complaining party may elect to recover an award of statutory damages for each violation of section 1202 in the sum of not less than \$2,500 or more than \$25,000.

The question to be resolved is whether the statutory remedy sought by the Plaintiff is purely equitable. This Court finds there is a statutory right to a jury trial.

1. Statutory Right to a Jury Trial

Again, statutory interpretation provides the tools necessary to discern whether there is a statutory right to a jury trial.

i. Semantic Canons

Defendants argue that "[t]he text of § 1203 [] plainly provides that any such award of statutory damages is for the Court to determine, as a 'Power[] of the court' under subsection (b)." Dkt. No. 135 at 10 (footnote omitted).

Based solely on the semantic canons of construction, this Court cannot conclude whether there is a statutory grant of a jury trial. The language used in § 1203(b) is too broad for this Court to conclusively determine, on semantic grounds, whether a statutory right has been granted. § 1203(b) enumerates [*17] various remedies courts have the power to award, but the enumerated list includes remedies that are both clearly legal in nature (e.g. actual damages) and clearly equitable in nature (e.g. injunctive relief). Compare 17 U.S.C. §1203(b)(1)

and 17 U.S.C. §1203(c)(1)(A). Although § 1203(b) permits "the court" to "award damages under subsection (c)," at no place does § 1203 articulate whether a judge or jury should decide statutory damages. The "Power[] of the court" term is, in this context, being used as a catch all term to describe both judges and juries. *Feltner*, 523 U.S. at 356 ("In common legal parlance, the word 'court' can mean 'the judge or judges, as distinguished from the counsel or jury.' But it also has a broader meaning, which includes both judge and jury." (Scalia, J., concurring) (internal citation omitted)). With respect to §1203(c)(3)(B), the "Power[] of the court" term is ambiguous as to whether Congress intends to place § 1203(c)(3)(B) within the province of either a judge or jury. However, the statutory inquiry is not finished, the Court must evaluate whether any substantive canons lend some clarity.

ii. Substantive Canons

To properly construe § 1203 the Court will read this statute within the context of other similar provisions in the Copyright Act. See *FDA*, 529 U.S. at 133.

Here, the Court cannot distinguish any meaningful [*18] differences between the statutory damages authorized in § 504(c) and § 1203(c)(3)(B). Though the language between the two statutes is somewhat different there are significant parallels that compel this Court to conclude that Congress intended for courts to continue viewing statutory copyright remedies as legal remedies. See *Energy Intelligence*, 948 F.3d at 276.

Feltner was decided in early 1998, the DMCA was signed into law in late October 1998 and went into effect two years later. See *Pearl Invs., LLC v. Std. I/O, Inc.*, No. 02-50-P-H, 324 F. Supp. 2d 43, 46 n.3 (D. Me. Apr. 20, 2004). At the time Congress passed the DMCA, it was aware of *Feltner*. See *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. 519, 521, 133 S. Ct. 1351, 1353, 185 L. Ed. 2d 392, 397 (2013) ("[W]hen a statute covers an issue previously governed by the common law, it is presumed that Congress intended to retain the substance of the common law." (quoting *Samantar v. Yousuf*, 560 U.S. 305, 320, 130 S. Ct. 2278, 176 L. Ed. 2d 1047 (2010) (internal quotations omitted))); *Lorillard v. Pons*, 434 U.S. 575, 580, 98 S. Ct. 866, 55 L. Ed. 2d 40 (1978) ("Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change."). By adopting substantially identical language Congress is presumed to have incorporated,

and otherwise left undisturbed, the *Feltner* Court's previous interpretations of statutory copyright remedies into § 1203(c)(3)(B). See *Smith v. City of Jackson*, 544 U.S. 228, 233, 125 S. Ct. 1536, 161 L. Ed. 2d 410 (2005) ("[W]hen Congress uses the same language in two statutes having similar purposes . . . it is appropriate to presume [*19] that Congress intended that text to have the same meaning in both statutes."); see also *Erlenbaugh v. United States*, 409 U.S. 239, 243, 93 S. Ct. 477, 34 L. Ed. 2d 446 (1972) ("The rule of *in pari materia* -- like any canon of statutory construction -- is a reflection of practical experience in the interpretation of statutes: a legislative body generally uses a particular word with a consistent meaning in a given context."); *New Hampshire v. Ramsey*, 366 F.3d 1, 26 (1st Cir. 2004) ("Where Congress uses the same term in the same way in two statutes with closely related goals, basic canons of statutory construction suggest a presumption that Congress intended the term to have the same meaning in both contexts." (citing *Sullivan v. Stroup*, 496 U.S. 478, 484, 110 S. Ct. 2499, 110 L. Ed. 2d 438 (1990))).

Defendants advance no argument—other than its semantic construction arguments—regarding the relevance of § 504(c), or how it might bear on the interpretation of § 1203, likely because the Defendants know that statutory copyright remedies are creatures of law. See *Feltner* 523 U.S. at 353. This Court concludes that Congress intended for the § 1203(c)(3)(B) remedy to mirror the § 504(c) common law remedy, thus, § 1203(c)(3)(B) gives a right to a jury trial.

IV. CONCLUSION

The Motion to Strike Plaintiff's Jury Demand (Dkt. No. 135) is **DENIED**. In the event this Court's reasoning be later declared erroneous, the Court should be deemed to have exercised its authority under Fed. R. Civ. P. 39(c)(1) to try Count I [*20] and Count II to an advisory jury. There is no reason to potentially inject error into this case before it has even made its way to trial. See *Simler v. Conner*, 372 U.S. 221, 222, 83 S. Ct. 609, 9 L. Ed. 2d 691 ("The federal policy favoring jury trials is of historic and continuing strength.").

SIGNED this 8th day of June, 2021.

/s/ Roy S. Payne

ROY S. PAYNE

UNITED STATES MAGISTRATE JUDGE

Coffee v. Google, LLC

United States District Court for the Northern District of California, San Jose Division

February 10, 2021, Decided; February 10, 2021, Filed

Case No. 20-cv-03901-BLF

Reporter

2021 U.S. Dist. LEXIS 26750 *; 2021 WL 493387

JOHN COFFEE, MEI-LING MONTANEZ, AND S.M., a minor by MEI-LING MONTANEZ, S.M.'S parent and guardian, on behalf of themselves and all others similarly situated, Plaintiffs, v. GOOGLE, LLC, Defendant.

Counsel: [*1] For John Coffee, Mei-Ling Montanez, S. M., a minor by Mei-Ling Montanez, S.M.'s parent and guardian, Plaintiffs: Thomas Joseph O'Reardon, II, Timothy G. Blood, Blood Hurst & O'Reardon, LLP, San Diego, CA; Andrew J. Brown, Attorney at Law, San Diego, CA.

For Google LLC, Defendant: Teresa Lauren Harrold Michaud, LEAD ATTORNEY, Kirby Hsu, Baker & McKenzie LLP, Los Angeles, CA; Alexander Guy Davis, Anne Kelts Assayag, Bradford Korey Newman, Baker & McKenzie LLP, Palo Alto, CA.

For Supercell Oy, Movant: Erin Catherine Jones, Tyz Law Group PC, San Francisco, CA.

Judges: BETH LABSON FREEMAN, United States District Judge.

Opinion by: BETH LABSON FREEMAN

Opinion

ORDER GRANTING MOTION TO DISMISS COMPLAINT WITH LEAVE TO AMEND

In this putative nationwide class action, Plaintiffs allege that Loot Boxes — a feature of certain video games — constitute illegal "slot machines or devices" under California's gambling laws. Compl. ¶ 7, ECF 1. Loot Boxes may be purchased during game play, using virtual currency. Each Loot Box offers a randomized chance at receiving an item designed to enhance game play, such as a better weapon, faster car, or more desirable player appearance ("skin"). Plaintiffs characterize buying a Loot Box as "a gamble, [*2]

because the player does not know what the Loot Box actually contains until it is opened." Compl. ¶ 4.

Defendant Google, LLC operates the Google Play store from which software applications ("apps"), including video games containing Loot Boxes, may be downloaded. Google does not create the video game apps or Loot Boxes. Plaintiffs nonetheless allege that Google violates state consumer protection laws by offering video games containing Loot Boxes in its Google Play store and profiting from in-app purchase of Loot Boxes.

Google moves to dismiss the complaint under Federal Rule of Civil Procedure 12(b)(6), arguing that it is immune from liability under Section 230 of the Communications Decency Act of 1996 ("CDA"), 47 U.S.C. § 230; Plaintiffs' core premise that Loot Boxes are illegal under California's gambling laws lacks merit; and Plaintiffs have not alleged essential elements of their claims. Plaintiffs oppose dismissal. The Court has considered the briefing, oral argument, and relevant legal authorities.

The motion to dismiss is GRANTED WITH LEAVE TO AMEND.

I. BACKGROUND

Plaintiffs are John Coffee ("Coffee"), Mei-Ling Montanez ("Montanez"), and Montanez's minor son, S.M. Coffee is a citizen and resident of California, while Montanez and S.M. are citizens [*3] and residents of New York. Compl. ¶¶ 14-16, ECF 1. Although the complaint describes numerous video games, only two are identified as having been downloaded from the Google Play store by Plaintiffs. Coffee downloaded Final Fantasy Brave Exvius ("Final Fantasy") from the Google Play store onto his Android mobile device in 2018. Compl. ¶ 14. S.M. downloaded Dragon Ball Z Dokkan Battle ("Dragon Ball Z") from the Google Play store onto

a Samsung smartphone in 2019. Compl. ¶ 16.

Final Fantasy, the app downloaded by Coffee, is a free "role-playing game where players command their characters to attack and move through a series of stages until they encounter and defeat the boss." Compl. ¶ 66. Within the game, virtual currency called "Lapis Crystals" may be used to "summon" a single, randomized character. Compl. ¶ 67. "Summons are the in-game Loot Boxes that offer random rewards and characters." *Id.* "The best characters are the most rare and difficult to get in the summons." *Id.* Players may obtain the Lapis Crystals necessary to buy a summons either as a reward for game play or by purchasing them with real money. Compl. ¶¶ 13, 67-68. Coffee allegedly was "induced to spend money to purchase 'Loot [*4] Boxes' in-game" while playing Final Fantasy and other video games. Compl. ¶ 14. "Coffee estimates he has spent in excess of \$500 on in-game Loot Boxes." *Id.*

Dragon Ball Z, the app downloaded by S.M., "is a free-to-play mobile game based on the Dragon Ball anime franchise and television series." Compl. ¶ 72. "The main game is made up of levels that work similarly to board games, with spots dedicated to items, power-ups, traps, and fights." Compl. ¶ 73. "Gamers can unlock new characters with 'Summons,' which are the in-game Loot Boxes that offer random rewards and characters." *Id.* "The best characters are most rare and difficult to get in the Summons." *Id.* Players must use virtual currency called "dragon stones" to purchase summons. *Id.* Dragon stones may be earned through game play or purchased with real money. Compl. ¶ 74. S.M. allegedly "has been induced to spend his parents' money to purchase 'Loot Boxes' in-game" while playing Dragon Ball Z. Compl. ¶ 17. "Montanez estimates S.M. has spent more than \$100 on in-game purchases including Loot Boxes." Compl. ¶ 18.

"Google does not itself create these games and the Loot Box mechanism." Compl. ¶ 13. Most of the video games available for download [*5] from the Google Play store are free, including the two apps downloaded by Plaintiffs. Compl. ¶¶ 24, 66, 72. Plaintiffs allege that Google nonetheless profits from apps containing Loot Boxes because "[p]ayment for the Apps, including all in-game purchases after the game is downloaded by the consumer (e.g., Loot Boxes), is controlled entirely by Google." Compl. ¶ 28. Plaintiffs allege that payments for in-game purchases are made "[u]sing Google Play's payment system, the payments go directly to Google and, after Google takes its 30% of the total, the remainder is distributed to the App developer." *Id.* Thus,

according to Plaintiffs, "for every Loot Box sale in a game downloaded from the Google Play store, Google receives 30% of the revenue before the developer gets any money at all." *Id.*

These and other allegations suggest that players buy Loot Boxes directly from Google with real money. See, e.g., Compl. ¶ 4 ("Loot Boxes are purchased using real money"). However, the complaint makes clear that Loot Boxes may be purchased only in-game, and only with virtual currency. See Compl. ¶¶ 67 (alleging that in Final Fantasy a summons must be purchased with virtual currency called Lapis Crystals), [*6] 73 (alleging that in Dragon Ball Z "Summons can only be purchased with the in-game currency, called 'dragon stones'"). Reading the complaint as a whole, the Court understands Plaintiffs to allege that players may use Google Play's payment system to buy virtual currency from an app developer; Google takes a 30% commission and transmits the remainder of the purchase price to the app developer; and the virtual currency then may be used for in-app purchases of items such as Loot Boxes. See Compl. ¶¶ 26-28, 67, 73.

Plaintiffs assert that "Google's predatory Loot Box scheme" entices consumers, including children, to engage in gambling and similar addictive conduct. Compl. ¶¶ 1, 18. According to Plaintiffs, "Loot Boxes have all the hallmarks of a Las Vegas-style slot machine, including the psychological aspects to encourage and create addiction — especially among adolescents." Compl. ¶ 7. In fact, Plaintiffs assert that under California law Loot Boxes "constitute illegal 'slot machines or devices' when played on a mobile phone, tablet, computer, or other similar device." *Id.* Plaintiffs allege that "Governments, regulators, and psychologists all agree that Loot Boxes, like the ones in games [*7] Defendant offers through its Google Play store, operate as gambling devices for those that play the game, including minors, and that they create and reinforce addictive behaviors." Compl. ¶ 8. Comparing Google's conduct to the "Joe Camel" advertising campaign, Plaintiffs contend that "Google relies on creating addictive behaviors in kids to generate huge profits for the Company." Compl. ¶ 2.

Plaintiffs assert three state law claims against Google: (1) unlawful and unfair business practices in violation of California's Unfair Competition Law ("UCL"), Cal. Bus. & Prof. Code § 17200, *et seq.*; (2) unfair and deceptive acts and practices in violation of California's Consumers Legal Remedies Act ("CLRA"), Cal. Civ. Code § 1750, *et seq.*; and (3) unjust enrichment under unspecified state

law. Google seeks dismissal of all three claims under Rule 12(b)(6).

II. LEGAL STANDARD

"A motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) for failure to state a claim upon which relief can be granted tests the legal sufficiency of a claim." *Conservation Force v. Salazar*, 646 F.3d 1240, 1241-42 (9th Cir. 2011) (quotation marks and citation omitted). While a complaint need not contain detailed factual allegations, it "must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007)). A claim is facially plausible when [*8] it "allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Id.* When evaluating a Rule 12(b)(6) motion, the district court is limited to the allegations of the complaint, documents incorporated into the complaint by reference, and matters which are subject to judicial notice. See *Louisiana Mun. Police Employees' Ret. Sys. v. Wynn*, 829 F.3d 1048, 1063 (9th Cir. 2016) (citing *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 322, 127 S. Ct. 2499, 168 L. Ed. 2d 179 (2007)).

III. DISCUSSION

Google disputes Plaintiffs' characterization of Loot Boxes as illegal slot machines or devices under California's gambling laws. However, Google argues that the Court need not reach the legality of Loot Boxes in order to grant the motion to dismiss, because Google is immune from liability under Section 230 of the CDA. Google also asserts that Plaintiffs have not alleged essential elements of their claims. In opposition, Plaintiffs argue that Google is not immune from liability under the CDA, that Loot Boxes constitute illegal slot machines or devices under California law, and that all claims in the complaint are adequately alleged.

At the hearing, the Court indicated that it would dismiss the complaint on immunity grounds under Section 230 of the CDA, with leave to amend, and that it might defer to a later stage of the proceedings the question of whether Loot Boxes [*9] constitute illegal gambling devices. That question presents several thorny issues, the resolution of which could have a profound impact on

video games, developers, and players. The Court concludes that it would be imprudent to address those issues on the scant record before it, particularly when all claims in the complaint are subject to dismissal on other grounds. For purposes of the present motion, it is unnecessary to determine whether Loot Boxes are illegal slot machines or devices under California's gambling laws.¹

Accordingly, the Court limits its evaluation of the motion to Google's arguments that it is entitled to immunity under the CDA and that Plaintiffs have not alleged essential elements of their claims. Before taking up those arguments, however, the Court addresses the parties' requests for judicial notice.

A. Judicial Notice

Under Federal Rule of Evidence 201(b), the Court can take judicial notice of any fact that is "not subject to reasonable dispute because it . . . can be accurately and readily determined from sources whose accuracy cannot reasonably be questioned." Fed. R. Evid. 201(b). Both parties request that the Court take judicial notice of certain of Google's terms of service.

1. Google's Request

Google asks [*10] the Court to take judicial notice of the Google Play Terms of Service, and in particular language prohibiting the sale or transfer of game content. See Michaud Decl. Ex. A (Google Play Terms of Service) § 4 (Rights and Restrictions), ECF 17-2. Google offers this language in response to Plaintiffs' allegation that high-demand Loot Box items may be considered so valuable that they are bought and sold outside the game in a "gray market." See Compl. ¶ 6. Plaintiffs oppose Google's request for judicial notice, arguing that Google is asking the Court to accept the Google Play Terms of Service as proof that gamers cannot sell Loot Box items outside the game. Plaintiffs argue that Google is relying on the document to prove

¹ The Court's decision to defer consideration of issues relating to Loot Boxes' alleged illegality does not preclude Plaintiffs from amending their allegations regarding illegality, with the caveat that Plaintiffs may not add new claims or parties absent prior leave of the Court. At the hearing, the Court and counsel engaged in a robust discussion of Plaintiffs' theory of the case, and Plaintiffs' counsel indicated that additional facts could be alleged on the question of illegality.

the truth of the matters asserted therein, which is not an appropriate use of judicial notice. Plaintiffs dispute Google's assertion that the Google Play Terms of Service are incorporated by reference into the complaint, pointing out that Google cites to a paragraph of the complaint mentioning the Google Terms of Service, not the Google Play Terms of Service. See Compl. ¶ 22. In reply, Google asserts that it does not rely on the Google Play Terms of Service to prove that players [*11] do not trade game items in a gray market, but it does seek to show that such trading is prohibited under the governing terms of service.

Other courts in this district have found it appropriate to take judicial notice of Google's public terms of service. See *Matera v. Google Inc.*, No. 15-CV-04062-LHK, 2016 U.S. Dist. LEXIS 107918, 2016 WL 8200619, at *5 (N.D. Cal. Aug. 12, 2016). Plaintiffs do not dispute the authenticity or accuracy of the copy of the Google Play Terms of Service submitted to the Court. Accordingly, Google's request for judicial notice as to the existence and contents of the Google Play Terms of Service is GRANTED.

2. Plaintiffs' Request

Plaintiffs request judicial notice of the Google Terms of Service. Specifically, Plaintiffs ask the Court to take notice of language providing that "California law will govern all disputes arising out of or relating to these terms, service-specific additional terms, or any related services, regardless of conflict of laws rules," and that "[t]hese disputes will be resolved exclusively in the federal or state courts of Santa Clara County, California, USA." Blood Decl. Exh. A (Google Terms of Service) at 12, ECF 28-2. Plaintiffs point out that the Google Terms of Service are expressly referenced in the complaint. See Compl. ¶ 22. Google does not oppose Plaintiffs' request. [*12] Under the reasoning set forth above with respect to Google's request for judicial notice, Plaintiffs' request for judicial notice of the Google Terms of Service is GRANTED.

B. Section 230 of the CDA

Google argues that it is immune from liability under Section 230 of the CDA. Plaintiffs contend that Google is not entitled to immunity under Section 230.

1. Applicable Law

Section 230 of the CDA "protects certain internet-based actors from certain kinds of lawsuits." *Barnes v. Yahoo!, Inc.*, 570 F.3d 1096, 1099 (9th Cir. 2009), as amended (Sept. 28, 2009). As relevant here, Section 230(c)(1) provides that "[n]o provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." 47 U.S.C. § 230(c)(1). "No cause of action may be brought and no liability may be imposed under any State or local law that is inconsistent with this section." 47 U.S.C. § 230(e)(3).²

"The majority of federal circuits have interpreted the CDA to establish broad federal immunity to any cause of action that would make service providers liable for information originating with a third-party user of the service." *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1118 (9th Cir. 2007) (quotation marks and citation omitted). The Ninth Circuit has characterized the immunity as "quite robust." *Carafano v. Metrosplash.com, Inc.*, 339 F.3d 1119, 1123 (9th Cir. 2003). Moreover, district courts within the Ninth Circuit have held [*13] that the immunity extends to *all* claims stemming from an interactive computer service provider's publication of content created by third parties. See, e.g., *Evans v. Hewlett-Packard Co.*, No. C 13-02477 WHA, 2013 U.S. Dist. LEXIS 115856, 2013 WL 4426359, at *2 (N.D. Cal. Aug. 15, 2013) ("[T]he CDA safe harbor protects internet *service providers* from being sued based on material published by *content providers*."); *Goddard v. Google, Inc.*, No. C 08-2738 JF (PVT), 2008 U.S. Dist. LEXIS 101890, 2008 WL 5245490, at *2 (N.D. Cal. Dec. 17, 2008) ("[P]arties complaining that they were harmed by a Web site's publication of user-generated content . . . may sue the third-party user who generated the content, but not the interactive computer service that enabled them to publish the content online." (quotation marks and citation omitted)).

