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11 UNITED STATES DISTRICT COURT
12
13 NORTHERN DISTRICT OF CALIFORNIA
14
15 SAN JOSE DIVISION

16 PERFECT 10, INC., a California corporation,

17 Plaintiff,

18 vs.

19 VISA INTERNATIONAL SERVICE
20 ASSOCIATION; FIRST DATA CORP., a
21 corporation; CARDSERVICE
22 INTERNATIONAL, INC., a corporation;
23 MASTERCARD INTERNATIONAL
24 INCORPORATED, a corporation;
25 HUMBOLDT BANK, a national banking
26 association; and DOES 1 through 100,
27 inclusive,

28 Defendants.

Case No. C 04 0371 JW (PVT)

**MEMORANDUM OF DEFENDANTS
MASTERCARD INTERNATIONAL
INCORPORATED; FIRST DATA CORP.;
CARDSERVICE INTERNATIONAL, INC.;
AND HUMBOLDT BANK IN SUPPORT OF
MOTION TO DISMISS FIRST AMENDED
COMPLAINT**

Date: November 15, 2004
Time: 9:00 a.m.
Dept: Courtroom 8, 4th Floor
Judge: Honorable James Ware

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MPA OF MASTERCARD, FIRST DATA, CARDSERVICE, AND HUMBOLDT SUPPORTING
DEFENDANTS' MOTION TO DISMISS 1ST AMENDED COMPLAINT
Case No. C 04 0371 JW (PVT)Case No. C 04 0371 JW (PVT)

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1 Defendants MasterCard International Incorporated; First Data Corp.; Cardservice
 2 International, Inc.; and Humboldt Bank ("Moving Defendants") submit this memorandum in support
 3 of their motion to dismiss the First Amended Complaint ("Amended Complaint") of Plaintiff Perfect
 4 10, Inc. ("Plaintiff").¹

5 The amended complaint is merely a minor variation of the original complaint, and the
 6 Court recently analyzed the original complaint in detail when previously dismissing the action. *See*
 7 August 6, 2004 Order Granting Defendants' Motion to Dismiss (reported at 2004 WL 1773349)
 8 ("August 6 Order"). For that reason, in this motion Moving Defendants specifically rely upon the
 9 original complaint, the papers on the motion to dismiss that complaint, and the Court's August 6
 10 Order.² This memorandum will largely focus on new matter in the amended complaint and the
 11 intervening decision of the Ninth Circuit in *Metro-Goldwyn-Mayer v. Grokster*, -- F.3d --, 2004
 12 WL 1853717 (9th Cir. 2004), which further supports Defendants' arguments in this case.

13 I. INTRODUCTION

14 Despite clear guidance from this Court, Plaintiff has filed an Amended Complaint
 15 that once again fails to state facts sufficient to support its causes of action against Defendants. The
 16 essential facts alleged in Plaintiff's amended complaint are the same as in the original complaint.
 17 While Plaintiff has tinkered with language in its amended complaint, it has not corrected the fatal
 18 flaw in its theories: it cannot allege that Defendants have materially contributed to, or have the
 19 ability to control, the *alleged infringing conduct* of third parties. As this Court made clear in its
 20 August 6 Order, allegations of mere business support of third parties are not enough to state a claim
 21 for secondary liability for their alleged violations.

22 _____
 23 ¹ Defendant Visa International Service Association is filing its own motion and supporting papers.

24 ² This motion relies on the Court's August 6 Order as primary authority. Many of the arguments
 25 made in Defendants' briefing for their motion to dismiss the original complaint are relevant to this
 26 motion as well, as most of Plaintiff's amended complaint is repeated from its original complaint.
 27 Rather than repeating all of the earlier arguments here, Moving Defendants specifically rely upon the
 earlier filings in this case in conjunction with this motion. To the extent that it is required, Moving
 Defendants ask the Court to take judicial notice of those prior filings in its consideration of this
 motion.