"This grant of immunity applies only if the interactive computer service provider is not also an 'information content provider,' which is defined as someone who is 'responsible, in whole or in part, for the creation or development of' the offending content. *Fair Hous.*

² Section 230's protection also extends to federal law claims. See *Fair Hous. Council of San Fernando Valley v. Roommates.Com*, 521 F.3d 1157 (9th Cir. 2008) (applying Section 230 to claim under the Fair Housing Act, 42 U.S.C. § 3601 *et seq.*). The Court does not address that aspect of the CDA because no federal law claims are alleged in this suit.

Council of San Fernando Valley v. Roommates.Com, LLC, 521 F.3d 1157, 1162 (9th Cir. 2008) (quoting § 230(f)(3)). "A website operator can be both a service provider and a content provider." *Id.* "If it passively displays content that is created entirely by third parties, then it is only a service provider with respect to that content." *Id.* "But as to content that it creates itself, or is [*14] responsible, in whole or in part for creating or developing, the website is also a content provider." *Id.* (quotation marks omitted). "Thus, a website may be immune from liability for some of the content it displays to the public but be subject to liability for other content." *Id.*

In *Barnes*, the Ninth Circuit created a three-prong test for Section 230 immunity. See *Dyroff v. Ultimate Software Grp., Inc.*, 934 F.3d 1093, 1097 (9th Cir. 2019) (discussing *Barnes* test). "Immunity from liability exists for '(1) a provider or user of an interactive computer service (2) whom a plaintiff seeks to treat, under a state law cause of action, as a publisher or speaker (3) of information provided by another information content provider.'" *Id.* (quoting *Barnes*, 570 F.3d at 1100-01). "When a plaintiff cannot allege enough facts to overcome Section 230 immunity, a plaintiff's claims should be dismissed." *Id.*

2. Application of Section 230 to Facts Alleged in this Case

Google argues that it appears on the face of the complaint that this test is satisfied. As Plaintiffs' claims are presently framed, the Court agrees.

a. Interactive Computer Service Provider

Under the first prong of the *Barnes* test, the Court must determine whether Plaintiffs' allegations establish that Google is an interactive computer service provider. "The term 'interactive [*15] computer service' means any information service, system, or access software provider that provides or enables computer access by multiple users to a computer server, including specifically a service or system that provides access to the Internet and such systems operated or services offered by libraries or educational institutions." 47 U.S.C. § 230(f)(2). "Websites are the most common interactive computer services." *Dyroff*, 934 F.3d at 1097; see also *Roommates.com*, 521 F.3d at 1162 n.6 ("[t]oday, the most common interactive computer services are websites"). Courts "interpret the term 'interactive

computer service' expansively." *Dyroff*, 934 F.3d at 1097.

Plaintiffs allege that "Google creates and maintains a virtual online 'store' where it makes available to consumers various software applications ('Apps') that are generally . . . created by other developers." Compl. ¶ 23. These allegations are sufficient to satisfy the first prong of the *Barnes* test. Plaintiffs do not dispute Google's status as an interactive computer service provider as that term is used in Section 230.

b. Seek to Treat as a Publisher or Speaker

Under the second prong of the test, the Court must determine whether Plaintiffs' allegations show that Plaintiffs seek to treat Google as a publisher or speaker with respect to content on [*16] the Google Play store. In *Barnes*, the Ninth Circuit addressed "how to determine when, for purposes of this statute, a plaintiff's theory of liability would treat a defendant as a publisher or speaker of third-party content." *Barnes*, 570 F.3d at 1101. While acknowledging that defamation is the most common claim to be discussed in Section 230 cases, the Ninth Circuit made clear that "many causes of action might be premised on the publication or speaking of what one might call 'information content.'" *Id.* Examples include claims for discrimination against an operator of an online roommate-matching website; for negligence and fraud against the operator of a social network; for false light against the First Lady and campaign aids; and for negligent publication of advertisements that cause harm to third parties. See *id.* (collecting cases). "[W]hat matters is whether the cause of action inherently requires the court to treat the defendant as the 'publisher or speaker' of content provided by another." *Id.* at 1102.

For purposes of the CDA, a "publisher" may be defined as "the reproducer of a work intended for public consumption" and also as "one whose business is publication." *Barnes*, 570 F.3d at 1102 (quoting Webster's Third New International Dictionary 1837 [*17] (Philip Babcock Gove ed., 1986)). Publication includes "any activity that can be boiled down to deciding whether to exclude material that third parties seek to post online." *Roommates*, 521 F.3d at 1170-71. Here, all of Plaintiffs' claims are grounded in video game apps intended for public consumption that Google chooses to place "on the virtual shelves of its Google Play store." Compl. ¶ 27. Plaintiffs seek to impose liability on Google for the content of those apps that contain Loot Boxes.

See Compl. ¶¶ 115-118 (UCL); 124-128 (CLRA); 137-138 (unjust enrichment). Part of the relief sought is an order enjoining Google "from continuing the unlawful practices." Compl. Prayer. It is unclear exactly what Plaintiffs seek by this request, but presumably they seek an order requiring Google to screen apps offered through its Google Play store and exclude those containing Loot Boxes — conduct that is squarely within the role of a publisher under *Roommates*. Accordingly, it appears from the face of the complaint that Plaintiffs seek to treat Google as the publisher of the video game apps in question.

At the hearing, Plaintiffs' counsel argued that Section 230 offers protection only to publishers of "speech," and that because the content [*18] published in this case is video game apps, the statute does not apply. Counsel did not cite any authority to support that argument, and at least one court in this district has applied Section 230 where the published content was an app. In *Evans*, the plaintiff's claims arose from "The Chubby Checker" app, which was offered for sale and download from a web-based store operated by the defendants, Hewlett-Packard Company and one of its subsidiaries (collectively, "HP"). See *Evans*, 2013 U.S. Dist. LEXIS 146989, 2013 WL 5594717, at *1. The app "purport[ed] to estimate the size of a man's genitals based on his shoe size." *Id.* The plaintiff, a well-known musician who performed under the stage name Chubby Checker, sued HP for trademark infringement, unfair competition, and related claims. *Id.* The district court found the plaintiff's state law claims to be barred by Section 230, noting that a third party "provided the published content" and HP engaged only in "editorial conduct within the duties of service providers." 2013 U.S. Dist. LEXIS 146989, [WL] at *4. This Court likewise concludes that Section 230 may apply when the published content is an app.

Plaintiffs also argue that they do not seek to treat Google as a publisher of another's content, but rather "seek to hold Google accountable for permitting and facilitating [*19] illegal gambling." Opp. at 5, ECF 28. Plaintiffs cite *Barnes* for the proposition that Section 230 does not insulate interactive computer service providers from liability for their own wrongful conduct that goes beyond merely publishing another's content. In *Barnes*, the plaintiff's ex-boyfriend posted profiles about her on a website operated by the defendant, Yahoo!, Inc. ("Yahoo"). See *Barnes*, 570 F.3d at 1098. The profiles included nude photographs of the plaintiff, solicitations to engage in sexual intercourse purporting to be from the plaintiff, and contact information for the plaintiff. See

id. The plaintiff was subjected to undesirable advances from unknown men over a period of months, during which she asked Yahoo several to remove the unauthorized profiles, to no avail. *Id.* Finally, when a news program prepared a broadcast about the story, a representative of Yahoo contacted the plaintiff and assured her the matter would be taken care of. *Id.* at 1099. The plaintiff claimed that she relied on that assurance and took no further action while she waited for Yahoo to remove the profiles. *Id.* After months without word or action from Yahoo, the plaintiff sued Yahoo for negligence and promissory estoppel, and at that point the profiles were [*20] removed. *Id.*

The district court dismissed the suit after concluding that the CDA rendered Yahoo! immune from liability for content posted by the plaintiff's ex-boyfriend. *Barnes*, 570 F.3d at 1099. On appeal, the Ninth Circuit held that the plaintiff's claim for negligent provision of services fell within the scope of the immunity afforded to Yahoo under Section 230, but her claim for promissory estoppel did not. See *id.* at 1105-06, 1109. The Ninth Circuit held that while the negligence claim sought to hold Yahoo liable for ordinary conduct of a publisher, liability on the promissory estoppel claim "would come not from Yahoo's publishing conduct, but from Yahoo's manifest intention to be legally obligated to do something, which happens to be removal of material from publication." *Id.* at 1107.

In the present case, Plaintiffs do not allege that Google made them a promise akin to the one made by Yahoo in *Barnes*. Nor do Plaintiffs allege any other conduct by Google showing its "manifest intention to be legally obligated to do something" for Plaintiffs. While Plaintiffs argue that they seek to hold Google liable for its own conduct in "permitting and facilitating illegal gambling," it is unclear from the complaint what conduct that might be. Neither the [*21] word "permitting" nor the word "facilitating" appears in the complaint. Plaintiffs argue that Google is acting as an unlicensed "casino" by offering video games containing Loot Boxes and converting real money to virtual game currency that is used like poker chips during game play. However, while the opposition brief compares Google to a casino more than a dozen times, the complaint uses the word "casino" only once, in a footnote, and not in reference to Google.

The Court concludes that, as currently framed, the complaint does not allege claims based on conduct that goes beyond Google's role as a publisher of third party content. The second prong of the *Barnes* test therefore

is satisfied.

c. Information Provided by Another Content Provider

Under the third prong of the *Barnes* test, the Court must determine whether Plaintiffs' allegations show that the published material — the video game apps containing Loot Boxes — was provided by another content provider. Plaintiffs allege expressly that "Google does not itself create these games and the Loot Box mechanism." Compl. ¶ 13. The two apps downloaded by Plaintiffs, *Final Fantasy* and *Dragon Ball Z*, were created by third party developers and were [*22] downloaded by Plaintiffs for free. Compl. ¶¶ 13, 66, 72. These allegations are sufficient to satisfy the test's third prong.

Plaintiffs contend that this prong is not met because Google is a co-developer of the video game apps. As discussed above, "[a] website operator can be both a service provider and a content provider." *Roommates*, 521 F.3d at 1162. A website operator is immune only with respect to content created entirely by third parties. See *id.* However, a website operator is not entitled to immunity as to content "that it creates itself, or is responsible, in whole or in part for creating or developing." *Id.* (quotation marks omitted). The Ninth Circuit clarified this distinction in *Roommates*, as follows: "We believe that both the immunity for passive conduits and the exception for co-developers must be given their proper scope and, to that end, we interpret the term 'development' as referring not merely to augmenting the content generally, but to materially contributing to its alleged unlawfulness." *Id.* at 1167-68. "In other words, a website helps to develop unlawful content, and thus falls within the exception to section 230, if it contributes materially to the alleged illegality of the conduct." *Id.* at 1168 (emphasis added).

Plaintiffs [*23] argue that the following conduct of Google contributes materially to the alleged illegality of video games containing Loot Boxes. First, Plaintiffs allege that Google requires app developers "to disclose the 'odds of winning' particular items in the Loot Boxes for the games it distributes." Compl. ¶ 12. Plaintiffs do not explain how disclosure of odds contributes to the alleged illegality of Loot Boxes, and the Court is at a loss to understand how Google's conduct in requiring such disclosure contributes to the alleged illegality. Plaintiffs also allege that Google provides "ESRB-based age-ratings for games in its Google Play store." Compl.

¶ 94. Plaintiffs explain that "[i]n the United States, the videogame industry 'self-regulates' through the Entertainment Software Ratings Board ('ESRB')." Compl. ¶ 93. "According to the ESRB's website, ESRB ratings provide information about what's in a game or app so parents and consumers can make informed choices about which games are right for their family." *Id.* "Ratings have 3 parts: Rating Categories, Content Descriptors, and Interactive Elements." *Id.* Plaintiffs do not explain how providing industry-standard app ratings contributes materially [*24] to the illegality of Loot Boxes. Finally, Plaintiffs allege that while Google discloses that games allow in-app purchases, "there is no notice — and no requirement of any notice by Google — to the parent or the child that a game contains Loot Boxes or other gambling mechanisms." Compl. ¶ 95. Plaintiffs cite no authority for the proposition that omission of information can constitute "development" of content.

The Court finds that Plaintiffs have failed to allege conduct that would render Google a content provider with respect to video game apps containing Loot Boxes. Because it appears that the content was developed solely by third parties, the third prong of the *Barnes* test is satisfied.

d. Conclusion

Under the facts as currently pled, the Court concludes that Google is entitled to CDA immunity as to all of Plaintiffs' claims. Even if the Court were to find that Loot Boxes constitute illegal slot machines or devices under California's gambling laws, and that Google knew as much, the immunity applies because Plaintiffs have alleged no more than Google's "passive acquiescence in the misconduct of its users." *Roommates*, 521 F.3d at 1169 n.24. Google cannot be held liable for merely allowing video game developers to provide [*25] apps to users through the Google Play store, as "providing third parties with neutral tools to create web content is considered to be squarely within the protections of § 230." *Goddard*, 2008 U.S. Dist. LEXIS 101890, 2008 WL 5245490, at *3. "Moreover, even if a service provider knows that third parties are using such tools to create illegal content, the service's provider's failure to intervene is immunized." *Id.* The Ninth Circuit emphasized the importance of these safeguards for websites in *Roommates*, stating that "close cases, we believe, must be resolved in favor of immunity, lest we cut the heart out of section 230 by forcing websites to face death by ten thousand duck-bites, fighting off

claims that they promoted or encouraged — or at least tacitly assented to — the illegality of third parties." *Roommates*, 521 F.3d at 1174.

It is possible that Plaintiffs could amend their claims to show that Google's conduct goes beyond the mere publishing of third party content. Plaintiffs make reference to "Google's predatory Loot Box scheme" in their complaint. Compl. ¶¶ 14, 18. Plaintiffs may be able to allege more facts to support that characterization of Google's conduct. Moreover, at the hearing, Plaintiffs' counsel made a passing suggestion that Plaintiffs' claims find support in the Ninth [*26] Circuit's decision in *HomeAway.com, Inc. v. City of Santa Monica*, 918 F.3d 676, 681 (9th Cir. 2019). Counsel did not elaborate on that argument, and Plaintiffs' opposition brief devotes only a single sentence to *HomeAway*, stating that "Airbnb was not immune under § 230 for allowing its website to facilitate unlicensed booking transactions." Opp. at 6, ECF 28. As discussed above, the complaint does not explain with sufficient specificity how Google facilitates unlicensed gambling. Accordingly, while the Court finds that the complaint as currently framed gives rise to CDA immunity, the Court will grant leave to amend. Accordingly, all claims of the complaint are DISMISSED WITH LEAVE TO AMEND.

C. Elements of Claims

As a separate basis for dismissal, Google argues that Plaintiffs have not alleged the essential elements of their claims. Plaintiffs assert that their claims are adequately alleged.

1. Claim 1 - UCL

Claim 1 alleges violation of California's UCL, which in relevant part prohibits an individual or entity from engaging in any "unlawful, unfair or fraudulent business act or practice." Cal. Bus. & Prof. Code § 17200. "Because the statute is written in the disjunctive, it is violated where a defendant's act or practice violates any of the foregoing prongs." *Davis v. HSBC Bank Nevada, N.A.*, 691 F.3d 1152, 1168 (9th Cir. 2012). A private person has statutory standing under [*27] the UCL only if he or she "has suffered injury in fact and has lost money or property as a result of the unfair competition." Cal. Bus. & Prof. Code § 17204; see also *Hawkins v. Kroger Co.*, 906 F.3d 763, 768 (9th Cir. 2018). "A plaintiff is required to show some form of economic injury as a result of his transactions with the defendant."

Hawkins, 906 F.3d at 768.

Plaintiffs assert UCL claims under the unlawful and unfair prongs of § 17200. "By proscribing any unlawful business practice, section 17200 borrows violations of other laws and treats them as unlawful practices that the unfair competition law makes independently actionable." *Chabner v. United of Omaha Life Ins. Co.*, 225 F.3d 1042, 1048 (9th Cir. 2000) (internal quotation marks and citation omitted). Plaintiffs' claim under the unlawful prong is based on Google's alleged violation of state and federal gambling laws. See Compl. ¶ 115. Plaintiffs' claim under the unfair prong is based on the same alleged violations of law and related state legislative policies. See Compl. ¶¶ 116-17.

Google challenges Plaintiffs' UCL claim on several grounds. First, Google argues that Plaintiffs Montanez and S.M. lack standing to bring suit under the UCL because they are New York residents and they do not allege injuries occurring in California. Second, Google argues that Plaintiffs lack statutory standing because they do not allege economic injury [*28] or causation, which are essential elements of a UCL claim. Third, Google argues that Plaintiffs do not allege any unlawful or unfair act or practice because Loot Boxes do not constitute illegal gambling.

Google's first and third arguments are disposed of easily. As Plaintiffs point out, the Google Terms of Service provide that "California law will govern all disputes arising out of or relating to these terms, service-specific additional terms, or any related services, regardless of conflict of laws rules," and that "[t]hese disputes will be resolved exclusively in the federal or state courts of Santa Clara County, California, USA." Blood Decl. Exh. A (Google Terms of Service) at 12, ECF 28-2. Under these provisions, it appears that Plaintiffs Montanez and S.M. may assert a UCL claim in this case. Google abandons its residency-based standing argument in its reply brief. With respect to Google's argument that Loot Boxes do not constitute illegal gambling, the Court defers that issue to a later stage of the proceedings for the reasons discussed above. Accordingly, the Court declines to dismiss the UCL claim on either of these grounds.

Google's second argument is meritorious, however, as the complaint does not allege facts showing economic [*29] injury or causation, both of which are required for statutory standing. Plaintiffs assert that the economic injury requirement is met by allegations that "Plaintiff Coffee estimates he has spent in excess of

\$500 on in-game Loot Boxes in exchange for the random-chance possibility of winning valuable items," and "Mei-Ling Montanez estimates S.M. has spent more than \$100 on in-game purchases including Loot Boxes." Compl. ¶¶ 14, 18. However, when the complaint is read as a whole, what Plaintiffs actually allege are two-part transactions in which Coffee and S.M. first purchased virtual currency for \$500 (Coffee) and \$100 (S.M.), and then "spent" virtual currency to acquire Loot Boxes. See Compl. ¶¶ 67 (alleging that in Final Fantasy a summons must be purchased with virtual currency called Lapis Crystals), 73 (alleging that in Dragon Ball Z "Summons can only be purchased with the in-game currency, called 'dragon stones'").

While not entirely clear from the complaint, it appears that Google was involved only in the first part of Plaintiffs' transactions, that is, Plaintiffs' purchases of virtual currency. Although Plaintiffs do not specifically allege that they bought virtual currency from [*30] Google, their purchases of virtual currency from Google reasonably may be inferred from Plaintiffs' allegations that all in-game purchases are made through Google Play's payment system. See Compl. ¶ 28. However, Plaintiffs do not explain how their purchases of virtual currency resulted in economic loss. For example, Plaintiffs do not allege that they received fewer Lapis Crystals (Final Fantasy) or dragon stones (Dragon Ball Z) than the amount for which they paid. See *Lozano v. AT & T Wireless Servs., Inc.*, 504 F.3d 718, 734 (9th Cir. 2007) (plaintiff established economic injury under the UCL where he did not receive the full number of agreed-upon minutes he purchased in a wireless agreement). Nor do Plaintiffs allege that Google made misrepresentations regarding the virtual currency, or "that they were deprived of an agreed-upon benefit in purchasing" the virtual currency. *Birdsong v. Apple, Inc.*, 590 F.3d 955, 961 (9th Cir. 2009) (plaintiffs failed to establish economic injury in suit against Apple for alleged defect in iPods where plaintiffs alleged neither that Apple made any misrepresentations about the iPod nor that they were deprived of an agreed-upon benefit in purchasing their iPods). "If one gets the benefit of his bargain, he has no standing under the UCL." *Johnson v. Mitsubishi Digital Elecs. Am., Inc.*, 365 F. App'x 830, 832 (9th Cir. 2010).

Plaintiffs' reliance on cases involving fraud-based [*31] UCL claims is misplaced. In *Hansen*, the plaintiffs alleged that an internet electronics retailer advertised fictitious former price and discount information. See *Hansen v. Newegg.com Americas, Inc.*, 25 Cal. App. 5th 714, 731, 236 Cal. Rptr. 3d 61 (2018). The state

appellate court rejected the defendant's argument that "a consumer who pays the specified price for a product and receives that product has obtained the benefit of the bargain and cannot therefore show an economic injury — absent specific allegations such as the product was different than it was represented to be, unsatisfactory in some manner, or worth less than the amount paid." *Id.* (quotation marks and citation omitted). The court held that "the 'benefit of the bargain' theory has no relevance when the misrepresentation underlying the UCL claim is material in nature." *Id.* For purposes of a UCL claim based on false advertising, "a consumer need only allege that he or she relied on a misrepresentation when purchasing the product, and that he or she would not have purchased the product but for the representation." *Id.* at 733. In the present case, Plaintiffs do not assert a claim under the UCL's fraud prong, and they do not allege that Google engaged in false advertising regarding the purchase of virtual currency or, indeed, [*32] that Google made any representations upon which Plaintiffs relied. *Hansen* and other cases addressing fraud-based UCL claim therefore are inapposite. See, e.g., *Hinojos v. Kohl's Corp.*, 718 F.3d 1098, 1107 (9th Cir. 2013), *as amended on denial of reh'g and reh'g en banc* (July 8, 2013) (finding that "the district court's determination that Hinojos has suffered no economic injury because he received the 'benefit of the bargain' is contrary to *Kwikset* because Hinojos alleges that Kohl's made material misrepresentations that induced him to buy products he would not otherwise have purchased").

To the extent the second part of the transactions, Plaintiffs' in-game purchases of Loot Boxes using virtual currency, resulted in economic injury, Plaintiffs do not allege facts showing that such injury is attributable to Google. As far as the Court can tell, the in-app purchase of a Loot Box is a transaction between the player and the app developer, in which Google is not involved. Plaintiffs argue that Google may be held liable for the in-app purchase of Loot Boxes based on their allegations that "as a result of Defendant's conduct" they "were induced to spend money" on Loot Boxes. Compl. ¶¶ 14-18, 130. Those allegations are conclusory and therefore are insufficient [*33] to allege economic loss resulting from Google's conduct. As discussed above, Plaintiffs argue throughout their opposition brief that Google may be held liable for in-app purchases of Loot Boxes based on the theory that Google acts as an unlicensed "casino" that "facilitates" illegal gambling via Loot Boxes by converting real money to virtual game currency that is used like poker chips during game play. However, that theory is not alleged in the complaint, which uses

neither the words "casino" nor "facilitates" in reference to Google.

Moreover, as Google points out, Plaintiffs' casino analogy does not address the fact that virtual currency may be used to make in-app purchases other than Loot Boxes. The complaint indicates that virtual currency may be used to acquire "various products" in video games, Compl. ¶ 59 (discussing virtual currency in the game Roblox), and that S.M. used the virtual currency he purchased for use in Dragon Ball Z on "in-game purchases *including* Loot Boxes," Compl. ¶ 18 (emphasis added). Google asserts that in many games, players may use virtual currency for direct purchase of Loot Box items, e.g., 500 rubies for a battle-axe or 200 gems for a dwarf warrior. [*34] See Mot. at 5, ECF 17. While the latter assertion is outside the scope of Plaintiffs' complaint, Plaintiffs do not dispute that virtual currency may be used for in-app purchases wholly unrelated to the alleged illegal gambling via Loot Boxes. In order to make out a plausible claim for unfair competition against Google based on its role in converting real money into virtual currency, Plaintiffs must address the fact that players can choose to "spend" virtual currency on a variety of game items other than Loot Boxes, and that Google does not appear to have any role in those choices.

Google's motion to dismiss Claim 1 for failure to state a claim is GRANTED WITH LEAVE TO AMEND.

2. Claim 2 - CLRA

Claim 2 alleges a violation of the CLRA, which makes unlawful "unfair methods of competition and unfair or deceptive acts or practices undertaken by any person in a transaction intended to result or which results in the sale or lease of goods or services to any consumer." Cal. Civ. Code § 1770(a); see also *Meyer v. Sprint Spectrum L.P.*, 45 Cal. 4th 634, 639, 88 Cal. Rptr. 3d 859, 200 P.3d 295 (2009). "Any consumer who suffers any damage as a result of the use or employment by any person of a method, act, or practice declared to be unlawful" under the CLRA may bring suit. Cal. Civ. Code § 1780(a). Thus, "in order to bring a CLRA action, [*35] not only must a consumer be exposed to an unlawful practice, but some kind of damage must result." *Meyer*, 45 Cal. 4th at 641.

Plaintiffs allege that "Defendant violated the CLRA by representing to Plaintiffs and Class members transactions involving Loot Boxes confer or involve

rights to potentially valuable prizes, when in fact these transactions constitute unlawful gambling transactions that are prohibited by law." Compl. ¶ 128. Plaintiffs further allege that "Defendant's violations of the CLRA proximately caused injury in fact to Plaintiffs and the Class." Compl. ¶ 129. Google asserts that these allegations fail to state a claim for several reasons. First, Google argues that Plaintiffs Montanez and S.M. lack standing to bring suit under the CLRA because they are New York residents and they do not allege injuries occurring in California. Second, Google argues that virtual currency is neither a good nor a service under the CLRA. Third, Google asserts that the Complaint does not identify any representations by Google regarding Loot Boxes. Fourth, Google argues that Loot Boxes do not qualify as illegal slot machines under California gambling laws.

Google's first and fourth arguments do not constitute grounds for [*36] dismissal for the reasons discussed above in connection with Plaintiffs' UCL claim. However, its second and third arguments are meritorious. It appears from the complaint that the only transactions between Plaintiffs and Google were the free downloads of the games Final Fantasy and Dragon Ball Z, and purchases of virtual currency through the Google Play store. Plaintiffs do not allege that the free download of video games qualifies as "the sale or lease of goods or services" under the CLRA. Moreover, courts in this district have held that virtual currency is not a good or service for purposes of the CLRA. See, e.g., *Doe v. Epic Games, Inc.*, 435 F. Supp. 3d 1024, 1046 (N.D. Cal. 2020) ("Plaintiff's CLRA claim therefore fails because the virtual currency at issue is not a good or service."); *I.B. ex rel. Fife v. Facebook, Inc.*, 905 F. Supp. 2d 989, 1008 (N.D. Cal. 2012) (holding that Facebook Credits, a virtual currency, are not covered by the CLRA). Plaintiffs argue that the "services" provided by Google are akin to those offered by a casino, and must be viewed in that broader context. However, even assuming for purposes of this motion that Loot Boxes themselves constitute illegal gambling, Plaintiffs have not alleged facts to support their casino theory of liability under the CLRA. Moreover, Plaintiffs have failed to identify [*37] any misrepresentations, or indeed any representations at all, made by Google about Loot Boxes.

Google's motion to dismiss Claim 2 for failure to state a claim is GRANTED WITH LEAVE TO AMEND.

3. Claim 3 - Unjust Enrichment

Claim 3 is a claim for unjust enrichment under unspecified state law. Plaintiffs allege that "Google was unjustly enriched as a result of the compensation it received from marketing and selling the unlawful and unfair Loot Boxes to Plaintiffs and the Class." Compl. ¶ 137. Plaintiffs "seek restitution from Google and seek an order of this Court disgorging all profits, benefits, and other compensation obtained by Google from its wrongful conduct." Compl. ¶ 138. Google argues that these allegations fail to state a claim for relief because Plaintiffs do not specify which state's law applies, Plaintiffs cannot maintain an unjust enrichment claim under California law, and the unjust enrichment claim is duplicative of their UCL and CLRA claims.

The Court agrees with Google that Plaintiffs cannot proceed on an unjust enrichment theory without specifying which state's law they seek to apply. *See In re Nexus 6P Prod. Liab. Litig.*, 293 F. Supp. 3d 888, 933 (N.D. Cal. 2018) ("As this Court and other courts in this district have recognized, [*38] due to variances among state laws, failure to allege which state law governs a common law claim is grounds for dismissal." (quotation marks and citation omitted)); *In re TFT-LCD (Flat Panel) Antitrust Litig.*, 781 F. Supp. 2d 955, 966 (N.D. Cal. 2011) ("Dell must specify the state laws under which it is asserting claims for unjust enrichment."). Having made this determination, the Court need not reach Google's additional arguments regarding Plaintiffs' unjust enrichment claim.

Google's motion to dismiss Claim 3 for failure to state a claim is GRANTED WITH LEAVE TO AMEND.

IV. ORDER

- (1) Google's motion to dismiss is GRANTED WITH LEAVE TO AMEND.
- (2) Any amended complaint shall be filed on or before March 12, 2021.
- (3) Leave to amend is limited to the claims alleged in the complaint; Plaintiffs may not add new claims or parties without obtaining leave of the Court.
- (4) This order terminates ECF 17.

Dated: February 10, 2021

/s/ Beth Labson Freeman

BETH LABSON FREEMAN

United States District Judge

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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

IRONBURG INVENTIONS LTD.,

Plaintiff,

v.

VALVE CORPORATION,

Defendant.

C17-1182 TSZ

MINUTE ORDER

The following Minute Order is made by direction of the Court, the Honorable Thomas S. Zilly, United States District Judge:

(1) The deferred portion of defendant’s oral motion, and defendant’s written motion for judgment as a matter of law pursuant to Federal Rule of Civil Procedure 50(a), docket no. 412, are DENIED.

(2) The Clerk is DIRECTED to enter judgment consistent with the verdict rendered by the jury and to send copies of the judgment to all counsel of record.

(3) The Court’s oral direction to counsel to meet and confer and to file a Joint Status Report concerning the timing of entering judgment in this matter is VACATED.

(4) Any motion seeking enhanced damages under 35 U.S.C. § 284 shall be filed within 28 days after the entry of judgment, and noted for the fourth Friday after filing.

(5) Any motion seeking judgment as a matter of law pursuant to Federal Rule of Civil Procedure 50(b) and/or other post-judgment relief shall be filed within 28 days after the entry of judgment, and noted for the fourth Friday after filing.

1 (6) The Clerk is further DIRECTED to send a copy of this Minute Order to all
2 counsel of record and to administratively close this case upon the entry of judgment.

3 Dated this 2nd day of February, 2021.

4 William M. McCool
5 Clerk

6 s/Gail Glass
7 Deputy Clerk

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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

IRONBURG INVENTIONS LTD.,

Plaintiff,

v.

VALVE CORPORATION,

Defendant.

JUDGMENT IN A CIVIL CASE

CASE NO. C17-1182 TSZ

X **Jury Verdict.** This action came before the court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

 Decision by Court. This action came on for consideration before the court. The issues have been considered and a decision has been rendered.

Pursuant to the verdict rendered by the jury, docket nos. 416 and 417, judgment is hereby ENTERED in favor of plaintiff Ironburg Inventions Ltd. and against defendant Valve Corporation in the amount of \$4,029,533.93, together with costs to be taxed in the manner set forth in Local Civil Rule 54(d) and interest pursuant to 28 U.S.C. § 1961 at the rate of nine-hundredths of one percent (0.09%) per annum from the date of this judgment until paid in full.

Dated this 2nd day of February, 2021.

William M. McCool
Clerk

s/Gail Glass
Deputy Clerk

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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

IRONBURG INVENTIONS LTD.,

Plaintiff,

v.

VALVE CORPORATION,

Defendant.

C17-1182 TSZ

ORDER

IT IS HEREBY ORDERED:

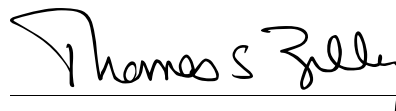
(1) Having heard the views of counsel during a status conference conducted on February 17, 2021, and being fully advised in the premises, the Judgment entered on February 2, 2021, docket no. 419, is hereby VACATED pursuant to Federal Rule of Civil Procedure 60(a).

(2) Any motion seeking enhanced damages under 35 U.S.C. § 284 and any motion seeking judgment as a matter of law pursuant to Federal Rule of Civil Procedure 50(b) and/or other post-judgment relief, remain due on March 2, 2021, and shall be noted for the fourth Friday after filing. The Court will enter an appropriate form of partial judgment with the requisite Rule 54(b) certification after ruling on the parties' anticipated motions.

1 (3) The Clerk is directed to send a copy of this Order to all counsel of record.

2 IT IS SO ORDERED.

3 Dated this 17th day of February, 2021.

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6 Thomas S. Zilly
United States District Judge

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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

IRONBURG INVENTIONS LTD.,

Plaintiff,

v.

VALVE CORPORATION,

Defendant.

PARTIAL JUDGMENT
IN A CIVIL CASE

CASE NO. C17-1182 TSZ

X **Jury Verdict.** This action came before the court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

X **Decision by Court.** This action came on for consideration before the court. The issues have been considered and a decision has been rendered.

All claims and counterclaims involving U.S. Patent Nos. 8,641,525 and 9,089,770 having been resolved,¹ all matters involving U.S. Patent Nos. 9,289,688 and 9,352,229 having been stayed,² and the Court finding no just reason for delay, *see* Fed. R. Civ. P. 54(b), partial judgment is hereby ENTERED as follows: (1) consistent with the verdict rendered by the jury, docket nos. 416 and 417, judgment is ENTERED in favor of plaintiff Ironburg Inventions Ltd. (“Ironburg”) and against defendant Valve Corporation (“Valve”) on Ironburg’s claims for infringement of U.S. Patent No. 8,641,525 in the amount of \$4,029,533.93, together with costs to be taxed in the manner set forth in Local Civil Rule 54(d) and interest pursuant to 28 U.S.C. § 1961 at the rate of eight-hundredths of one percent (0.08%) per annum from the date of this judgment until paid in full; and (2) consistent with the Court’s ruling that the accused device does not literally or under the doctrine of equivalents infringe Claims 13 or 14 of U.S. Patent No. 9,089,770 (the ’770 Patent), *see* Minute Order at ¶ 1(g) (docket no. 301), judgment is ENTERED in favor of Valve on its fourth counterclaim for

¹ *See* Order (docket no. 458); Verdict (docket nos. 416 & 417); Minute Order (docket no. 325) (granting Stip. Mot. re: first counterclaim (docket no. 323)); Minute Order at ¶ 1(a) (docket no. 322) (dismissing third counterclaim at moot); Order (docket no. 320) (dismissing ninth counterclaim for declaratory judgment re: inequitable conduct); Minute Order at ¶ 1(g) (docket no. 301).

² *See* Minute Order at 1 n.1 (docket no. 303); Minute Order at ¶ 2(b) (docket no. 148).

declaratory judgment of non-infringement, Ironburg's claims involving the '770 Patent are DISMISSED with prejudice, and Valve may tax costs in connection with such claims in the manner set forth in Local Civil Rule 54(d).

Dated this 19th day of July, 2021.

Ravi Subramanian
Clerk

s/Gail Glass
Deputy Clerk

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UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON AT SEATTLE

IRONBURG INVENTIONS LTD., a
United Kingdom Limited Company,

Plaintiff,

v.

VALVE CORPORATION, a Washington
corporation,

Defendant.

Case No. 2:17-cv-01182-TSZ

**DEFENDANT VALVE CORPORATION'S
NOTICE OF APPEAL**

**DISTRICT COURT JUDGE:
HONORABLE THOMAS S. ZILLY**

PLEASE TAKE NOTICE THAT Defendant Valve Corporation hereby appeals to the United States Court of Appeals for the Federal Circuit from the Final Judgment Pursuant to Fed. R. Civ. P. 54(b) entered on July 19, 2021 (Dkt. # 464) and all rulings, proceedings, orders, findings, and decisions (whether oral or written) interlocutory thereto, incorporated within, or underlying the Judgment that are adverse to Valve Corporation.

Pursuant to 28 U.S.C. § 1917 and Fed. R. App. P. 3(e), Valve is simultaneously paying all required fees associated with this notice of appeal.

1
2 Dated: August 12, 2021

FOX ROTHSCHILD LLP

3 By: s/ Gavin W. Skok
4 Gavin W. Skok, WSBA #29766
5 1001 Fourth Avenue, Suite 4500
6 Seattle, WA 98154
7 Telephone: 206.624.3600
8 Facsimile: 206.389.1708
9 Email: gskok@foxrothschild.com

10 B. Trent Webb (pro hac vice)
11 Patrick A. Lujin (pro hac vice)
12 Mark D. Schafer (pro hac vice)
13 Lydia C. Raw (pro hac vice)
14 SHOOK, HARDY & BACON L.L.P.
15 2555 Grand Blvd.
16 Kansas City, Missouri 64108
17 Telephone: 816.474.6550
18 Facsimile: 816.421.5547
19 E-mail: bwebb@shb.com
20 plujin@shb.com
21 mschafer@shb.com
22 lraw@shb.com

23 Reynaldo C. Barcelo
24 Joshua C. Harrison
25 BARCELO HARRISON & WALKER LLP
26 2901 West Coast Highway, Suite 200
Newport Beach, CA 92663
Telephone: 949.340.9736
Facsimile: 949.258.5752
Email: rey@bhiplaw.com
josh@bhiplaw.com

Guadalupe M. Garcia
BARCELO, HARRISON & WALKER, LLP
2225 E. Bayshore Road, Suite 200
Palo Alto, CA 94303
Ph: 650-585-2933
Email: lupe@bhiplaw.com

Attorneys for Defendant
VALVE CORPORATION

CERTIFICATE OF SERVICE

I certify that I am a secretary at the law firm of Fox Rothschild LLP in Seattle, Washington. I am a U.S. citizen over the age of eighteen years and not a party to the within cause. On the date shown below, I caused to be served a true and correct copy of the foregoing on counsel of record for all other parties to this action as indicated below:

Service List

Robert D. Becker
 Manatt, Phelps & Phillips LLP-CA
 1841 Page Mill Road
 Palo Alto, CA 94304
 Ph: 650-812-1300
 Email: rbecker@manatt.com

- Via US Mail
- Via Messenger
- Via CM/ECF / Email
- Via over-night delivery

Christopher L. Wanger
Ana G. Guardado
 MANATT, PHELPS & PHILLIPS, LLP
 One Embarcadero Center, 30th Floor
 San Francisco, CA 94111
 Ph: 415-291-7410
 Email: cwanger@manatt.com;
aguardado@manatt.com


Stephen C Willey
Duffy J. Graham
 SAVITT BRUCE & WILLEY LLP
 1425 Fourth Ave, Ste 800
 Seattle, WA 98101-2272
 206-749-0500
 Fax: 206-749-0600
 Email: swilley@sbwllp.com; dgraham@sbwllp.com

Alexandra N. Hill
 MANATT, PHELPS & PHILLIPS, LLP
 2049 Century Park East, Suite 1700
 Los Angeles, CA 90067
 Ph: 310-312-4183
 Email: AHill@manatt.com

Attorneys for Plaintiff

1 I declare under penalty of perjury under the laws of the State of Washington that the
2 foregoing is true and correct.

3 EXECUTED this 12th day of August, 2021, in Seattle, Washington.
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Nintendo of Am., Inc. v. Le Hoang Minh

United States District Court for the Western District of Washington

January 5, 2021, Decided; January 5, 2021, Filed

CASE NO. 2:20-cv-01707-RSM-JRC

Reporter

2021 U.S. Dist. LEXIS 1274 *

NINTENDO OF AMERICA, INC., Plaintiff, v. LE HOANG MINH, d/b/a WINMART, Defendant.

Counsel: [*1] For Nintendo of America Inc, Plaintiff: Chelsey Lyn Mam, Michael Rosenberger, LEAD ATTORNEYS, GORDON TILDEN THOMAS & CORDELL LLP, SEATTLE, WA; Christopher Mark Weimer, Travis Wimberly, LEAD ATTORNEYS, PRO HAC VICE, PIRKEY BARBER PLLC, AUSTIN, TX.

Judges: J. Richard Creatura, United States Magistrate Judge.

Opinion by: J. Richard Creatura

Opinion

ORDER ON MOTION FOR LEAVE TO SERVE PROCESS BY ALTERNATIVE MEANS

This matter is before the Court on plaintiff's motion for leave to serve process by alternate means and on referral from the District Court. See Dkt. 10. For the reasons discussed herein, the Court grants the motion.

BACKGROUND

Plaintiff brings claims against defendant, a resident of Vietnam, for allegedly trafficking in a "circumvention device" that "jailbreaks" plaintiff's video game consoles, circumventing plaintiff's copyright protection systems and allowing people to play pirated video games. Dkt. 1, at 2-3. These claims are brought under the Digital Millennium Copyright Act (DMCA), 17 U.S.C. § 1201 *et seq.* See Dkt. 1, at 2. Specifically, plaintiff brings claims under 17 U.S.C. §§ 1201(a)(2), (b)(1) for trafficking in certain devices (Dkt. 1, at 10, 12) and 17 U.S.C. § 512(f) for abuse of DMCA counternotification. See Dkt. 1, at 14.

Plaintiff provides a DMCA counternotification [*2] that defendant filed with Amazon.com, Inc., on November 4, 2020. Dkt. 10, at 3. That counternotification includes defendant's name and address in Vietnam, consent to the jurisdiction of "any United States federal district court in which Amazon.com and its affiliates may be found," and agreement to accept service from plaintiff. See Dkt. 10, at 3.

DISCUSSION

Plaintiff argues that service by email is appropriate either under the DMCA or under Fed. R. Civ. P. 4(f)(3). See Dkt. 10, at 3-5. Finding that service by email is appropriate Fed. R. Civ. P. 4(f)(3), the Court grants the motion and does not reach the alternative argument under the DMCA, as discussed below.

Fed. R. Civ. P. 4(f)(3) authorizes service on individuals in a foreign country as follows:

Unless otherwise provided by federal law, service upon an individual from whom a waiver has not been obtained and filed . . . may be effected in a place not within any judicial district of the United States:

(1) by any internationally agreed means reasonably calculated to give notice, such as those means authorized by the Hague Convention . . . ; or

. . . .

(3) by other means not prohibited by international agreement as may be directed by the court.

Alternative service under Fed. R. Civ. P. 4(f)(3) is "neither a last resort nor extraordinary [*3] relief. . . . It is merely one means among several which enable service of process on an international defendant." *Rio Props. v. Rio Int'l Interlink*, 284 F.3d 1007, 1015 (9th Cir. 2002). Alternative service methods approved by courts include email. *Id.* at 1016 (collecting cases). "The decision whether to allow alternative methods of serving process under Rule 4(f)(3) is committed to the sound

discretion of the district court." *Brockmeyer v. May*, 383 F.3d 798, 805 (9th Cir. 2004).

J. Richard Creatura

United States Magistrate Judge

To authorize service under Rule 4(f)(3), the Court must find that the method of service does not violate any international agreement or due process. Here, there is no international agreement prohibiting email service. See *UnitedHealth Grp., Inc. v. United Healthcare, Inc.*, No. 214CV00224RCJNJK, 2014 U.S. Dist. LEXIS 99447, 2014 WL 12791252, at *3 (D. Nev. July 21, 2014) (finding that service of process by mail and e-mail on Vietnam defendants was appropriate), *objections overruled*, No. 2:14-CV-00224-RCJ, 2014 U.S. Dist. LEXIS 129489, 2014 WL 4635882 (D. Nev. Sept. 16, 2014).