1 Plaintiff's original complaint alleged that Defendants were secondarily liable for
 2 copyright and trademark infringement, false advertising, unfair competition and related claims
 3 simply because they provide payment processing services to websites that allegedly violate
 4 Plaintiff's rights.³ Defendants filed a motion to dismiss Plaintiff's complaint pursuant to Rule
 5 12(b)(6) for failure to state a claim. Following a hearing on Defendants' motion, the Court dismissed
 6 the action because Plaintiff had wholly failed to plead facts that showed that the Defendants
 7 materially contributed to the infringing activity (rather than just the general business) of the third
 8 party websites or that Defendants had the ability to control the websites' alleged infringing activity.
 9 Without facts showing a material contribution to the infringing activity or the ability to control the
 10 infringing activity, the Court concluded that Plaintiff failed to state *any* claim. *See* August 6 Order.
 11 In its Order the Court clearly specified that, in an amended complaint, Plaintiff would have to
 12 establish a relationship between the financial services provided by Defendants and the *allegedly*
 13 *infringing activity* of the third party websites. The Court emphasized that the mere fact that
 14 Defendants may provide financial services to the website businesses was insufficient to state a claim
 15 for any of the alleged causes of action. *See* August 6 Order at 6:15, 8:14-15.

16 Plaintiff has now filed its amended complaint, in which it reasserts each of the causes
 17 of action from its original complaint, except those for libel and intentional interference (which were
 18 dismissed with prejudice) and an improper claim for injunctive relief. Despite the Court's order,
 19 Plaintiff failed to set forth any new factual allegations that show material support of, or the ability to
 20 control, the infringing conduct. Despite assurances to the Court at the hearing on the earlier motion
 21 to dismiss that Plaintiff had additional facts to support its allegations if given the opportunity to
 22 amend, the only significant additions in the amended complaint are factual allegations relating to a
 23 purported Cardservice International Merchant Agreement (the "CSI Merchant Agreement") (which
 24

25 ³ Plaintiff also alleged causes of action for libel and intentional interference with economic
 26 relations based upon Defendants' termination of services to Plaintiff. The Court dismissed these
 27 claims with prejudice in its August 6 Order.

1 Plaintiff alleges is typical of agreements between merchants and acquiring banks used throughout
 2 the Visa and MasterCard system). As set forth below, however, there is nothing new in Plaintiff's
 3 allegations that would cure the deficiencies in Plaintiff's original complaint.⁴

4 Not only is there no support in the law for imposing liability on Defendants in this
 5 case based merely upon the fact that they provide payment processing services to allegedly
 6 infringing third party websites, but to do so would expand the concepts of contributory and vicarious
 7 copyright and trademark infringement beyond any workable standard. At the end of the day, Perfect
 8 10 has never been able to distinguish Defendants from the electric company, the phone company or a
 9 janitorial service – all companies without which the third party websites could not operate, but also
 10 companies that do not contribute to or control the alleged infringing conduct of third party websites.
 11 Because Plaintiff has again wholly failed to plead facts sufficient to state a cause of action as to its
 12 remaining claims, the Court should grant Moving Defendants' motion to dismiss Plaintiff's amended
 13 complaint with prejudice.⁵

14 **II. ARGUMENT**

15 **A. Plaintiff's Amended Complaint Fails to State a Claim for Copyright Infringement.**

16 As in its original complaint, Plaintiff's first claim is for copyright infringement.⁶
 17 Plaintiff again does not attempt to allege that Defendants directly infringe its copyrights. Rather, it
 18 alleges that Defendants are liable for contributory and vicarious copyright infringement. Amended
 19 Complaint, ¶¶ 85-101. Because Plaintiff has not alleged (and cannot allege) facts sufficient to state a
 20

21 ⁴ For ease of reference, Moving Defendants attach to this memorandum as Appendix A a "redlined"
 22 version of the amended complaint, which shows the variations from the original complaint.

23 ⁵ While courts routinely grant plaintiff one opportunity to amend, leave to amend is properly denied
 24 where it is evident that further amendments are futile and where, as here, the facts are not in dispute,
 25 and the sole issue is whether there is liability as a matter of substantive law. *See Albrecht v. Lund*,
 26 845 F.2d 193, 195-196 (9th Cir. 1988).