End of Document

To comply with due process, a method of service must be "reasonably calculated, under all the circumstances, to apprise interested parties of the pendency of the action and afford them an opportunity to present their objections." *Rio Props.*, 284 F.3d at 1016, 1017 (quoting *Mullane v. Cent. Hanover Bank & Trust*, 339 U.S. 306, 314, 70 S. Ct. 652, 94 L. Ed. 865 (1950)). Here, plaintiff is a Washington corporation alleging that it learned of defendant's infringing conduct through product listings that defendant offers as a seller on Amazon.com. Plaintiff asserts that the [*4] only information it has about defendant is the information that plaintiff received when defendant filed the DMCA counter-notification. The Court notes that plaintiff states it is also in the process of attempting service at the physical address that plaintiff gave. See Dkt. 10, at 7 n.2.

The notice of counter notification that plaintiff attaches to the complaint was sent by Amazon.com to plaintiff, with a copy sent to the email address in question. Because the email address in question includes a portion of defendant's name and because Amazon.com is using the email address as the means of communication with defendant, the Court finds that defendant is likely using the email address in connection with the allegedly infringing activity and as a primary means of communication. Therefore, the Court concludes that service to this email address is reasonably calculated under the circumstances to apprise defendant of the action.

Therefore, the Court will grant plaintiff leave to serve defendant via email at the email address identified in plaintiff's motion. See Dkt. 10.

Dated this 5th day of January, 2021.

/s/ J. Richard Creatura



Cited

As of: August 31, 2021 2:02 PM Z

Ramirez v. Elec. Arts Inc.

United States District Court for the Northern District of California, San Jose Division

March 5, 2021, Decided; March 5, 2021, Filed

Case No. 20-cv-05672-BLF

Reporter

2021 U.S. Dist. LEXIS 43032 *; 2021 WL 843184

KEVIN RAMIREZ, on His Own Behalf and on Behalf of All Others Similarly Situated, Plaintiff, v. ELECTRONIC ARTS INC., Defendant.

Counsel: [*1] For Kevin Ramirez, Plaintiff: Andrew J. Brown, Attorney at Law, San Diego, CA; Thomas Joseph O'Reardon, II, Blood Hurst O'Reardon LLP, San Diego, CA; Timothy G. Blood, Blood Hurst & O'Reardon, LLP, San Diego, CA.

For Electronic Arts, Inc., Defendant: David Justin Rosen, LEAD ATTORNEY, Kecker, Van Nest & Peters LLP, San Francisco, CA; R. James Slaughter, LEAD ATTORNEY, Kecker, Van Nest & Peters LLP, San Francisco, CA; Robert Adam Lauridsen, LEAD ATTORNEY, Kecker, Van Nest & Peters LLP, San Francisco, CA; Taylor L Reeves, Kecker, Van Nest and Peters LLP, San Francisco, CA.

Judges: BETH LABSON FREEMAN, United States District Judge.

Opinion by: BETH LABSON FREEMAN

Opinion

ORDER GRANTING DEFENDANT'S MOTION TO COMPEL ARBITRATION

Plaintiff Kevin Ramirez ("Ramirez" or "Plaintiff") brings this putative class action against Defendant Electronic Arts Inc. ("EA" or "Defendant") alleging that the Ultimate Team Packs feature of EA's video games violates California gambling law. See Complaint ("Compl.") ¶ 8, ECF 1. Before this Court is EA's Motion to Compel Arbitration. See Mot. to Compel Arbitration ("Mot."), ECF 22. Ramirez filed his Opposition to EA's Motion to Compel Arbitration on January 14, 2021. See Opp'n. to Mot. To Compel. [*2] ("Opp'n."), ECF 39. EA filed a Reply to Ramirez's Opposition on February 11, 2021.

See Reply to Opp'n. ("Reply"), ECF 42. The Court heard oral arguments on February 25, 2021. See ECF 45.

For the foregoing reasons, the Court GRANTS EA's Motion to Compel Arbitration and STAYS the case pending arbitration.

I. BACKGROUND

Defendant EA is in the business of digital interactive entertainment, which includes developing video games for gaming consoles and computers. Declaration of Jijnes Patel ("Patel Decl.") ¶ 2, ECF 23. Each of EA's video games is governed by EA's standard user agreement ("User Agreement"). *Id.* ¶ 16. To access the full features of EA's games, including the ability to use Ultimate Team Packs, the user must agree to the terms of the User Agreement. *Id.* ¶ 5. The user is notified of the User Agreement by a pop-up window that appears on the screen when the user first loads the game. *Id.* ¶¶ 7, 11. The pop-up window alerts the user that they must accept the User Agreement before continuing to the game. *Id.* The user is able to scroll through the entire User Agreement, including the arbitration provision in Section 15 ("Arbitration Provision"), before consenting to the User Agreement. *Id.* Users [*3] cannot play EA games without first accepting the User Agreement. *Id.* ¶ 12.

Plaintiff Ramirez has owned and played EA's *FIFA* game since 2011 and *Madden NFL* game since 2013. Compl. ¶ 16. In order to play these games, Ramirez must have affirmatively accepted that he read and agreed to be bound by EA's User Agreement. See Patel Decl. ¶¶ 5-9, 11-13.

The version of the User Agreement to which Ramirez is bound¹ states:

¹In its Motion to Compel Arbitration, EA contends that

[Users'] access and use of software products, such as game software contained on disc or downloaded, offered by EA and its subsidiaries ("EA") and related updates, upgrades and features as well as online and mobile services, features, content and websites offered by EA and/or live events hosted by or in connection with EA (collectively "EA Services")

Patel Decl., Exh. A, Electronic Arts User Agreement 11, ECF 23.

The User Agreement contains an Arbitration Provision, which states in relevant part:

All disputes, claims or controversies arising out of or relating to this Agreement, any EA Service and its marketing, or the relationship between you and EA ("Disputes") shall be determined exclusively by binding arbitration. This includes claims that accrued before you entered [*4] into this Agreement. The only Disputes not covered by this Section are claims (i) regarding the infringement, protection or validity of your, EA's or EA's licensors' trade secrets or copyright, trademark or patent rights; (ii) if you reside in Australia, to enforce a statutory consumer right under Australia consumer law; and (iii) brought in small claims court.

Id. 20.

The Arbitration Provision notes in Subsection C that arbitration is governed by the American Arbitration Association ("AAA") Commercial Rules:

The arbitration shall be administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules and, where appropriate, the AAA's Supplementary Procedures for Consumer Related Disputes ("AAA Consumer

Ramirez is bound to a prior version of the User Agreement that Ramirez accepted when he first installed *FIFA* and *Madden NFL* in 2011. Mot. 5; Patel Decl. ¶ 16. In its reply brief, however, EA argues that through his continued use of the games, Ramirez is actually bound to the latest version of the User Agreement, which became effective the month after EA's Motion to Compel was filed. Reply 2-3. At oral arguments, Ramirez argued that the Court must rely on the version of the User Agreement referenced in EA's Motion rather than EA's Reply, as EA has not adequately laid foundation for the latter. The Court finds that the relevant updates to the User Agreement do not affect its ruling here, but the 2011 User Agreement will be the version relied upon in considering EA's Motion to Compel, which both parties at a minimum agree Ramirez is bound to.

Rules"), both of which are available at the AAA website www.adr.org.

Id.

Subsection D of the Arbitration Provision, which includes a class action waiver, provides:

YOU AND EA AGREE THAT EACH MAY BRING CLAIMS AGAINST THE OTHER ONLY IN YOUR OR ITS INDIVIDUAL CAPACITY, AND NOT AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING. The arbitrator shall not consolidate another person's claims with your claims and shall not preside over any [*5] type of representative or class proceeding. The arbitrator may award declaratory or injunctive relief only in favor of the individual party seeking relief and only to the extent necessary to provide relief warranted by that party's individual claim. If this specific subsection is found to be unenforceable, then the entirety of this agreement to arbitrate shall be null and void.

Id. 20-21 (emphasis in original).

On October 13, 2020, Ramirez filed his Complaint against EA alleging that an online, in-game feature called Ultimate Team Packs, which is present in a number of EA's games, qualifies as an illegal "slot machine or device" under California Penal Code §330(d). See Compl. ¶ 8. In the Complaint, Ramirez brings three class action claims: 1) Violation of California's Unfair Competition Law; 2) Violation of California Consumer Legal Remedies Act; and 3) Unjust Enrichment. *Id.* ¶¶ 112-41. As part of his relief, Ramirez requests that EA "modify its games in a manner that prevents its users from engaging in gambling, including through the use of Ultimate Team Packs or similar mechanisms." *Id.* ¶ 124.

EA argues that Ramirez, by installing and playing *FIFA* and *Madden NFL*, accepted and is bound to EA's User Agreement, including the [*6] Arbitration Provision with the class action waiver. See Mot. 6. Accordingly, EA contends that Ramirez must arbitrate all of his claims against EA on an individual basis. *Id.* Ramirez responds that the Arbitration Provision is unenforceable under *McGill v. Citibank, N.A.*, 2 Cal. 5th 945, 216 Cal.Rptr.3d 627, 393 P.3d 85 (Cal. 2017) because it bars his ability to seek public injunctive relief. See Opp'n. 3. EA responds that pursuant to the AAA rules, gateway issues of arbitrability—such as validity of the agreement—must be decided in arbitration rather than

by the Court. See Reply 2.

II. LEGAL STANDARD

The Federal Arbitration Act ("FAA") embodies a "national policy favoring arbitration and a liberal federal policy favoring arbitration agreements, notwithstanding any state substantive or procedural policies to the contrary." *AT&T Mobility, LLC v. Concepcion*, 563 U.S. 333, 345-46, 131 S. Ct. 1740, 179 L. Ed. 2d 742 (2011) (internal quotations and citations omitted). The FAA provides that a "written provision in ... a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract ... shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract." 9 U.S.C. § 2.

In deciding whether to compel arbitration, a district court determines two gateway issues: [*7] "(1) whether there is an agreement to arbitrate between the parties; and (2) whether the agreement covers the dispute." *Brennan v. Opus Bank*, 796 F.3d 1125, 1130 (9th Cir. 2015) (citing *Howsam v. Dean Witter Reynolds, Inc.*, 537 U.S. 79, 84, 123 S.Ct. 588, 154 L.Ed.2d 491 (2002)). "However, these gateway issues can be expressly delegated to the arbitrator where the parties clearly and unmistakably provide otherwise." *Id.* (citing *AT & T Techs., Inc. v. Communs Workers of Am.*, 475 U.S. 643, 649, 106 S.Ct. 1415, 89 L.Ed.2d 648 (1986)). "When the parties' contract delegates the arbitrability question to an arbitrator, a court may not override the contract." *Henry Schein, Inc. v. Archer & White Sales, Inc.*, 139 S. Ct. 524, 526, 202 L. Ed. 2d 480 (2019). Incorporation of arbitration rules constitutes clear and unmistakable evidence that contracting parties agreed to arbitrate arbitrability. *Brennan*, 796 F.3d at 1130; *Cooper v. Adobe Sys. Inc.*, No. 18-CV-06742-BLF, 2019 U.S. Dist. LEXIS 177413, 2019 WL 5102609, at *6 (N.D. Cal. Oct. 11, 2019) (citing *Brennan*, 796 F.3d at 1130).

III. DISCUSSION

A. Formation of Arbitration Agreement

The Court must first determine whether the parties agreed to arbitrate. EA has provided sufficient evidence that Ramirez accepted the Arbitration Provision, and that he did so knowingly. The User Agreement "governs

[users'] access and use of software products, such as game software contained on disc or downloaded, offered by EA" and includes the Arbitration Provision which covers "[a]ll disputes, claims or controversies arising out of or relating to [the User] Agreement, any EA Service and its marketing, or the relationship between [user] [*8] and EA." Electronic Arts User Agreement 11, 20. In order to access all features of the games, such as the Ultimate Team Packs, Ramirez must have affirmatively clicked a button indicating that he accepted the User Agreement, including the Arbitration Provision. See Patel Decl. ¶¶ 5-9, 11-13. Ramirez was presented with a warning that "BY USING EA SERVICES, YOU AGREE TO THE ARBITRATION AGREEMENT AND CLASS ACTION WAIVER DESCRIBED IN SECTION 15 TO RESOLVE ANY DISPUTES." *Id.* ¶¶ 7, 11. This statement appeared directly above the User Agreement's acceptance button. *Id.* ¶¶ 7, 11. Ramirez was able to scroll through the entire User Agreement, including the Arbitration Provision, at his leisure prior to accepting. *Id.* Courts have consistently enforced similar "clickwrap" or "browwrap" agreements where the user had actual notice of the agreement or where the user was required—as Ramirez was—to affirmatively acknowledge the agreement before proceeding with use of the service. See *Nguyen v. Barnes & Noble Inc.*, 763 F.3d 1171, 1176 (9th Cir. 2014); *Cooper*, 2019 U.S. Dist. LEXIS 177413, 2019 WL 5102609, at *5. Ramirez does not dispute that he agreed to EA's User Agreement, which includes the Arbitration Provision. See generally, Opp'n. Nor does Ramirez challenge that the Arbitration Provision covers Ramirez's action against EA. *Id.* [*9] Accordingly, Ramirez's acceptance of EA's User Agreement, and in turn the Arbitration Provision, is sufficient to show that an agreement to arbitrate was formed.

B. Delegation of Arbitrability

Ramirez argues that the entire Arbitration Provision is unenforceable because it bars his right to obtain public injunctive relief. Opp'n. 3. EA contends that the Arbitration Provision properly incorporates the AAA rules, which provide that disputes regarding the validity of an arbitration agreement are also delegated to the arbitrator, rather than the Court, to decide. Mot. 9. The Court agrees.

The AAA rules provide that "the arbitrator shall have the power to rule on his or her own jurisdiction, including any objections with respect to the existence, scope, or

validity of the arbitration agreement or to the arbitrability of any claim or counterclaim." Declaration of Adam Lauridsen, Exh. A., Commercial Arbitration Rules 13, ECF 24 (emphasis added). Courts have established that incorporation of arbitration rules—to include the AAA rules—into a contract constitutes clear and unmistakable evidence that the contracting parties agreed to arbitrate arbitrability. See *Brennan* 796 F.3d at 1130; *Taylor v. Shutterfly, Inc.*, No. 18-CV-00266-BLF, 2018 U.S. Dist. LEXIS 154925, 2018 WL 4334770, at *6 (N.D. Cal. Sept. 11, 2018) [*10] ("[T]he Court notes that the incorporation of AAA rules . . . is further evidence that shows the parties' intent to delegate to the arbitrator."). The Arbitration Provision's incorporation of the AAA rules here constitutes clear and unmistakable delegation of intermediate issues of arbitrability to the arbitrator. Electronic Arts User Agreement 20.

During oral arguments, Ramirez argued that incorporation of the AAA rules without explicit reference to the provision regarding arbitration of arbitrability is insufficient to establish delegation. Ramirez also argued that the fact that one party, himself, was unsophisticated could preclude a finding of delegation. This Court has held before that incorporation of arbitration rules without explicit reference to a specific provision, and where one party was unsophisticated, is sufficient to demonstrate clear and unmistakable evidence that parties agreed to arbitrate arbitrability. *Cooper*, 2019 U.S. Dist. LEXIS 177413, 2019 WL 5102609, at *6. The Court cannot identify, and Ramirez has not otherwise explained, how this situation is meaningfully different from *Cooper*. Accordingly, the Court finds the incorporation of the AAA rules in the EA User Agreement is sufficient to demonstrate delegation of arbitrability [*11] to an arbitrator.

C. Class Action Waiver

Relying on *McGill*, Ramirez argues that the Arbitration Provision is unenforceable in its entirety. Opp'n. 3. In *McGill*, the California Supreme Court held that contracts that waive a party's right to seek public injunctive relief are unenforceable under California law. 2 Cal. 5th at 963. Ramirez contends that Subsection D in the Arbitration Provision, which provides that "the arbitrator may award declaratory or injunctive relief only in favor of the individual party seeking relief and only to the extent necessary to provide relief warranted by that party's individual claim," bars Ramirez from seeking public injunctive relief. Opp'n. 3. Because Subsection D further provides that "[i]f this specific subsection is found to be

unenforceable, then the entirety of this agreement to arbitrate shall be null and void," Ramirez argues that accordingly the entire Arbitration Provision is invalidated. *Id.* 6.

As discussed above, through the incorporation of the AAA rules the parties delegated issues regarding the validity of the Arbitration Provision to the arbitrator. The issue presented here—whether the Arbitration Provision is unenforceable because it improperly limits the right [*12] to seek public injunctive relief—is clearly a matter regarding the validity of the Arbitration Provision. As such the Court finds that it is plainly delegated to an arbitrator, rather than this Court, to decide. See *Cooper*, 2019 U.S. Dist. LEXIS 177413, 2019 WL 5102609, at *6 (holding that where parties agreed to arbitrate arbitrability, whether an arbitration provision is unenforceable under *McGill* is an issue of validity for the arbitrator to decide).

D. Dismissal of Plaintiff's Claims

EA requests that the Court dismiss Ramirez's claims upon a finding that they are arbitrable. Mot. 11. In the Ninth Circuit, courts have discretion to stay or dismiss claims subject to a valid arbitration agreement. *Price v. Petaluma Health Ctr.*, No. 17-CV-05428-HSG, 2019 U.S. Dist. LEXIS 15900, 2019 WL 402314, at *2 (N.D. Cal. Jan. 31, 2019) (citing *Sparling v. Hoffman Constr. Co.*, 864 F.2d 635, 638 (9th Cir. 1988)). However, the court should exercise this discretion after "the court determines that all of the claims raised in the action are subject to arbitration." *Johnmohammadi v. Bloomington's, Inc.*, 755 F.3d 1072, 1074 (9th Cir. 2014).

Although the parties do not contest that Ramirez's claims are covered by the Arbitration Provision, the arbitrator must still determine as an initial matter whether the Arbitration Provision is enforceable against Ramirez's claims. Because it is not certain that Ramirez's claims will remain in arbitration, outright dismissal is not appropriate, [*13] and the Court stays this action pending the completion of arbitration.

IV. CONCLUSION

For the foregoing reasons, the Court GRANTS EA's Motion to Compel Arbitration and STAYS the case pending the outcome of the arbitration. The Parties must provide this Court with their status on the initiation of

arbitration within 60 days of this Order, and thereafter within 10 days of the conclusion of arbitration. Accordingly, the Court TERMINATES EA's Motion to Dismiss at ECF 26. If the case is returned to this Court, EA may re-notice its Motion to Dismiss.

IT IS SO ORDERED.

Dated: March 5, 2021

/s/ Beth Labson Freeman

BETH LABSON FREEMAN

United States District Judge

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Take-Two Interactive Software, Inc. v. Sims

United States District Court for the Northern District of California

June 14, 2021, Decided; June 14, 2021, Filed

Case No. 20-cv-04441-JSW

Reporter

2021 U.S. Dist. LEXIS 111287 *; 2021 WL 2417002

TAKE-TWO INTERACTIVE SOFTWARE, INC. and 2K GAMES, INC., Plaintiffs, v. BRANDON SIMS, Defendant.

Counsel: [*1] For Take-Two Interactive Software, Inc., Plaintiff: Ari E. Lipsitz, Dale Cendali, Kirkland Ellis LLP, New York, NY; Diana Marie Torres, Kirkland & Ellis LLP, Los Angeles, CA; Joshua L Simmons, McDermott Will & Emery, New York, NY.

For Brandon Sims, Defendant: William Benjamin DeClercq, Taylor English Duma LLP, Los Angeles, CA.

Judges: JEFFREY S. WHITE, United States District Judge.

Opinion by: JEFFREY S. WHITE

Opinion

ORDER GRANTING, IN PART, AND DENYING, IN PART, DEFENDANT'S MOTION TO DISMISS, OR, IN THE ALTERNATIVE, TO TRANSFER VENUE

Re: Dkt. No. 22

Now before the Court for consideration is the motion to dismiss, or, in the alternative, to transfer venue filed by Defendant Brandon Sims ("Sims"). Having reviewed the parties' papers, relevant legal authority, and record in this case, the Court hereby GRANTS, IN PART, AND DENIES, IN PART Sims's motion.

BACKGROUND

In 2018, Plaintiffs Take-Two Interactive Software, Inc. ("Take-Two") and 2K Games, Inc. ("2K Games") (collectively "Plaintiffs") released *NBA 2K19*, a basketball simulation game that allows a user to play virtual basketball. Take-Two is a multinational publisher,

developer, and distributor of video games and video game peripherals, incorporated in Delaware and [*2] headquartered in New York. (Compl. ¶ 8.) 2K Games is a wholly owned subsidiary of Take-Two, incorporated in Delaware and headquartered in Novato, California. (*Id.* ¶ 9.)

NBA 2K19 realistically depicts numerous NBA players playing a simulated basketball game. A user may even customize the celebratory dance a basketball player performs upon making a point in the game. This case arises from a copyright dispute about the "Soul Jah Boi," a celebratory dance used in *NBA 2K19*, between Plaintiffs and Sims, who is a music artist, also known as "Lil Playboii." (Compl. ¶¶ 10, 20.) Sims resides in Lithonia, Georgia. (Dkt. No. 26-1, Reply Declaration of Brandon Sims ("Sims Reply Decl.") ¶ 3.) In 2011, Sims obtained a copyright to his dance routine "Crank That Dance," which is performed to the song "Crank That (Soulja Boy)." (Compl. ¶ 21, Ex. 2.)

"Crank That Dance" is approximately 82-seconds long and is comprised of a variety of dance moves, including what Plaintiffs describe as the "Sims Dance Step." (*Id.* ¶¶ 22-23.) The "Sims Dance Step" is performed by slightly bending one's legs while simultaneously raising the arms upwards until they are perpendicular to the dancer's chest. Once in this position, [*3] the dancer bounces backward while making a cranking-like gesture with clenched fists, evoking the cranking gesture of a motorcycle throttle. This move takes approximately one second to perform and appears at least four times in "Crank That Dance." (*Id.* ¶¶ 6, 22-24.) The "Soul Jah Boi" is performed by making a lateral motion to the side four times. During this motion, one leg is straight on the ground, and the other leg is stretched outward at a 45-degree angle. At the same time, the basketball player raises both arms outward in front of his head. (*Id.* ¶ 6.)

Following *NBA 2K19*'s release, Sims sent Jason Argent, Senior Vice President of Operations at 2K Games, a cease and desist letter to 2K Games's headquarters in

Novato, California. (Dkt. No. 22-2, Declaration of Bruce B. Siegal ("Siegal Decl.") ¶ 4, Ex. A.) Take-Two also is listed as a recipient of the letter. (*Id.*) Sims, through his counsel, notified Plaintiffs that he owned the copyright to "Crank That Dance" and asserted that Plaintiffs' use of the "Soul Jah Boi" infringed that copyright. (*Id.*) Sims also stated he "has vigorously enforced against unauthorized use of ["Crank That Dance"]." (*Id.*) Sims demanded that Plaintiffs obtain [*4] a license to use his copyrighted work and stated that he was entitled payment for any past unauthorized use. (*Id.*) Sims asserted that if an amicable resolution could not be reached, he would "take all steps available at law and in equity to protect his exclusive rights under copyright and otherwise." (*Id.*)

Over a month later, Plaintiffs responded to Sims's letter. Plaintiffs denied that the "Soul Jah Boi" infringed on Sims's copyright and refused Sims's demands. (Siegal Decl., ¶¶ 5-6, Ex. B.) Over three weeks later, Sims sent a reply letter reiterating all the claims and demands he made in his first letter. Sims again reserved all rights and remedies available to him if a resolution could not be reached. (Siegal Decl., ¶¶ 7-8, Ex. C.)

Plaintiffs did not respond to Sims's second letter. Instead, they filed this lawsuit seeking a declaratory judgment against Sims. They ask the Court to declare that the "Soul Jah Boi" does not infringe Sims's copyright. Sims moves to dismiss Plaintiffs' claim on three grounds. First, he argues the Court lacks personal jurisdiction. Second, he argues this District is an improper venue and, in the alternative, seeks a transfer to the United States District [*5] Court for the Northern District of Georgia Third, he argues this case is not justiciable under the Declaratory Judgment Act.

ANALYSIS

A. This Case is Justiciable Under the Declaratory Judgment Act.

The Declaratory Judgment Act permits a court to "declare the rights and other legal relations" of parties to an "actual case or controversy." 28 U.S.C. § 2201(a). "[T]he phrase a case of actual controversy refers to the type of 'Cases' and 'Controversies' that are justiciable under Article III." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127, 127 S. Ct. 764, 166 L. Ed. 2d 604 (2007). If there is no "case or controversy" the Court would lack jurisdiction over this matter. For that reason,

the Court addresses this argument first.

"To determine whether a declaratory judgment action presents a justiciable case or controversy, courts consider 'whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.'" *Shell Gulf of Mex. Inc. v. Ctr. for Biological Diversity, Inc.*, 771 F.3d 632, 635 (9th Cir. 2014) (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273, 61 S. Ct. 510, 85 L. Ed. 826 (1941)). The Court must determine whether Plaintiffs have "a real and reasonable apprehension that [they] will be subject to liability" for their conduct. *Hal Roach Studios, Inc. v. Richard Feiner & Co.*, 896 F.2d 1542, 1555 (9th Cir. 1989) (quoting *Societe de Conditionnement en Aluminium v. Hunter Eng'g Co.*, 655 F.2d 938, 943 (9th Cir. 1981)).

Sims argues the case is not justiciable because the cease and desist letters simply invited [*6] Plaintiffs to license his work and did not threaten litigation. The Court disagrees. Here, Sims contends he is the owner of a copyrighted work. In his first letter to Plaintiffs, Sims asserted that interest, noted his "vigorous" enforcement of unauthorized uses, and stated his belief that Plaintiffs' use was not authorized and infringed his copyright. (Siegal Decl., Ex. A.) While it is true he invited Plaintiffs to obtain a license, he nevertheless stated: "Please be aware that if an amicable resolution of this matter is not reached in an efficient and expedient manner, [he would] take all steps available at law and in equity to protect his exclusive rights under copyright and otherwise." (*Id.*) In response to Plaintiffs' letter, Sims reiterated his copyright ownership and claimed copyright infringement. (*Id.*, Ex. C.) He again reserved his right to sue. (*Id.*)

These facts demonstrate that Sims's letters left Plaintiffs apprehensive about an impending lawsuit for their usage of the "Soul Jah Boi" in *NBA 2K19*. That Sims actually owns a copyrighted work and has a legal right to sue for copyright infringement further strengthens this finding. *Compare Shahani v. Moctezuma*, No. 16-cv-03862-JSC, 2017 U.S. Dist. LEXIS 8359, 2017 WL 264063, at *2 (N.D. Cal. Jan. 20, 2017) (finding no justiciable controversy and, [*7] thus, no reasonable apprehension of suit where the defendant did not own a copyright). Nor does the Court find it dispositive that Sims did not explicitly threaten litigation. Sims's letters "did not need to contain an express threat that [he] would sue, or any other formulaic words to create an

actual controversy, because the fact that [Sims] has not yet acted upon its veiled threat does not erase the threat's effect on" Plaintiffs. *Coheso, Inc. v. Can't Live Without It, LLC*, No. 17-cv-03381-LHK, 2017 WL 10434396, at *5 (N.D. Cal. Dec. 18, 2017) (internal quotations marks and citations omitted).

Accordingly, the Court concludes Plaintiffs' claim is justiciable under the Declaratory Judgment Act.

B. The Court Concludes Venue is Improper Because It Does Not Have Personal Jurisdiction over Sims.

Sims moves to dismiss Plaintiffs' claims for lack of personal jurisdiction, under Federal Rule of Civil Procedure 12(b)(2), and for improper venue, under Rule 12(b)(3). In copyright cases, venue is proper "in the district in which the defendant or his agent resides or may be found." 28 U.S.C. § 1400(a). Section 1400(a) allows for venue "in any judicial district in which the defendant would be amenable to personal jurisdiction if the district were a separate state." *Brayton Purcell LLP v. Recordon & Recordon*, 606 F.3d 1124, 1128 (9th Cir. 2010) (quoting *Columbia Pictures Television v. Krypton Broad. of Birmingham, Inc.*, 106 F.3d 284, 289 (9th Cir. 1997)), *abrogated on other grounds by Axiom Foods, Inc. v. Acerchem Int'l, Inc.*, 874 F.3d 1064, 1069 (9th Cir. 2017). Therefore, the issue of whether venue is proper is coextensive with the inquiry into [*8] whether the Court has jurisdiction over Sims.

"Where, as here, no federal statute authorizes personal jurisdiction, the district court applies the law of the state in which the court sits." *Mavrix Photo, Inc. v. Brand Techs., Inc.*, 647 F.3d 1218, 1223 (9th Cir. 2011). California's long-arm statute allows for the exercise of personal jurisdiction to the full extent under the United States Constitution, so the Court's "inquiry centers on whether exercising jurisdiction comports with due process." *Picot v. Weston*, 780 F.3d 1206, 1211 (9th Cir. 2015); *see also* Cal. Civ. Proc. Code. § 410.10 ("A court of this state may exercise jurisdiction on any basis not inconsistent with the Constitution of this state or of the United States.").

Due process requires that a defendant have "minimum contacts" with the forum state "such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316, 66 S. Ct. 154, 90 L. Ed. 95 (1945) (quoting *Milliken v. Meyer*, 311 U.S. 457, 463, 61 S. Ct. 339, 85 L. Ed. 278 (1940)). The

Court's focus when evaluating personal jurisdiction is on the "nature and extent of 'the defendant's relationship to the forum state.'" *Ford Motor Co. v. Montana Eighth Judicial Dist. Ct.*, -- U.S. --, 141 S.Ct. 1017, 1024, 209 L. Ed. 2d 225 (2021) (quoting *Bristol-Myers Squibb Co. v. Superior Court of California*, 582 U.S. ___, 137 S. Ct. 1773, 1779, 198 L. Ed. 2d 395 (2017)); *see also Walden v. Fiore*, 571 U.S. 277, 290, 134 S. Ct. 1115, 188 L. Ed. 2d 12 (2014) ("The proper question is not where the plaintiff experienced a particular injury or effect but whether the defendant's conduct connects him to the forum in a meaningful way."). The strength of those contacts will determine whether a court can exercise [*9] general jurisdiction or specific jurisdiction. *Picot*, 780 F.3d at 1211; *cf. Yahoo! Inc. v. La Ligue Contre Le Racisme*, 433 F.3d 1199, 1207 (9th Cir. 2006) (stating court "must evaluate all of defendant's contacts with forum state" relating to the dispute in question). Because the Plaintiffs do not argue the Court has general jurisdiction over Sims, the Court limits its analysis to the issue of specific jurisdiction.

The Court may exercise specific jurisdiction over Sims if: (1) he purposefully directed his activities at California or purposefully availed himself of California's laws; (2) Plaintiffs' claim arises out of or relates to Sims's activities in California; and (3) exercising jurisdiction would be reasonable. *Axiom Foods*, 874 F.3d at 1068. Plaintiffs bear the burden of proving the first two prongs. *Id.* If Plaintiffs meet their burden, "the burden then shifts to [Sims] to present a compelling case that the exercise of jurisdiction would not be reasonable." *Id.* at 1068-69 (internal quotation marks omitted). The Court has decided the motion on the written record and without an evidentiary hearing. Therefore, Plaintiffs "need only make a prima facie showing of jurisdictional facts." *Sher v. Johnson*, 911 F.2d 1357, 1361 (9th Cir. 1990).¹

Because this case involves copyright infringement, the Court employs the purposeful direction test. *See Axiom Foods*, 874 F.3d at 1068. Under this test, Sims must have [*10] (1) committed an intentional act, (2) expressly aimed at California, (3) that caused harm he knew was likely to be suffered in California. *Id.* at 1069. Plaintiffs argue that Sims has the requisite contacts with

¹ Plaintiffs moved to take jurisdictional discovery in the event the Court was inclined to grant the motion. Based on the record presented, the Court denies Plaintiffs' request, which it concludes is "based on little more than a hunch" that discovery would "yield jurisdictionally relevant facts." *Boschetto v. Hansing*, 539 F.3d 1011, 1020 (9th Cir. 2008).

this Court because he sent them two cease and desist letters and because he performed his copyrighted dance during a concert tour in 2009.

In general, "[a] cease and desist letter in and of itself is not sufficient to establish personal jurisdiction over the sender of the letter." *Yahoo!*, 433 F.3d at 1208. In some instances, however, a cease and desist letter may provide a basis for personal jurisdiction. *Id.* (citing *Bancroft & Masters, Inc. v. Augusta Nat'l Inc.*, 223 F.3d 1082, 1087 (9th Cir. 2000)). For example, in *Bancroft & Masters*, the defendant sent the plaintiff a cease and desist letter regarding a domain name and sent a letter to the domain name registrar, which triggered a dispute resolution procedure that required the plaintiff take certain actions to protect its use of the disputed domain name. Accepting the plaintiff's allegations as true, the Ninth Circuit determined the defendant's actions "deliberately triggered [the] dispute resolution procedures not only to defend its own trademarks but also to interfere wrongfully with [plaintiff's] use of its domain name and misappropriate [*11] that name ... for [the defendant's] own use." 223 F.3d at 1087. In contrast, in *Yahoo!*, the court distinguished the letters at issue in *Bancroft & Masters* and determined the defendants' letter was "more like a normal cease and desist letter" because it was not "abusive, tortious or otherwise wrongful." 433 F.3d at 1209. The court concluded that the letter, on its own, was not sufficient to provide the requisite minimum contacts with the forum. However, it held that the letter, combined with the fact that the defendants served the plaintiff with process and "obtained two interim orders from the French court directing Yahoo! to take actions in California, on threat of a substantial penalty" were sufficient to establish the requisite minimum contacts. Although the court described it as a "close question", the court held there was personal jurisdiction over the defendants. *Id.* at 1208-10.

Here, Sims sent his first cease and desist letter to Novato, California and sent the second to Plaintiffs' counsel in New York. Each letter is a run-of-the mill cease and desist letter designed to "warn an alleged rights infringer that its conduct, if continued, will be challenged in a legal proceeding, and to facilitate resolution of a dispute without [*12] resort to litigation." *Id.* at 1208. Indeed, Plaintiffs do not argue the letters are "abusive, tortious or otherwise wrongful" or that the letters triggered any enforcement or other proceedings. *Id.* at 1208; see *Bancroft & Masters*, 223 F.3d at 1089. Under *Yahoo!*, although the letters might literally satisfy each prong the effects test, standing alone they are not

sufficient to provide the requisite minimum contacts with this forum. *Compare Trimble, Inc. v. Perdiemco LLC*, 997 F.3d 1147, 2021 WL 1898127, at *7 (Fed. Cir. 2021) (finding that twenty-two communications to California plaintiff over three-month period was sufficient to provide specific jurisdiction over defendant in declaratory relief claim for patent non-infringement) with *PokitDok, Inc. v. Martin*, No. 12-cv-03947-SI, 2012 U.S. Dist. LEXIS 160001, 2012 WL 5425615, at *4 (N.D. Cal. Nov. 6, 2012) (finding cease and desist letter simply alerted the plaintiff to the fact that defendant might file suit for copyright infringement and, without more, was not sufficient to establish personal jurisdiction in declaratory relief action).

Plaintiffs argue that the cease and desist letters combined with Sims's participation in concerts in California provide the requisite minimum contacts, and they note that Sims cited his performances with Soulja Boy to show why his work would have been "attractive to Take-Two." (Siegal Decl., Ex. C at 2.) Although the Court must consider all of Sims's contacts with [*13] California, the Court is not persuaded. "When a court is exercising specific jurisdiction over a defendant, arising out of or related to the defendant's contacts with the forum, the fair warning that due process requires arises not at the time of the suit, but when the events that gave rise to the suit occurred." *Steel v. United States*, 813 F.2d 1545, 1549 (9th Cir. 1987) (internal quotations and citation omitted). Sims performed "Crank That Dance" during a tour in 2009, and he attests he has not been to California since 2010. (Sims Reply Decl., ¶¶ 4-5, 8.) *NBA 2K19* was not released until 2018. Although the proper focus is on Sims's contacts with California, his knowledge of Plaintiffs' presence here remains relevant to the analysis. *Axiom*, 874 F.3d at 1070. There is nothing to suggest that in 2009 Sims knew that 2K Games or Take-Two existed or knew that 2K Games was a California resident. *Cf. Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 420 (9th Cir. 1997) (finding no purposeful direction where defendant neither knew of the plaintiff's existence nor individually targeted it). In addition, these concert performances are not akin to the "veritable truckload of contacts" relating to the claims at issue in *Ford Motor*, 141 S.Ct. at 1031.

Accordingly, the Court concludes Plaintiffs have not met their burden to show that Sims has the requisite minimum contacts [*14] to subject him to personal jurisdiction or that venue is proper here. However, rather than dismissing the case, the Court concludes the interests of justice warrant transfer to the United States District Court for the Northern District of Georgia. See

28 U.S.C. section 1406(a); *PokitDok*, 2012 U.S. Dist. LEXIS 160001, 2012 WL 5425615, at *4.

CONCLUSION

For the foregoing reasons, the Court DENIES the motion to dismiss for lack of a justiciable controversy, GRANTS, IN PART, Sims's motion to dismiss for personal jurisdiction and improper venue and TRANSFERS this case to the United States District Court for the Northern District of Georgia. The Clerk shall close this file upon transfer.

IT IS SO ORDERED.

Dated: June 14, 2021

/s/ Jeffrey S. White

JEFFREY S. WHITE

United States District Judge

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Worlds, Inc. v. Activision Blizzard, Inc.

United States District Court for the District of Massachusetts

April 30, 2021, Decided; April 30, 2021, Filed

Civil Action No. 12-10576-DJC

Reporter

2021 U.S. Dist. LEXIS 84115 *; 2021 WL 1723807

WORLDS, INC., Plaintiff v. **ACTIVISION BLIZZARD**, INC., BLIZZARD ENTERTAINMENT, INC. and ACTIVISION PUBLISHING, INC., Defendants.

Prior History: **Worlds**, Inc. v. **Activision Blizzard**, Inc., 2014 U.S. Dist. LEXIS 32216 (D. Mass., Mar. 13, 2014)

Core Terms

patent, user, avatars, displayed, filtering, inventive, abstract idea, steps, interact, invalid, maximum number, crowd control, space, positions, enabling, server, conditions, eligible, generic, actual number, instructions, comparing, asserted claim, comprising, laws of nature, conventional, metabolite, network, parties, written decision

Counsel: [*1] For Worlds, Inc., Plaintiff: Brian D. Melton, LEAD ATTORNEY, PRO HAC VICE, Sussman Godfrey LLP, Houston, TX; Chanler A. Langham, LEAD ATTORNEY, PRO HAC VICE, Susman Godfrey LLP, Houston, TX; Joel R. Leeman, LEAD ATTORNEY, Sunstein Kann Murphy & Timbers LLP, Boston, MA; Max L. Tribble, Ryan Caughey, LEAD ATTORNEYS, PRO HAC VICE, Susman Godfrey, LLP, Houston, TX; Sandeep Seth, LEAD ATTORNEY, PRO HAC VICE, Seth Godfrey LLP, Houston, TX; Alan A. Wright, Aldo Noto, Donald L. Jackson, Gregory A. Krauss, James T. Wilson, Walter D. Davis, Jr., Wayne M. Helge, PRO HAC VICE, Davidson Berquist Jackson Gowdey LLP, McLean, VA.

For Activision Blizzard, Inc., Blizzard Entertainment, Inc., Activision Publishing, Inc., Defendants: Christopher J. Harnett, LEAD ATTORNEY, PRO HAC VICE, Maynard Cooper & Gale, LLP, New York, NY; Claire M. Specht, Wilmer Cutler Pickering Hale and Dorr LLP (Bos), Boston, MA; Kevin S. Prussia, Scott W. Bertulli, Wilmer Hale LLP, Boston, MA; Sonal N. Mehta, PRO HAC VICE, Wilmer Cutler Pickering Hale and Dorr LLP, Palo Alto, CA.

Judges: Denise J. Casper, United States District Judge.

Opinion by: Denise J. Casper

Opinion

MEMORANDUM AND ORDER

CASPER, J.

I. Introduction

Plaintiff **Worlds**, Inc., ("**Worlds**") alleges [*2] that Defendants **Activision Blizzard**, Inc., Blizzard Entertainment, Inc. and Activision Publishing, Inc. (collectively, "Activision") infringe United States Patents Nos. 7,181,690 ("690"), 7,493,558 ("558"), 7,945,856 ("856"), 8,082,501 ("501") and 8,145,998 ("998") (collectively, the "Patents-In-Suit"). Activision has moved for summary judgment seeking a ruling that the remaining claims

of the Patents-In-Suit at issue are invalid as a matter of law. D. 272. For the following reasons, the Court **ALLOWS** Activision's motion.

II. Factual Background

The following material facts are based upon Activision's Statement of Material Facts, D. 177, Worlds' Statement of Material Facts, D. 185, and/or the documents referenced in same and are undisputed.

A. Patents-In-Suit

At this juncture, Worlds presses that Activision infringes the following twenty-one claims of the Patents-In-Suit: '690 claims 4, 8, 13 and 16; '558 claims 5 and 7; '856 claim 1; '501 claims 1-8, 10, 12 and 14-16; and '998 claim 18. D. 269 at 2; D. 283 at 10. As Worlds has explained, the Patents-In-Suit resolve bandwidth issues with multiplayer games through "multi-criteria filtering of avatar position and state information, but at the client side and the server [*3] side," i.e., "crowd control." D. 183 at 5. The remaining claims at issue achieve crowd control by some form of filtering of information, D. 183 at 8, but in slightly different ways: i.e., by "fewer than all" in the '856 patent; a "maximum number" in the '690 patent and '558 patent; and by "condition" in the '501 patent and the '998 patent. D. 273 at 6.

U.S. Patent No. 7,181,690 ('the'690 patent')

The '690 patent, "a system and method for enabling users to interact in a virtual space," was filed on August 3, 2000 and issued on February 20, 2007. D. 275 ¶ 1; D. 274-1 at 2. It provides a "highly scalable architecture for a three-dimensional, graphical, multi-user, interactive virtual world system." *Id.* So that a user's view "can be updated to reflect the motion of the remote user's avatars, motion, information is transmitted to a central server process which provides positions updates to

client processes for neighbors of the user at that client process." *Id.* "The client process also uses an environment database to determine which background objects to render as well as to limit the movement of the user's avatar." *Id.*

Claims 4, 8, 13 and 16 of the '690 patent are currently at issue. Claim 4 (incorporating the method of claim 1 which is a "method for enabling a first user to interact with other users in a virtual [*4] space") involves determining the maximum number of the other users' avatars to be displayed by comparing the actual number to the maximum number of other users' avatars to be displayed. D. 274-01 at 13. Claim 8 (incorporating the method of claim 6 which is a "method for enabling a plurality of users to interact in a virtual space") also involves a maximum number of avatars by comparing the actual number of avatars that are not associated with the client process based on the positions transmitted by the server process to the maximum number of avatars that can be displayed. D. 274-1 at 13. Claim 13 (incorporating the software program of claim 11) provides instructions for determining the other users' avatars to be displayed by comparing the actual number of the other users' avatars (from the received positions) to the maximum number of the other users' avatars to be displayed. D. 274-1 at 14. Claim 16 (incorporating the software program of claim 15) provides instructions for determining which avatars to be displayed from comparing the determination of the actual number of avatars that are not associated with the client process based on the positions transmitted by the server process [*5] to the maximum number of avatars that can be displayed. D. 274-1 at 14.