27 ⁶ The causes of action set forth in Plaintiff's amended complaint and which begin on page 22 are
 28 nearly verbatim those set forth in its original complaint, the only exceptions being that Plaintiff has
 deleted identification of individual copyright registrations in its first claim for relief and substituted
 the word "list" for the word "listing" in its fifth claim for relief.

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1 claim for either contributory or vicarious copyright infringement, Plaintiff's first cause of action
2 should be dismissed with prejudice.

3 1. **Plaintiff Has Again Failed to Allege Facts Sufficient to Support a Claim of**
4 **Contributory Copyright Infringement.**

5 As set forth in the Ninth Circuit's recent *Grokster* decision, "[t]he three elements
6 required to prove a defendant liable under the theory of contributory copyright infringement are (1)
7 direct infringement by a primary infringer, (2) knowledge of the infringement, and (3) material
8 contribution *to the infringement.*" *Metro-Goldwyn-Mayer v. Grokster*, -- F.3d --, 2004 WL 1853717
9 *5 (9th Cir. 2004) (emphasis added) (citing *Ellison v. Robertson*, 357 F.3d 1072, 1076 (9th Cir.
10 2004). For purposes of this motion, the element of direct infringement is not disputed, and Moving
11 Defendants need not address here the "knowledge" prong. Because the allegations set forth in
12 Plaintiff's amended complaint fail to state facts sufficient to constitute a material contribution by
13 Defendants to allegedly infringing third-party conduct, Plaintiff's claim for contributory
14 infringement must fail.

15 In its Order granting Defendants' motion to dismiss the original complaint, this Court
16 gave Plaintiff clear guidance as to what would be required to adequately allege material contribution
17 for purposes of contributory copyright infringement. The Court held that "[i]n its amended
18 complaint, Plaintiff must establish a relationship between the financial services provided by
19 Defendants *and the alleged infringing activity* as opposed to the mere operation of the website
20 business." August 6 Order at 7 (emphasis added).

21 Despite assurances to the Court that it could do so at the July 9 Hearing (*see* July 9,
22 2004 Hearing on Defendants' Motion to Dismiss Tr. (hereafter "July 9, 2004 Hearing Tr.") at 21:1-
23 31:8), Plaintiff has failed to allege any new facts that would support its claim that Defendants
24 "materially contribute" to underlying infringements of its alleged copyrighted works. While it has
25 refined the language in its amended complaint, for example to add the words "materially contribute"

26

27

28

1 in several instances, conclusory allegations are insufficient to survive a motion to dismiss. *See*
 2 *Howard v. America Online*, 208 F.3d 741, 750 (9th Cir. 2000).

3 In its amended complaint, Plaintiff again relies on the mere fact that Defendants provide
 4 financial services to the allegedly infringing websites and the fact that Defendants have internal
 5 regulations governing with whom they chose to do business. For instance, Plaintiff claims that
 6 defendants "materially contribute" to the third party websites infringing activity by:

7 authorizing their member banks to acquire customers' payment card
 8 charges for access to those websites, in violation of MasterCard and
 9 Visa Rules; providing confirmations for charges for the [third party
 10 websites], accepting fees for each charge card transaction on the [third
 11 party websites]; and failing and refusing to enforce their rules.

12 Amended Complaint, ¶ 32. Elsewhere in the amended complaint, Plaintiff alleges that Defendants
 13 "materially contribute to transactions involving hundreds if not thousands of websites . . . by
 14 processing individual MasterCard and Visa charges." *Id.*, ¶ 59. These are the same allegations that
 15 were made in Plaintiff's original complaint, however, and were found insufficient by this Court as set
 16 forth in its Order dismissing Plaintiff's original complaint. August 6 Order at 6-7. As the Court
 17 held, "the ability to process credit cards does not directly assist the allegedly infringing websites in
 18 copying Plaintiff's works." August 6 Order at 6.

19 The only relevant factual addition to Plaintiff's amended complaint relates to terms
 20 set forth in an alleged Cardservice International merchant agreement (the "CSI Merchant
 21 Agreement"), which Plaintiff alleges is typical of merchant agreements throughout the Visa and
 22 MasterCard systems. Amended Complaint, ¶¶ 16-20. The terms alleged from the CSI Merchant
 23 Agreement, however, fail to establish any relationship between Defendants (only one of whom,
 24 Cardservice International, would even be a party to the agreement) and the allegedly infringing
 25 conduct of the so-called "Stolen Content Websites."⁷ Plaintiff alleges the following terms of the CSI
 26 Merchant Agreement:

27 ⁷ Of course, Plaintiff invokes an abusive term in order to color its description and, more particularly,
 28 to recast CSI's agreement in a misleading and unfavorable light. Because Plaintiff attached a copy of

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Paragraph 1.01 of the CSI Merchant Agreement requires Stolen Content Websites to accept all MasterCard and Visa charge cards presented to them.

Paragraph 1.02 of the CSI Merchant Agreement requires Stolen Content Websites to display defendants' promotional materials with defendants' proprietary names and symbols, unless they are 'expressly exempted' by Visa or MasterCard.

Paragraph 3.01, entitled 'Compliance with Law,' imposes the following restrictions on Stolen Content: Merchant shall comply with all laws, ordinances and regulations applicable to Merchant, Merchant's business and any Card transaction, including without limitation all state and federal consumer credit and consumer protection statutes and regulations. Neither Bank [Humboldt] nor Cardservice International shall have any obligation to notify or advise Merchant of the existence of such laws or changes in such laws. Merchant warrants that it has the right to sell the products it sells and to use the names it uses.

Paragraph 7.01 of the CSI Merchant Agreement requires merchants to use defendants' preapproved forms when accepting payment by credit card.

Amended Complaint, ¶¶ 17-19, 23. Plaintiff also alleges that the CSI Merchant Agreement contains a right to terminate merchants who violate the CSI Merchant Agreement. *Id.*, ¶ 21. None of these allegations establish the relationship between the financial services provided by Defendants *and the alleged infringing activity* of third party websites required to establish material contribution. As the Court stated: "To have engaged in contributory copyright infringement, it is not sufficient for the Defendants to merely have contributed to the general business of the infringer. To have materially contributed to copyright infringement, 'the . . . assistance must bear some direct relationship to the infringing acts'" August 6 Order at 4 (citations omitted).

During oral argument at the July 9, 2004 Hearing, counsel for Plaintiff argued that the case that best supported his client's claims was the Ninth Circuit's *Napster* decision. July 9, 2004 Hearing Tr. at 31:9-32:12. The *Napster* case is clearly distinguishable. In *A&M Records v. Napster (Napster I)*, 239 F.3d 1004 (9th Cir. 2001), the Ninth Circuit held that "Napster provides the site and facilities for direct infringement." *Metro-Goldwyn-Mayer v. Grokster*, 2004 WL 1853717, * 7.

CSI's Merchant Agreement to its amended complaint, the Court may (and should) look to that exhibit for "undoctored" language. Because the exhibit to the amended complaint is barely legible, Defendant Cardservice International furnishes a more legible copy of the same document as Appendix B to this memorandum.

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1 *Napster* is distinguishable because it cannot possibly be said that Defendants in this case provide the
2 *site and facilities* for direct infringements by third party websites. Even Plaintiff's argument that
3 Defendants provide "essential financial services" without which the alleged infringing websites
4 could not survive is belied by the obvious fact that Plaintiff itself has survived despite being
5 terminated as a merchant, a point recognized by this Court. The Court observed that Plaintiff's
6 assertion that acceptance of MasterCard and Visa is necessary to an Internet merchant's commercial
7 viability "is belied by facts from the Plaintiff's own complaint. Plaintiff itself was blacklisted by
8 Visa and had its merchant account revoked, yet it still continues to operate its website and accept
9 Visa and Mastercard as payment through an intermediate payment service." August 6 Order at 6.