U.S. Patent No. 7,493,558 ('the'558 patent')

The '558 patent, a "system and method for enabling users to interact in a virtual space," was filed on November 2, 2006 and issued on February 17, 2009. D. 275 ¶ 22; D. 274-2 at 1. Worlds continues to assert claims 5 and 7 of the '558 patent in this

litigation. Similar to the claims in the '690 patent, these claims achieve crowd control by filtering through a maximum number. Claim 5 (incorporates the machine-readable medium of claim 40) provides that the avatars to be displayed is determined by comparing "an actual number of avatars in the set associated said each client process based on the positions transmitted by the server process" to "a maximum number of avatars that can be displayed to the user associated with said each client process." D. 274-2 at 14. Claim 7 (incorporates the computer readable medium of claim 6) determines the avatars to be displayed by comparing "an actual number of avatars that are not associated with the client process based on the positions transmitted by the server process" with "a maximum number of avatars that can be displayed." D. 274-2 at 14.

U.S. Patent No. 7,945,856 ("the '856 patent")

The '856 patent, a "system and method for enabling users to interact in a virtual [*6] space." was filed on January 13, 2009 and issued on May 17, 2011. D. 275 ¶ 36; D. 274-3 at 1. This patent serves to achieve crowd control by filtering information by "fewer than all" methods. Worlds presses claim 1 of the '856 patent. Claim 1 is a "method for enabling a first user to interact with second users in a virtual space . . . , the method comprising: (a) receiving by the first client process from the server process received positions of selected second avatars; and (b) determining, from the received positions, a set of the second avatars that are to be displayed to the first user, wherein the first client process receives positions of fewer than all of the second avatars. D. 274-3 at 24.

U.S. Patent No. 8,082, 501 ("the '501 patent")

The '501 patent, a "system and method for enabling users to interact in a virtual space," was filed on March 19, 2009 and issued on December 20, 2011. D. 275 ¶ 52; D. 274-4 at 1. This patent also

achieves crowd control through filtering information by a condition or conditions. Worlds asserts claims 1-8, 10, 12, and 14-16 of the '501 patent.

Claim 1-8 concern a "method for enabling a first user to interact with other users in a virtual space, . . . , the method comprising the steps" that vary with each claim. D. [*7] 274-4 at 23. In claim one, the steps involve customizing "an avatar in response to input by the first user," receiving "position information associated with fewer than all of the other user avatars in an interaction room of the virtual space, from a server process, wherein the client device does not receive position information of at least some avatars that fail to satisfy a participant condition imposed on avatars displayable on a client device display of the client device; determining, . . . a displayable set of the other user avatars associated with the client device displayed; and displaying, . . . the displayable set of the other user avatars associated with the client device display." *Id.* Claims 2-8 and 10 add or alter the conditions of the method in Claim 1. *Id.*

Claim 12 is a "client device for enabling a first user to interact with other users in a virtual space" and is comprised of "a memory storing instructions" and "a processor programmed using the instructions" for various conditions for "determin[ing] a set of the other users' avatars displayable on a screen associated with the client device." *Id.* at 23. Claim 14 is an "article of manufacture comprising at least one memory storing [*8] computer code for enabling a first user to interact with other users in a virtual space, . . . the computer code comprising instructions for conditions for customizing, receiving, determining and then displaying the other user avatars." *Id.* Claims 15 and 16 incorporate the article of manufacture in Claim 14 and add or alter the conditions for displaying the other user avatars. *Id.*

U.S. Patent No. 8,145,998 ("the '998 patent")

The '998 patent, a "system and method for enabling

users to interact in a virtual space, was filed on March 19, 2009 and issued on March 27, 2012. D. 275 ¶ 92; D. 274-5 at 1. Similar to claims in the '501 patent, the claims in this patent achieve crowd control through filtering information by conditions. Worlds asserts Claim 18 here. D. 283 at 10. Claim 18 is a "system for displaying interactions in a virtual world among a local user and a plurality of remote users, comprising a database . . . ; a memory storing instructions and a processor programmed using instructions to receive position information [based on certain conditions], receive orientation information [based on certain conditions], generate on a graphic display a rendering of a perspective view of the virtual world in three dimensions [based on certain conditions], and [*9] change in three dimensions the perspective view of the rendering of the graphic display of the virtual world in response to user input." D. 274-5 at 22-23.

B. Inter Partes Review before the PTAB

In May and June 2015, a third party, Bungie, Inc., filed a series of IPR petitions challenging the validity of the asserted claims of the Patents-In-Suit under 35 U.S.C. § 102 and 103. The Patent Trial and Appeal Board ("PTAB") held six IPRs covering all forty claims asserted in this lawsuit before the stay, issuing final written decisions in all six proceedings. The PTAB determined that 34 of the claims were unpatentable: claim 1 of the '856 patent, claims 1-3, 5-7, 10-12, 14, 15, 17 and 19 of the '690 patent, claims 4, 6, 8 and 9 of the '558 patent, claims 1, 18 and 20 of the '998 patent, and claims 1-8, 10, 12, 14-16 of the '501 patent. D. 273 at 8-9.

The PTAB determined that the petitioner did not demonstrate by a preponderance of evidence that claims 4, 8, 13 and 16 of the '690 patent and claims 5 and 7 of the '558 patent were invalid based on the evidence and arguments presented in the proceedings. *Id.* at 9. Worlds appealed the PTAB's decisions regarding the '856 patent (IPR2015-01264), the '501 patent (IPR2015-01319) and the

'998 patent (IPR2015-01321). In *Worlds Inc. v. Bungie, Inc.*, 903 F.3d 1237 (Fed. Cir. 2018), the Federal Circuit vacated and remanded these final written decisions [*10] on procedural grounds, and without addressing the PTAB's substantive findings. *Id.* On September 7, 2018, the Federal Circuit vacated and remanded Final Written Decisions in IPR2015-01264 (related to '856 patent), IPR2015-01319 (related to '501 patent) and IPR2015-01321 (related to '998 patent) back to the PTAB. D. 283 at 15 (citing *Worlds*, 903 F.3d at 1237). On January 14, 2020, the PTAB issued a Termination Vacating Institutions and Dismissing Proceedings on Remand in IPR2015-01264 (related to '856 patent), IPT2015-01319 (related to '501 patent) and IPR2015-01321 (related to '998 patent). *Id.*

1. PTAB findings

The PTAB's IPR decision may be relied upon as persuasive authority before this Court. *Ultratec, Inc. v. Sorenson Comms., Inc.*, No. 14-cv-66-jdp, 2015 U.S. Dist. LEXIS 121144, 2015 WL 5330284, at *14 (W.D. Wis. Sept. 11, 2015) (noting that the court was "not bound by the PTAB decision, but its reasoning is persuasive"); *DSS Tech. Mgmt., Inc. v. Apple, Inc.*, No. 14-cv-05330-HSG, 2015 U.S. Dist. LEXIS 57704, 2015 WL 1967878, at *4 (N.D. Cal. May 1, 2015) (observing that "PTAB's invalidity analyses 'would likely prove helpful to this Court,' whether or not the standard applied is identical to the one this Court must apply in the litigation.") (quoting *Black Hills Media, LLC v. Pioneer Electronics (USA) Inc.*, No. CV 14-00471 SJO (PJWx), 2014 U.S. Dist. LEXIS 133664 2014 WL 4638170, at *6 (C.D. Cal. May 8, 2014)); *Black Hills*, 2014 U.S. Dist. LEXIS 133664, 2014 WL 4638170, at *6 (noting that the "Court may also derive benefit from the PTAB's claim construction for the patents under review" [*11] and that "[w]hile the PTAB interprets claim terms using the 'broadest reasonable construction,' 37 C.F.R. § 42.100(b), its analysis would likely prove helpful to this Court, no matter its final

determination"); CANVS Corp. v. United States, 118 Fed. Cl. 587, 593 (2014) (observing that "even if [certain claims] were to survive PTAB review, the PTAB's final decision sustaining these claims would contain analysis that would be helpful to the court"). Accordingly, although not bound by its findings or rulings, this Court may consider the PTAB findings as persuasive authority in determining whether the Patents-In-Suit are patent eligible.

With nineteen of the forty original asserted claims having been fully adjudicated, Worlds is asserting the remaining twenty-one claims in this suit: claim 1 of the '856 patent, claims 4, 8, 13 and 16 of the '690 patent, claims 5 and 7 of the '558 patent, claims 1-8, 10, 12 and 14-16 of the '501 patent and claim 18 of the '998 patent. D. 269 at 2. Although now vacated, the substance of the PTAB's prior rulings serves to support the Court's analysis below that the client-side and server-side filtering of position information is not inventive. D. 274-7 (PTAB's Final Written Decision on the '856 patent); D. 274-8 (PTAB's Final Written Decision on the '501 patent); D. 274-9 (PTAB's Final Written Decision on the [*12] '998 patent).

C. Relevant Procedural History

On March 30, 2012, Worlds initiated this action. D. 1. The Court allowed Defendants' motion for summary judgment as to invalidity, D. 83, concluding that the Patents-In-Suit were not entitled to claim priority on November 13, 1995, the filing date of Worlds' Provisional Application. D. 124. Worlds has pressed the remaining infringement claims as to infringement from the issuance of the certificates of correction by the PTO. D. 127 at 2. After a Markman hearing, the Court constructed disputed claim terms in an Order issued June 26, 2015. D. 153. The parties then exchanged updated infringement and invalidity contentions. D. 160, 164. The Court issued a Scheduling Order on September 16, 2015, adopting the pretrial schedule proposed by the parties. D.

181. On December 16, 2015, the parties jointly moved to stay this proceeding pending resolution of the IPR petitions before the PTAB. D. 198. The Court allowed that motion and issued a stay and ordered periodic status updates. D. 201. Over the course of the next few years, while the IPR proceedings were ongoing, the parties filed periodic status reports and requests to extend the stay, which the Court allowed. [*13] See D. 201 to 235. At the request of Worlds seeking a status conference, D. 239, and after briefing from the parties regarding the status of the matter, the Court held a status conference on April 16, 2020 and then set a further schedule for this case, including a deadline by which Activision could file the now pending motion. D. 262, 264. On May 19, 2020, Activision filed this motion for summary judgment that the remaining patent claims are invalid under 35 U.S.C § 101. D. 272. The Court heard arguments and took the matter under advisement. D. 286.

III. Standard of Review

A court will grant a moving party's motion for summary judgment when there is no genuine dispute of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(a). A dispute is genuine if "the evidence about the fact is such that a reasonable jury could resolve the point in favor of the nonmoving party," Vélez—Rivera v. Agosto—Alicia, 437 F.3d 145, 150 (1st Cir. 2006) (quoting United States v. One Parcel of Real Prop., 960 F.2d 200, 204 (1st Cir. 1992)) (internal quotation marks omitted), and a fact is material if it is "one that might affect the outcome of the suit under the governing law." Id. (quoting Morris v. Gov't Dev. Bank of P.R., 27 F.3d 746, 748 (1st Cir. 1994)) (internal quotation marks omitted). In resolving a motion for summary judgment, the Court scrutinizes the record in the light [*14] most favorable to the summary judgment opponent and draws all reasonable inferences to that party's advantage. Alliance of Auto. Mfrs. v. Gwadosky, 430 F.3d 30, 34 (1st Cir. 2005).

An issued patent is presumed valid. 35 U.S.C. § 282. This "statutory presumption of validity" applies when a party challenges a patent under 35 U.S.C. § 101. CLS Bank Intern. V. Alice Corp. Pty. Ltd., 717 F.3d 1269, 1284 (Fed. Cir. 2013). "[T]he burden is on the party challenging the validity of a patent to show that it is invalid by clear and convincing evidence." Minnesota Min. & Mfg. Co. v. Chemque, Inc., 303 F.3d 1294, 1301 (Fed. Cir. 2002); see Budde v. Harley-Davidson, Inc., 250 F.3d 1369, 1376 (Fed. Cir. 2001). Consequently, "a moving party seeking to invalidate a patent at summary judgment must submit such clear and convincing evidence of invalidity so that no reasonable jury could find otherwise." Eli Lilly Co. v. Barr Labs., Inc., 251 F.3d 955, 962 (Fed. Cir. 2001). When facts associated with a patent invalidity are not in dispute, the court determines "whether summary judgment of invalidity is correct by applying the law to the undisputed facts." Myspace, Inc. v. GraphOn Corp., 672 F.3d 1250, 1257 (Fed. Cir. 2012) (citing Tokai Corp. v. Easton Enters., Inc., 632 F.3d 1358, 1366 (Fed. Cir. 2011)). For the reasons stated below, the Court concludes, on this undisputed record, that the remaining patent claims are invalid as a matter of law under §101.

IV. Discussion

A. Patent Eligibility Under 35 U.S.C. § 101

1. *Legal Framework*

Under the Patent Act, "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions [*15] and requirements of this title." 35 U.S.C. § 101. The claims asserted here as to the Patents-In-Suit describe a "process," defined as a "process, art or method, and includ[ing] a new use of a known

process, machine, manufacture, composition of matter, or material." Id. § 100(b). Activision challenges that this process is patentable under § 101.

Under § 101, certain categories are not eligible for patent protection. Diamond v. Chakrabarty, 447 U.S. 303, 308, 100 S. Ct. 2204, 65 L. Ed. 2d 144 (1980). "Phenomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work." Gottschalk v. Benson, 409 U.S. 63, 67, 93 S. Ct. 253, 34 L. Ed. 2d 273 (1972). Although "too broad an interpretation of this exclusionary principle could eviscerate patent law," since "all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas," Mayo Collaborative Servs. v. Prometheus Labs., Inc., 566 U.S. 66, 71, 132 S. Ct. 1289, 182 L. Ed. 2d 321 (2012), "monopolization of those tools [of scientific and technological work] through the grant of a patent might tend to impede innovation more than it would tend to promote it." Id.

Mayo is instructive in this regard. In that case, the Supreme Court addressed the patent eligibility of claims covering processes that help doctors determine the appropriate dosage of thiopurine drugs for patients with [*16] autoimmune diseases. Mayo, 566 U.S. at 74-75. The claims described the relationships between the quantity of certain thiopurine metabolites in the blood and the likelihood that a drug would be ineffective or produce unwanted side effects. Id. at 74. More specifically, the patent claimed a process of administering a drug containing a metabolite to a subject and determining the subject's level of that metabolite, where a certain reading of the metabolite would indicate the need to change the dose of the drug. Id. at 75.

The Supreme Court concluded that the patent was invalid under § 101 because the patent effectively claimed a law of nature, "namely, relationships

between concentrations of certain metabolites in the blood and the likelihood that a dosage of a thiopurine drug will prove ineffective or cause harm." *Id.* at 75. The Supreme Court reviewed each element in the patent beyond the recitation of this natural chemical relationship and then all the elements together to determine whether the claims added enough to qualify as a patent-eligible process "applying" a natural law. The "administering" step simply referred to a pre-existing audience of doctors treating patients with certain diseases. *Id.* at 77. The "wherein" clauses informed the doctor [*17] of the relevant natural laws: the relationships between the metabolite concentration in the blood and the necessary drug dosage adjustment. *Id.* The "determining" step instructed the doctor to measure the level of the relevant metabolite through any process of the doctor's choosing. *Id.* Finally, the steps together amounted to "nothing significantly more than an instruction to doctors to apply the applicable laws when treating their patients." *Id.* at 78. *Mayo* ruled each of these elements insufficient to transform the underlying natural law into something patentable: "the claims inform a relevant audience about certain laws of nature; any additional steps consist of well-understood, routine, conventional activity already engaged in by the scientific community; and those steps, when viewed as a whole, add nothing significant beyond the sum of their parts taken separately." *Id.* at 80.

Even when a process involves a computer-generated process, it still may not be patent-eligible under § 101. In *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208, 134 S. Ct. 2347, 189 L. Ed. 2d 296 (2014), the Supreme Court ruled that a computerized scheme for mitigating settlement risk was not patent eligible under § 101. As *Alice* framed the analysis in *Mayo*, a patent that claims a law of nature, natural phenomenon or an abstract [*18] idea is not patent eligible unless it has an element or combination of elements that provide an "inventive concept" beyond that law, phenomenon or abstract idea. *Id.* at 216. If in the first step, the patent claims a law of nature, natural

phenomenon or an abstract idea, in the second step, a court proceeds to the "search for an 'inventive concept'—i.e., an element or combination of elements that is 'sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself.'" *Id.* at 217-18 (quoting *Mayo*, 566 U.S. at 74-77). In *Alice*, the Supreme Court applied this two-step analysis to a patent claiming a method of using a third party to mitigate settlement risk. *Id.* at 213-214. In doing so, the court concluded that the claims were directed to the abstract idea of intermediated settlement and proceeded to consider whether the elements of the claim, either individually or in combination, were sufficient to transform the claims into a patentable invention. *Id.* at 216-218. Ruling that the "claims at issue amount to nothing significantly more than an instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer," the Supreme Court held the patent invalid for want [*19] of an inventive concept. *Id.* at 225. Like *Mayo*, the claim elements were well-understood, routine and conventional activities known in the industry. *Id.* "[E]ach step does no more than require a generic computer to perform generic computer functions." *Id.* The claims do "nothing significantly more" than "instruct to apply the abstract idea of intermediated settlement using some unspecified, generic computer." *Id.* at 226.

Also as in *Mayo*, *Alice* distinguished the patent held to be patent eligible in *Diamond v. Diehr*, 450 U.S. at 175 (1981). The patent in *Diehr* claimed a method for molding raw rubber into cured products using a mathematical formula. *Alice*, 573 U.S. at 223 (citing *Diehr*, 450 U.S. at 177-78). The rubber-molding method in *Diehr* was patentable: because it employed a "well-known" mathematical equation, but it used that equation in a process designed to solve a technological problem in "conventional industry practice." *Id.* (quoting *Diehr*, 450 U.S. at 177-178). The invention in *Diehr* used a "thermocouple" to record constant temperature measurements inside the rubber mold—something "the industry ha[d] not been able to obtain." *Id.* at

178. The temperature measurements were then fed into a computer, which repeatedly recalculated the remaining cure time by using the mathematical equation. *Id.* at 178-79. These additional steps, "transformed [*20] the process into an inventive application of the formula." *Alice*, 573 U.S. at 223 (quoting *Mayo*, 566 U.S. at 76).

The parties do not dispute that the claims that Activision focuses upon in its motions, claim 1 of '856 patent, claim 4 of the '690 patent, claim 1 of the '501 patent, and claim 18 of the '998 patent are representative claims of those that remain. D. 281 at 7 n.3; *see* D. 276 at 8. Since Worlds in its opposition focuses on claim 4 of the '690 patent, D. 276 at 8, the Court does so here. Claim 4 of the '690 patent, D. 274-01, provides as follows:

1. A method for enabling a first user to interact with other users in a virtual space, wherein the first user and the other users each have an avatar and a client process associated therewith, and wherein each client process is in communication with a server process, wherein the method comprises:

- (a) receiving a position of less than all of the other users' avatars from the server process; and
- (b) determining, from the received positions, a set of the other users' avatars that are to be displayed to the first user, wherein steps (a) and (b) are performed by the client process associated with the first user.

4. The method of claim 1, wherein step (1b) comprises

- (b)(1) determining from the received positions an actual number of the other users' [*21] avatars;
- (b)(2) determining a maximum number of the other users' avatars to be displayed; and
- (b)(3) comparing the actual number to the maximum number to determine which of the other users' avatars are to be displayed wherein steps (b)(1)-(b)(3) are performed

by the client process associated with the first user.

2. *Step One: Claims are Directed to an Abstract Idea*

As noted above, the first step in the § 101 analysis asks, "whether the claims at issue are directed to one of [the] patent-ineligible concepts," namely laws of nature, natural phenomena, or abstract ideas. *Alice*, 573 U.S. 208, 216, 134 S. Ct. 2347, 189 L. Ed. 2d 296. The parties dispute whether World's patents are directed to patent-ineligible concepts, namely the abstract idea of "filtering" (here of "position information") which amounts to "crowd control." D. 276 at 6; D. 281 at 2 n.2. Worlds contends that their claims are "directed to a novel client-server computer network architecture for 3-D virtual worlds." *Id.* This description alone does not convert the patents into patent-eligible inventions. This Court's Markman Order acknowledged that the claims, including the representative '690 patent claim, are designed to accomplish crowd control through filtering (i.e., the "determining" and "receiving" [*22] steps), D. 153 at 8-10, *See. e.g.*, D. 274-1 at 5, 13. Worlds maintained its position in this case, D. 281 at 5 (citing Worlds in D. 68 at 4) and in the IPR proceedings that its patents were directed at a method of "crowd control" and that these claims are the filtering function to do so. D. 273 at 15-16 (citing Worlds' statements and filings before PTAB).

Such filtering is, as Activision asserts, "a fundamental and well-known concept for organizing human activity," and is patent ineligible. D. 273 at 16; *see Bascom Global Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1348 (Fed. Cir. 2016) (agreeing, under step one of the *Mayo/Alice* analysis that "filtering content is an abstract idea because it is a longstanding, well-known method of organizing human behavior, similar to concepts previously found to be abstract"). That is, "the claims do nothing more

than recite a general client-server computer architecture to perform routine functions of filtering information to address the generic problem of crowd control." D. 281 at 2.

Such conclusion is consistent with the first-step analysis in Mayo and Alice and the rulings in other patent cases involving filtering information claims. These claims, like those in Mayo, involve a natural phenomenon, that is achieving crowd control [*23] thru the filtering of information. As the representative claim, the receiving step of claim 4 of the '690 patent is about receiving position information and the determining step tells the relevant audience to determine the maximum number by whatever method and the comparing is to compare the actual number to the determined maximum number to determine which of the other users' avatars are displayed. The steps are open-ended and instruct the audience to "engage in well-understood, routine, conventional activity." Mayo, 566 U.S. at 79. That is, "to consider the three steps as an ordered combination adds nothing to the laws of nature that is not already present when the steps are considered separately." Id. This is true whether focusing on the "maximum number" claims as in the '690 patent and '558 patent, or the "fewer than all" claim in the '856 patent or the "condition" steps in the '501 patent and the '998 patent.

The rulings in other cases support this conclusion as well. For one example, in Fuzzysharp Techs. Inc. v. Intel Corp., No. 12-cv-4413, 2013 U.S. Dist. LEXIS 160897, 2013 WL 5955668, at *13 (N.D. Cal. Nov. 6, 2013), aff'd, 595 F. Appx 996 (Fed. Cir. 2015), the court addressed claims that stated a method "for reducing the visibility related computation calculations in a certain field of use (such as '3-D computer graphics') followed by method steps to perform the reduction." [*24] 2013 U.S. Dist. LEXIS 160897, [WL] at *11. The court there held that the claims were directed to an abstract idea as the patent purported to cover all applications of such filtering in the field of 3D computer graphics. 2013 U.S. Dist. LEXIS 160897, [WL] at *11. For another example, in Intellectual

Ventures II LLC v. JP Morgan Chase & Co., No. 13-cv-3777, 2015 U.S. Dist. LEXIS 56092, 2015 WL 1941331, at *8 (S.D.N.Y. Apr. 28, 2015), the court considered a patent for a method for filtering a packet of information based upon the contents of two or more such packets. 2013 U.S. Dist. LEXIS 160897, [WL] at *1. The court in that case concluded that the asserted claims were patent ineligible at step 1 of the Mayo/Alice analysis for three reasons. First, the claim amounted to a "mental process" for filtering a packet of information and does not provide anything "concrete" to make it patent eligible. Id. Second, the claim was broad enough to raise "concerns of preemption." Id. Since it is not limited to a particular application, but "covers *all* network filtering by *any* firewall on *any* computer network where an access rule is chosen based upon the data of multiple packets. Id. (emphasis in original). Third, the patent fails the "machine-or-transformation" test as it is "neither limited to a particular machine or apparatus, nor does it result in the transformation or creation of an article." [*25] Id. at 9. Crowd control in the claims here is an abstract idea similar to those abstract ideas found to be patent ineligible in step one of the Mayo/Alice analysis in these cases. The type of "maximum capacity" filter employed in claim 4 of the '690 patent, the representative claim,¹ is directed to solving the problem of crowd control by teaching a computer network architecture to enable multiple users to interact, D. 276 at 7, is an abstract idea, analogous to real-world maximum capacity limits on elevators, at restaurants and other physical spaces typically open to the public.

¹This is true of all of the remaining claims. Claim 1 of the '856 patent filters position information for "fewer than all" of the avatars, D. 274-3 at 24. Like claim 4 of the '690 patent, the remaining claims of the '558 patent are directed to filtering information at a maximum value. D. 274-2 at 14. The claims in the '501 patent and the '998 patent achieve the filtering by a set of conditions that governs what position information the client receives. D. 274-4 at 23 ('501 patent); D. 274-5 at 22-23 ('998 patent). The use of "fewer than all" or "conditions" for the filtering in these claims, however, does not make the claims any less of an abstract idea than the claim 4 of the '690 claim as discussed above.

3. Step Two: Inventive Concept

Accordingly, the dispositive issue here is at step 2 of the Mayo/Alice analysis: "do the patent claims add *enough* to their statements of the [natural laws and phenomena] to allow the processes they describe to qualify as patent-eligible processes that *apply* natural laws?" Mayo, 566 U.S. at 74 (emphasis in original). The Court must consider the elements of each asserted claim individually and as an ordered combination of elements to determine if the claim contains a patentable inventive concept. Id. at 74-75. The asserted claims are said to "teach a multistep process whereby a server receives position information of avatars associated [*26] with network clients; the server filters the received positions and then sends selected packets to each client," whereby a client can then further determine which avatars to display. See D. 276 at 18. Worlds argues that the Patents-In-Suit teach a specific approach to a computer network architecture that includes an inventive concept. D. 276 at 17.

The Court does not agree with Worlds that the Patents-In-Suit add the requisite inventive concept even when considering the elements or the ordered combination of elements of each claim. As in Fuzzysharp, 2013 U.S. Dist. LEXIS 160897, 2013 WL 5955668, at *11-12, the claims lack limitation to any specific application, do not add any steps other than "conventional 'post-solution' activity to the abstract formula described" and "that the method is to be used on conventional computer components does not make the abstract formula patentable." Id. Similarly, in Intellectual Ventures II LLC, 2015 WL 1941331, at *9, even considering each of the elements of one of the patents at issue there, the first step merely described the form of information "conventionally sent to a firewall" and the second step "simply calls for 'generic computer implementation' of the process," id., neither of which provide the inventive concept to convert the abstract idea into a patent eligible [*27] process.²

The steps of the claims here use only "generic functional language to achieve the purported solution" of filtering of position information for crowd control. See Two-way Media, Ltd. V. Comcast Cable Comms. LLC, 874 F.3d 1329, 1339 (Fed. Cir. 2017). None of the remaining claims are limited to "any specific form or implementation of filtering," D. 281 at 6, and involve generic computer components, D. 281 at 12. Moreover, there is nothing in the ordering of the steps in the claims (i.e., receiving, determining, comparing) that make them inventive; the "steps are organized in a completely conventional way." Id. at 1341; see Glasswall Solutions Ltd. v. Clearswift Ltd., 754 F. Appx. 996, 999 (Fed. Cir. 2018) (concluding under step 2 of the Mayo/Alice analysis that the claims "recite steps that do not amount to anything more than an instruction to apply the abstract idea of filtering nonconforming data and regenerating a file without it, plus the generic steps needed to implement the idea").

Contrary to Worlds' suggestion otherwise, the restriction against patenting abstract concepts "cannot be circumvented by attempting to limit the use of the formula to a particular technological environment." Mayo, 566 U.S. at 79. That is, the fact that the claims at issue relate and apply to the technological environment of a three-dimensional

another result here. There, the Federal Circuit ruled at step 2 of the Mayo/Alice analysis that the "installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end user" provided the necessary, inventive concept. Id. That is not the case here. The method outlined here, as represented by claim 4 of the '690 patent, cannot be said to be as specific. Particularly, claim 4 provides for a method performed by the client process associated with the first user that receives a position of less than all of the other users, determines "a maximum number of the other users' avatars to be displayed," and then compares "the actual number to the maximum number to determine which of the other users' avatars are to be displayed." D. 274-1. While the "filtering" of the maximum number of other users' avatars to be displayed involves the client process associated with the first user, no language in the claim suggests that this is done through any sort of "customizable filtering features specific to each end user," but rather through a generically stated determination of the maximum number of the other users' avatars to be displayed. This claim, like the other remaining claims, is distinguishable from the inventive concept that the court found in Bascom.

²The ruling as in Bascom, 827 F.3d at 1350, does not warrant

virtual world, does not necessarily [*28] make the process inventive. See Bascom, 827 F.3d at 1349 (noting that the requisite inventive concept "cannot simply be an instruction to implement or apply the abstract idea on a computer"). Client-server networks, virtual worlds, avatars, or position and orientation information are not inventions of Worlds but rather, their patents seek to demonstrate their use in a technological environment. D. 273 at 13; see Accenture Global Servs., GmbH v. Guidewire Software, Inc., 728 F.3d 1336, 1338 (Fed. Cir. 2013) (involving claims with generic computer elements found to be invalid). That is, Worlds' asserted claims use a general-purpose computer to employ well known filtering or crowd control methods and means that ultimately use same to display graphical results and generate a view of the virtual world, none of which is inherently inventive or sufficient to 'transform' the claimed abstract idea into a patent-eligible application. Alice, 573 U.S. at 211. For all these reasons, the remaining claims do not involve the inventive concept necessary to convert the abstract idea into a patent eligible process,³ and they are, therefore, invalid as a matter of law under 35 U.S.C. § 101.

V. Conclusion

For the foregoing reasons, the Court **ALLOWS** Activision's motion for summary judgment, D. 272.

So Ordered.

/s/ Denise J. Casper

United States District Judge

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³This is true not just true of claim 4 of the '690 as the representative claim, but also of the other remaining claims including those claims that teach filtering of position information by "fewer than all" or conditions on the filtering which, when considered per claim as individual elements or an ordered combination of elements, do not provide the necessary inventive concept.

This Opinion is not a
Precedent of the TTAB

Mailed: May 26, 2021

UNITED STATES PATENT AND TRADEMARK OFFICE

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Trademark Trial and Appeal Board

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In re Epic Games, Inc.

—
Serial No. 88233723

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Christopher M. Thomas of Parker Poe
Adams & Bernstein LLP, for Epic Games, Inc.

Leslie L. Richards, Trademark Examining Attorney, Law Office 106,
Mary I. Sparrow, Managing Attorney.

—
Before Zervas, Wellington and English,
Administrative Trademark Judges.

Opinion by Zervas, Administrative Trademark Judge:

Epic Games, Inc. (“Applicant”) seeks registration on the Principal Register of the
proposed mark¹

¹ For convenience, we refer to this proposed mark as “the llama,” as does Applicant in its
briefs.



for (i) “downloadable video game software” in International Class 9 pursuant to Section 1(a) of the Trademark Act, 15 U.S.C. § 1051(a), claiming first use and first use in commerce at least as early as July 18, 2017; and (ii) “entertainment services, namely, providing online video games” in International Class 41 pursuant to Section 1(b) of the Trademark Act, 15 U.S.C. § 1051(b), claiming a bona fide intent to use the proposed mark in commerce.² The instant appeal, as discussed below, involves only the Class 9 goods.

² Application Serial No. 88233723 was filed on December 18, 2018. Color is not claimed as a feature of the mark. The description of the mark in the application provides that “[t]he mark consists of a fanciful cartoonish image of a llama with the design of a treasure chest on the side portion of its saddle.”

Page references to the application record are to the downloadable .pdf version of the USPTO’s Trademark Status & Document Retrieval (TSDR) system. References to the briefs and orders on appeal are to the Board’s TTABVUE docket system.

I. Prosecution History

Applicant originally filed its application based on Section 1(a) only and identified the goods and services as:

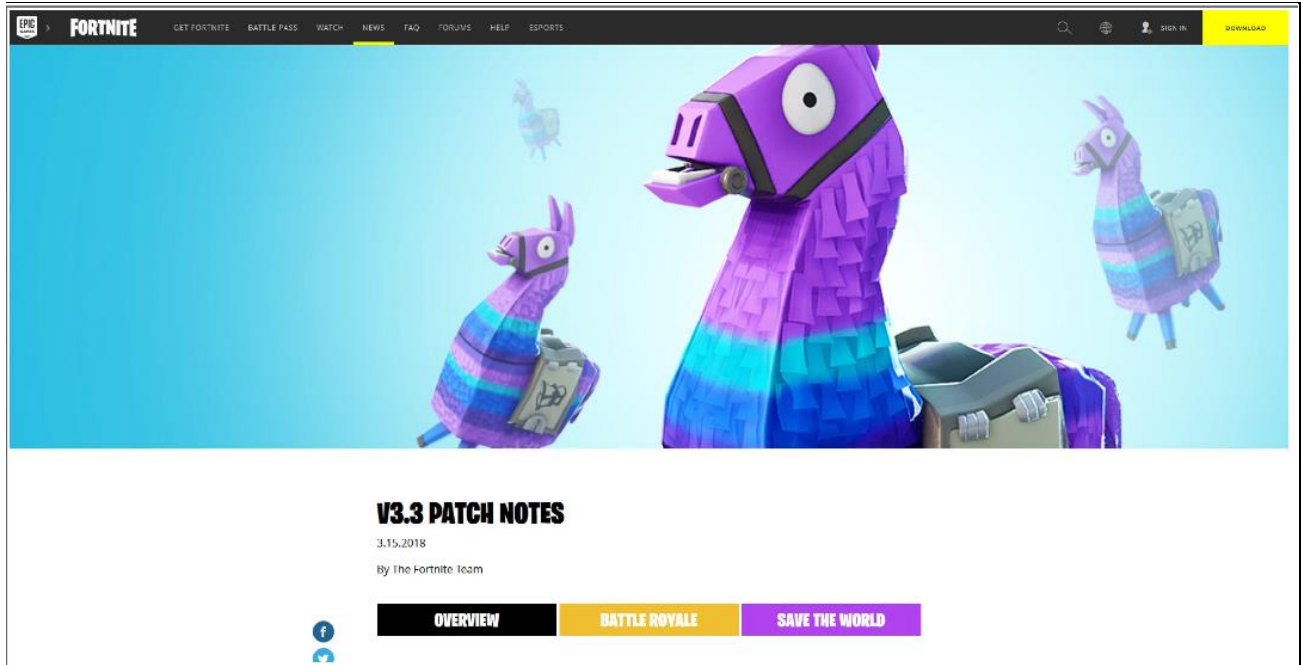
“stands for personal digital electronic devices, namely, cell phones” and “video game software” in International Class 9; and

“entertainment services, namely, providing online video games” in International Class 41.

Applicant submitted numerous “image[s] showing use of the mark”³ as specimens but did not identify the nature of the specimens in its original application. Only one image, which Applicant identified as a webpage printout in its February 5, 2020 Response (TSDR 9), shows the mark intact and in its entirety (hereinafter “V3.3 Patch Notes”):⁴

³ Application, TSDR 1.

⁴ Specimen, December 18, 2018, TSDR 1



Our focus in our decision hence is on the V3.3 Patch Notes image.

The Examining Attorney issued a first Office Action which, inter alia, (i) refused registration pursuant to Trademark Act Sections 1 and 45, 15 U.S.C. §§ 1051, 1127 and 37 C.F.R. §§ 2.34(a)(1)(iv), 2.56(a), on the ground the specimens do not show use of the applied-for mark for the International Class 41 services; (ii) refused registration for the International Class 41 services pursuant to Trademark Act Sections 1 and 45 and 37 C.F.R. §§ 2.34(a)(1)(iv), 2.56(a), on the ground the mark shown on the drawing does not match the mark shown on the specimens; and (iii) refused registration for the goods and services in both International Classes 9 and 41 on the ground that Applicant's applied-for mark fails to function as a mark and merely identifies a character under Trademark Act Sections 1, 2, 3 and 45, 15 U.S.C. §§ 1051-1052, 1127.

In its Response to the first Office Action, Applicant, inter alia, amended the application to seek registration under Section 1(b) for the International Class 41 services, obviating the first and second grounds for refusal listed above.⁵

After further prosecution, the Examining Attorney issued a Final Office Action which contained a single refusal under Trademark Act Sections 1, 2 and 45 “because the applied-for mark, as used on the specimen of record, identifies only a particular character in a creative work; it does not function as a trademark to identify and distinguish applicant’s goods from those of others and to indicate the source of applicant’s goods.”⁶ The Final Office Action does not mention the International Class 41 services and does not cite to Section 3 of the Trademark Act pertaining to services, but the Examining Attorney never explicitly withdrew the failure to function refusal for the International Class 41 services. When the Examining Attorney first refused registration of the International Class 41 services, Applicant sought registration of its mark for such services pursuant to Section 1(a). We find that in view of the prosecution record, and because the Examining Attorney only references the goods in the application in discussing the failure to function refusal in her brief,⁷ the final refusal is not directed to the International Class 41 services, but only to the International Class 9 goods.⁸

⁵ September 11, 2019 Response, TSDR 1.

⁶ March 10, 2020 Final Office Action, TSDR 1.

⁷ Applicant’s brief at p. 1, 8 TTABVUE 4.

⁸ In this regard, we note TRADEMARK MANUAL OF EXAMINING PROCEDURE (TMEP) § 2012 (Oct. 2018) which states:

Applicant then filed a request for reconsideration which raised for the first time an alternative claim of acquired distinctiveness under Section 2(f) of the Trademark Act, 15 U.S.C. § 1052(f), stating, “assuming *arguendo* that the Llama is a ‘character’ and subject to refusal on that ground, Applicant respectfully submits **in the alternative** that the Llama has acquired distinctiveness under Section 2(f) of the Trademark Act”⁹ (emphasis in original). Applicant submitted evidence in support of its claim. Because we construe the failure to function refusal as pertaining only to the International Class 9 goods, we construe the alternative claim of acquired distinctiveness as limited to the International Class 9 goods.

The Examining Attorney was not persuaded by the request for reconsideration and maintained the refusal, stating:

Applicant has argued that in the alternative the llama has acquired distinctiveness under Section 2(f) based on

The issue of whether a designation functions as a mark usually is tied to the use of the mark, as evidenced by the specimen. Therefore, unless the drawing and description of the mark are dispositive of the failure to function without the need to consider a specimen, generally, no refusal on this basis will be issued in an intent-to-use application under §1(b) of the Trademark Act, 15 U.S.C. §1051(b), until the applicant has submitted a specimen(s) with an allegation of use (i.e., either an amendment to allege use under 15 U.S.C. §1051(c) or a statement of use under 15 U.S.C. §1051(d)). However, in a §1(b) application for which no specimen has been submitted, if the examining attorney anticipates that a refusal will be made on the ground that the matter presented for registration does not function as a mark, the potential refusal should be brought to the applicant's attention in the first Office action. This is done strictly as a courtesy. If information regarding this possible ground for refusal is not provided to the applicant before the allegation of use is filed, the USPTO is not precluded from refusing registration on this basis.

⁹ May 1, 2020 Req. for Recon., TTABVUE 2.

evidence submitted by applicant. However, this is not a proper response to the refusal. The name or illustration of a character is registrable as a trademark only where the record shows that it is used in a manner that would be perceived by consumers as identifying the source of the goods in addition to identifying the character.¹⁰

Applicant next appealed the failure to function refusal to this Board. The appeal is fully briefed. We affirm the refusal to register for the International Class 9 goods.

II. Background

Applicant's video game which is the subject of its specimens is described as follows in the Declaration of Christopher M. Thomas, Applicant's attorney:

1. On July 25, 2017, what is now known as *Fortnite: Save the World* was broadly released as the first game mode of Fortnite. It is a player-versus-environment (PvE) game in which players may band together to rebuild towns left vacant in the wake of "the Storm" and defend them from the monsters that populate this world.
2. On September 26, 2017, the free-to-play Fortnite "Battle Royale" game mode was broadly released to the public. Like other games in this genre, *Fortnite Battle Royale* involves dropping a limited number of players into a large map. *Fortnite Battle Royale* combines building skills and destructible environments, with intense player-versus-player (PvP) combat. When players land on the island, they gather various items - e.g., weapons and consumables such as ammunition, shield potion, bandages, medical kits, and building materials - they will need to survive and outlast the other players on the island.

8. Applicant introduced the Llama item into Fortnite on or about March 15, 2018.¹¹ While moving about the map, a player may find a Llama item and open it to find weapons and consumables that the player may then pick up.

¹⁰ May 30, 2020 Denial of Req. for Recon., TSDR 1.

¹¹ Applicant does not identify the video game in which "the Llama item" appears. Wikipedia.org explains:

V-Bucks in Save the World can be used to buy piñatas shaped like llamas to gain a random selection of items. In "Battle Royale", V-Bucks can be used to buy cosmetic items like

9. The Llama item is known to players, streamers, and fans as the “Loot Llama,” “Supply Llama,” or just “the Llama.” In gameplay, the Llama item serves a function familiar to many players (e.g., a resource cache), but is portrayed in a unique and unusual way.

11. A player opens the Llama item by pressing on the hand symbol hovering over the Llama item, as shown in the first screenshot above.
12. When opened, the Llama item disappears completely and the objects within fall to the ground, along with confetti¹²

III. Evidence

A. Evidence submitted by the Examining Attorney

- A definition of “character” from MERRIAM-WEBSTER DICTIONARY, including “one of the persons of a drama or novel.”¹³
- Webpages regarding Applicant and third-party websites referring to “characters” in video games, for example:
 - [Fortnite.fandom.com](https://fortnite.fandom.com) - “The Loot Llama’s location is in random places inside of the safe zone”; “The Loot Llama is called Fred”; and “the Loot Llama is a cartoon-like piñata in the shape of a llama.”
 - [Gamedesigning.org](https://gamedesigning.org) – “Our 50 Favorite Video Game Characters” listing the proposed mark.¹⁴

character models or the like or can also be used to purchase the game’s Battle Pass, a tiered progression of customization rewards for gaining experience and completing certain objectives during the course of a “Battle Royale” season.

March 10, 2020 Final Office Action, TSDR 15.

¹² Declaration of Christopher M. Thomas, February 5, 2020 Response, TSDR 24-27.

¹³ March 10, 2020 Final Office Action, TSDR 2.

¹⁴ May 30, 2020 Denial of Req. for Recon., TSDR 22-25.

B. Evidence submitted by Applicant

- A dictionary entry for “character” from THE AMERICAN HERITAGE DICTIONARY OF THE ENGLISH LANGUAGE (5th ed. 2019), including “[a] person portrayed in an artistic piece, such as a drama or novel,” and “[a] person or animal portrayed with a personality in a comics or animation: *a cartoon character*.”¹⁵

- Mr. Thomas’ Declaration, which also states:

3. Since its broad release, Fortnite has garnered over 250 million registered accounts. During regular gameplay, Fortnite has had concurrent player counts of over 8.3 million, and higher than that during special event gameplay.

4. Fortnite gameplay is streamed and broadcasted on platforms such as YouTube, Twitter, and Twitch, and is viewed by millions. Fortnite is reportedly one of the most watched video games on such platforms.

5. Fortnite is also a popular e-sport. The Fortnite World Cup was held in July 2019 in New York City at Arthur Ashe Stadium in front of a sold-out crowd of 19,000 fans and millions more online. The Fortnite World Cup was the most-watched competitive gaming event of all time outside of China.¹⁶

- On-line articles about Applicant and its video game, some of which mention the llama, from nbcnews.com, nymag.com, forbes.com, usatoday.com, variety.com, popsugar.com, yahoo.com, cnn.com, intelligencer.com, businessinsider.com, trendhunter.com, cnbc.com, and theguardian.com.¹⁷

¹⁵ February 5, 2020 Response, TSDR 110.

¹⁶ February 5, 2020 Response, TSDR 25.

¹⁷ May 1, 2020 Req. for Recon. Exhs. A-E, J-R, TSDR 14-30; 60-109; Feb 5, 2020 Response, TSDR 41-85.

- Search results for “fortnite llama” and “fortnite and llama” on google.com and walmart.com.¹⁸

- Webpages from walmart.com offering a “Fortnite 7” “Llama Loot Plush,” a “Fortnite Llama Loot Pinata,” a “Fortnite Jumbo Llama Loot Pinata” and an “8 Ft Light-Up Loot Llama Inflatable Decoration – Fortnite.”¹⁹

- Webpages from retailers (Journeys, Kohl’s and Spencer’s) offering goods such as knapsacks, bedding and cups bearing the proposed mark, or only the llama’s head, as designs on the goods.²⁰

- Articles discussing the llama in Applicant’s game, for example:

- Newsweek article dated February 22, 2019 titled “Toy Fair 2019: ‘Fortnite’ Makes Llamas the Industry’s Hot New Trend.” The article states:

Whether it is an unspoken consciousness among toy companies or a secret plot by Big Llama, the llama has come to take over the 2019 toy market.

But where has all this llama attention come from? Has the llama always been popular? All the people we talked to had one response: Fortnite, the popular video game whose primary mascot is a llama in pixelated form. The Fortnite llama is found in the battle royal game in the form of a loot box. Find one randomly and the treasure within can be yours. Fortnite has become so popular that numerous toy companies are vying for the hot license.²¹

¹⁸ Feb 5, 2020 Response, TSDR at 86-89.

¹⁹ *Id.* at 90-97.

²⁰ *Id.* at 105-108.

²¹ May 1, 2020 Req. for Recon. Exh. F, TSDR 40-44.

- CNET article titled “Blame Fortnite for making llamas the hottest toy this year,” stating:

Llama tell ya, Fortnite is a big influence on toys.

The popular battle royale game made its mark at this year’s Toy Fair in New York.

And then there are llamas. So many llamas. Llama board games. Llama collectible figurines. Spitting llamas. Twerking llamas. Rainbow unicorn llamas. Experts point the finger at the game Fortnite, when a loot-filled llama piñata became an informal mascot of sorts.²²

The article includes:



This piñata made the toy world go llama crazy.

Mark Licea/CNET

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- Games Radar article titled “Where are the best Fortnite llama locations?”

“If you’ve had any sort of interaction with the world of Fortnite, then you should instantly recognize the iconic

²² May 1, 2020 Req. for Recon. Exh. G, TSDR 46-47.

²³ May 1, 2020 Req. for Recon. Exh. G, TSDR 46.

colourful piniatas that are Fortnite llamas and have become a well[-]known symbol of the game.”²⁴

IV. Arguments by Applicant and the Examining Attorney

The Examining Attorney argues that a “design of a character is registrable as a trademark only where the record shows that it is used in a manner that would be perceived by consumers as identifying the goods in addition to identifying the character,”²⁵ and:

[T]he specimen(s) shows the applied-for mark used only to identify a character and not as a trademark for applicant’s goods because it merely shows use of the proposed mark as a character that appears while consumers are playing applicant’s games. As shown on applicant’s specimens of use submitted with the application, the proposed [mark] merely appears as a character in the games or is used in advertising applicant’s games and frequently appears as only a portion of the proposed mark.²⁶

The Examining Attorney adds that “[t]he only specimen showing the entire proposed mark appears to be under the ‘NEWS’ tab on applicant’s website, which appears to provide information or news about applicant’s goods. On that specimen, the mark merely floats around the background of the screen multiple times as a character appearing in the game.”²⁷

Applicant disagrees that the llama is a character in its game. It argues that “character” is defined in relevant part as a “person or animal portrayed with a

²⁴ *Id.*, Exh. H, TSDR 49. Although this article uses British spelling, an icon at the top of the webpage indicates that it is the “US Edition.”

²⁵ Examining Attorney’s brief, 8 TTABVUE 5.

²⁶ *Id.*

²⁷ *Id.*

personality in comics or animation: a cartoon character”; and that “[t]he Llama does not move, speak, or otherwise interact in any way with players or other objects. The Llama has no personality because it is an inanimate object within Fortnite. **Lacking any personality, Applicant’s Llama simply does not meet the definition of the word ‘character.’**”²⁸ (emphasis in original.) Applicant concludes, “because the Llama has no personality, it cannot be a ‘character’ and therefore it cannot, as the Examining Attorney claims, identify ‘a particular character in a creative work.’ For this reason, Applicant respectfully requests that the refusal be reversed.”²⁹

V. Analysis

“[A] proposed trademark is registrable only if it functions as an identifier of the source of the applicant’s goods or services.” *In re DePorter*, 129 USPQ2d 1298, 1299 (TTAB 2019) (citing 15 U.S.C. §§ 1051-1052, and 1127). The critical question in determining whether a proposed mark is capable of functioning as a trademark is the commercial impression it makes on the relevant public, i.e., whether the term sought to be registered would be perceived as a mark identifying the source of the goods or something else. *See In re Aerospace Optics, Inc.*, 78 USPQ2d 1861, 1862 (TTAB 2006) (“the mark must be used in such a manner that it would be readily perceived as identifying the specified goods. ... A critical element in determining whether matter sought to be registered as a trademark is the impression the matter makes on the relevant public.” (citations omitted)); *In re Volvo Cars of N. Am. Inc.*, 46 USPQ2d

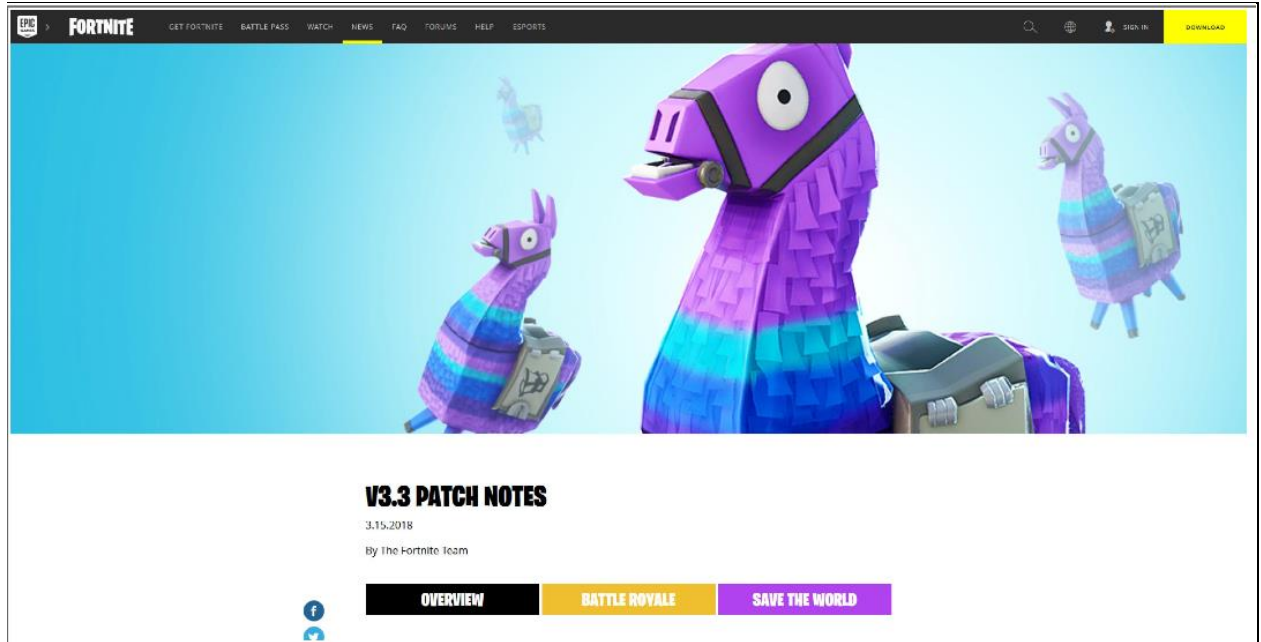
²⁸ Reply brief at pp. 3-4, 9 TTABVUE 4-5.

²⁹ Reply brief at p. 6, 9 TTABVUE 7.

1455, 1459 (TTAB 1998); *In re Remington Prods. Inc.*, 3 USPQ2d 1714, 1715 (TTAB 1987); *In re Morganroth*, 208 USPQ 284, 287 (TTAB 1980).

“The mere fact that a designation appears on the specimens of record does not make it a trademark.” *In re Aerospace Optics*, 78 USPQ2d at 1862 (citing *In re Safariland Hunting Corp.*, 24 USPQ2d 1380 (TTAB 1992)). For Applicant’s design to function as a mark, the design must be displayed on the specimens in a manner in which customers will recognize it as a mark. *See In re Morganroth*, 208 USPQ at 288 (“This necessitates a determination as to whether it is used and provided in such a manner so as both to make it known to purchasers and to have such individuals associate it with the goods as an identification symbol.”); *see also In re Osterberg*, 83 USPQ2d 1220, 1223 (TTAB 2007) (finding that CONDOMTOY CONDOM was not displayed so prominently on web page specimen that consumers would recognize it as a trademark for condoms). “We determine whether this has been achieved by examining the specimens of use along with any other relevant material submitted by applicant during prosecution of the application.” *In re Aerospace Optics*, 78 USPQ2d at 1862 (citation omitted).

As noted earlier in this decision, only the V3.3 Patch Notes webpage shows the mark intact and in its entirety. “In an application under section 1(a) of the Act, the drawing of the mark must be a substantially exact representation of the mark as used on or in connection with the goods and/or services.” Trademark Rule 2.51(a), 37 C.F.R. § 2.51(a). The V3.3 Patch Notes webpage is duplicated again below for convenience:



The entire llama is displayed twice in muted colors, once in the near background on the right and again in the distant background on the left. The images of the entire llama are not the most prominent images on the webpage – portions of the llama are depicted twice in the foreground in colors which are far more vivid than the colors used on the proposed mark, thereby giving additional prominence to those designs. The repetition of the llama on the specimen in varying sizes, portions and vividity detracts from Applicant's claim that the single llama depicted in its drawing would be recognized as its mark. In addition, consumers considering the source of the webpage can look to the term FORTNITE which appears at the top left portion of the specimen. We thus find that the applied-for mark displayed on the V3.3 Patch Notes webpage is not used in a manner showing trademark use and does not function as a mark.

Applicant sought to demonstrate through evidence of acquired distinctiveness “that Fortnite is an immensely-popular cultural phenomenon and that the Llama is widely recognized as a symbol/mascot of Fortnite.”³⁰ However, as the Examining Attorney explained, the issue here is whether the Applicant uses the design in a manner that it will be perceived as a trademark use, and not merely that of a character or game piece in the software game. Thus evidence showing other uses to establish acquired distinctiveness are off the mark. If it is used in such a manner as to be perceived as a trademark, then a showing of acquired distinctiveness is unnecessary. Conversely, if it is not used in a manner that it may be perceived as a trademark, evidence of use to establish acquired distinctiveness is unavailing. *See In re The Ride, Inc.*, 2020 USPQ2d 39644, at *33 (TTAB 2020) (“no amount of evidence of acquired distinctiveness can overcome a failure to function refusal [of tap dancing man]”); TMEP § 1212.02(i) (“[W]here the examining attorney has determined that matter sought to be registered is not registrable because it is not a mark within the meaning of the Trademark Act, a claim that the matter has acquired distinctiveness under § 2(f) as applied to the applicant’s goods or services does not overcome the refusal.”). Because we have concluded that the llama design as displayed on Applicant’s V3.3 Patch Notes webpage fails to function as a mark, Applicant’s claim of acquired distinctiveness in the alternative does not overcome that refusal.

We cannot ignore Applicant’s evidence, however, and must consider the entire record in determining whether Applicant’s proposed mark as displayed on its

³⁰ Applicant’s brief at p. 8, 6 TTABVUE 9.

specimens will be perceived as a mark serving to indicate source rather than simply displaying part of the product, in this case a character or game piece in the software game. *See In re Aerospace Optics*, 78 USPQ2d at 1864 (“We determine whether this has been achieved by examining the specimens of use along with any other relevant material submitted by applicant during prosecution of the application.” (citation omitted));³¹ *In re Safariland Hunting*, 254 USPQ2d at 1381 (“However, we may also consider other evidence bearing on the question of what impact applicant’s use is likely to have on purchasers and potential purchasers.”). We look primarily, however, at Applicant’s specimen. *Id.* (“Since the specimens of record show how the applied-for mark is actually used in commerce, we must primarily look to the specimens to see if the designation would be perceived as a source indicator.” (citations omitted)).³²

Much of Applicant’s evidence concerns the number of players of Applicant’s video games and comments in the press about Applicant, some of which mention the llama.

³¹ Of course, Applicant’s argument that the Examining Attorney conceded that Applicant’s proposed mark has acquired distinctiveness because the Examining Attorney did not further discuss the issue of acquired distinctiveness is meritless. Applicant’s citation to *In re Rolf Dietrich*, 91 USPQ2d 1622 (TTAB 2009), for support is misplaced. In that case, one issue was whether the configuration therein would be registrable with an appropriate Section 2(f) showing. In this case, acquired distinctiveness is not an issue in connection with the failure to function refusal. *Rolf Dietrich* is clearly inapposite.

³² Altman, Louis, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 17A:3, fn.1 (4th ed. Dec. 2020 update) explains:

For federal registration purposes, however, non-trademark use in the specimens which are submitted with the registration application may be supplemented by other examples of use of the mark, to establish that the mark would be perceived as a trademark for the goods, even though such other uses are not sufficient in themselves to support registration because they are on documents which are not affixed to or associated with the goods.

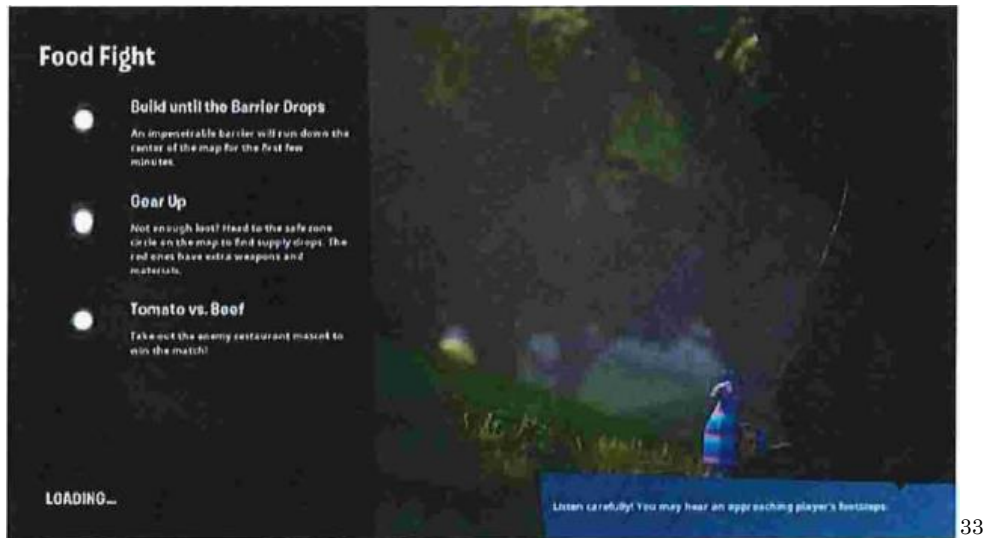
This is not helpful in demonstrating the central issue before us, whether Applicant's llama design as used on the V3.3 Patch Notes functions as a source indicator. Neither is the numerous plush llama toy animals or llama piñatas available through retailers such as Walmart and Amazon, because these do show use on Applicant's video games.

Turning to the Declaration, Mr. Thomas describes how the llama design appears when a player begins to play Applicant's video game:

17. ... Upon opening Applicant's free-to-play version of Fortnite, a home screen appears. The Llama item is prominently displayed at the bottom of the home page under the option to begin gameplay by clicking on the "PLAY" button:



18. After pressing the “PLAY” button on the home screen, players may see a loading screen before gameplay begins. Such loading screen also displays the Llama item:



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Our precedent requires us to consider non-specimen uses of a proposed mark. In *Safariland Hunting*, the Board considered whether the term SAFARILAND in the phrase or slogan “Made by the Good Ole Boys at Safariland!” on specimens functioned as a mark. *In re Safariland Hunting*, 254 USPQ2d at 1381. In addition to the specimens, the Board considered a product catalog which included (i) a listing of “Contents” on the inside cover with “Tink’s Safariland” as the first listing; and (ii) a back cover with the statements, “A Greatly Expanded Magazine ad schedule cements the Tink’s Safariland & Ben Lee names in the hunter’s mind” and “Hunters everywhere will be seeing Tink’s Safariland & Ben Lee ads in popular hunting publications through its greatly increased advertising schedule.” *Id.* at 1382. The Board concluded:

³³ February 5, 2020 Response to Office Action, TSDR 29-30.

Such uses of SAFARILAND in applicant's catalog enhance the use on applicant's containers that is to say, the catalog convinces us that purchasers, when seeing SAFARILAND on the containers, would perceive the designation as indicating source or origin. We think that SAFARILAND, as shown by the record taken as a whole, functions as a trademark and will be recognized in itself as an indication of origin for animal scents.

Id.

Mr. Thomas' testimony and the screenshots displayed in his Declaration do not persuade us that consumers encountering the applied-for llama design on Applicant's V3.3 Patch Notes specimen would perceive it as an indicator of source. First, the applied-for design is not depicted in the first image; the saddlebag on the home screen differs from that on the drawing page. Second, the llama in the loading screen appears in what seems to be a scene from the video game and is not used in a manner to indicate source. Third, there is no claim of trademark rights through the designation "TM." *See In re Sones*, 590 F.3d 1282, 93 USPQ2d 1118, 1124 (Fed. Cir. 2009) ("Though not dispositive, the 'use of the designation 'TM' ... lends a degree of visual prominence to the term.'" (quoting *In re Dell Inc.*, 71 USPQ2d 1725, 1729) (TTAB 2004)).

Applicant also argues:

It makes no sense to refuse a mark on the academic ground that it fails to function as a mark when the undisputed evidence demonstrates that it in fact does function as (and therefore is) a trademark. Indeed, this principle is consistent with that which the Office and the courts apply with respect to the registration of product design; it is impossible to use the shape of a product itself as a trademark, yet an applicant asserting rights in product design may avail itself of Section 2(f) to prove that, in fact, the product design has acquired distinctiveness in the

minds of consumers and should be registered as a trademark.³⁴

Applicant's argument ignores that a specimen must be submitted demonstrating use of the applied-for mark as a trademark or service mark. *See* Trademark Act § 1(a)(1); Trademark Rules 2.34(a)(1)(iv), 2.56(a), 37 C.F.R. §§ 2.34(a)(1)(iv), 2.56(a); *see also* TMEP §§ 904.03(e) (i), 904.07, 1202.10. As explained in *In re Caserta*, 46 USPQ2d 1088, 1090 (TTAB 1998):

There is no question that the name of a fictitious character may be registrable as a trademark or a service mark if that name is used on or in association with the goods in such a manner as to identify the goods and distinguish them from those of others, and the goods are sold or transported in commerce. Likewise, as applicant correctly notes, a finding that the fictitious character's name is well-known is not a prerequisite to the registrability of that name as a trademark. Rather, the sole issue is whether the name of the fictitious character is used in such a manner that it is likely to be perceived as a trademark in connection with the identified goods. This is quite distinct from a finding that a mark is well known, which involves consideration of the renown of the mark among relevant consumers.

Applicant submitted a webpage as a specimen of use for "downloadable video game software," and hence must meet the requirements for demonstrating that the webpage demonstrates use of the proposed mark as a source indicator for such goods. Its specimens of use do not show use of the llama as a mark to demonstrate that it functions as a source indicator for such goods.

³⁴ Applicant's brief at p. 13, 6 TTABVUE 14.

VI. Conclusion

As used on Applicant's specimens, the proposed mark fails to function as a mark under Trademark Act Sections 1, 2 and 45 for "downloadable video game software" in International Class 9.

Decision: The refusal to register the proposed mark is affirmed for the goods in International Class 9 because it fails to function as a mark.

The application will otherwise proceed to await the filing of a statement of use for the International Class 41 services.