10 Because Plaintiff has failed to plead facts sufficient to establish the material
11 contribution prong required to establish contributory copyright infringement, this claim should be
12 dismissed with prejudice.

13 2. **Plaintiff Has Again Failed to Allege Facts Sufficient to Support a Claim of**
14 **Vicarious Copyright Infringement.**

15 To establish a claim for vicarious copyright infringement, Plaintiff must allege (1)
16 that the defendant possesses the right and ability to supervise the infringing conduct and (2) that the
17 defendant has an obvious and direct financial interest in the infringing activity. *Ellison v. Robertson*,
18 357 F.3d 1072, 1079 (9th Cir. 2004); August 6 Order at 7. While Moving Defendants do not here
19 address the element of direct financial benefit, Plaintiff's amended complaint fails to allege facts
20 sufficient to establish that Defendants have the right and ability to supervise the alleged infringing
21 websites.

22 Again, the primary "new" fact Plaintiff offers in its amended complaint to establish
23 that Defendants have the right and ability to supervise allegedly infringing activity of third party
24 websites relates to provisions of the alleged CSI Merchant Agreement. The CSI Merchant
25 Agreement, however, in no way establishes that Defendants have the right and ability to supervise
26 the allegedly infringing conduct of third party websites. Any termination provision in that

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1 agreement is irrelevant as this Court has already held that "Defendants' ability to rescind their
2 services does not indicate control over the websites' alleged infringing actions." August 6 Order at
3 7. For the same reason, any provision in that agreement that requires merchants to comply with all
4 relevant laws does not establish a right and ability to supervise infringing activity, as Defendants'
5 recourse is to terminate services if merchants fail to comply with that provision or to sue for breach
6 of contract. The CSI Merchant Agreement does not give Defendant Cardservice International either
7 the right or the ability to supervise allegedly infringing activities of third party websites, and it does
8 not give that right or ability to the other Defendants who are not even party to the CSI Merchant
9 Agreement.

10 Amidst its allegations concerning the CSI Merchant Agreement Plaintiff also alleges
11 that: "[p]ursuant to Visa and MasterCard rules and regulations, and to the contractual rights they
12 insist upon, defendants direct merchants who accept their credit cards and who operate Internet
13 websites to alter or delete contents of such websites in order to comply with laws and/or Visa and
14 MasterCard rules, regulations and policies" and that "Defendants dictate what products and services
15 a merchant sells. Merchants cannot sell different products without submitting a formal request to
16 defendants and receiving Defendants' express pre-approval." Amended Complaint, ¶¶ 20, 24.

17 Although Defendants believe that these allegations are in fact false and in bad faith, a "Hail
18 Mary" pass to put Plaintiff over the pleading goal, even if they were true they would not sufficiently
19 allege Defendants' right and ability to control *infringing activity*. In this case Plaintiff alleges that
20 Defendants provide critical support services to companies that offer subscriptions to web sites with
21 allegedly infringing content. Even if one credits Plaintiff's allegation that Defendants require pre-
22 approval of products and services, or "dictate" what products a merchant can offer, in the current
23 context the services at issue are website subscriptions. Notably, Plaintiff fails to allege that
24 Defendants direct any *infringing activity* whatever within those websites, that they pre-approve any
25 *infringing content*, or that they have any ability to affect or control infringing conduct by third
26 parties other than by terminating merchant status. Moreover, as discussed above, under the

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1 allegations and exhibits in the amended complaint, the most effective penalty Defendants can impose
 2 for violation of any directives is termination of merchant status, which this Court has already held
 3 does not indicate control over the websites' alleged infringing actions. August 6 Order at 7. *Even*
 4 *with the power to terminate merchant status, Defendants cannot deprive third parties of any "site*
 5 *and facilities," or instrumentality, of infringing conduct.* As noted in connection with the earlier
 6 motion, Defendants do not furnish or exercise supervision over any "site and facilities" or
 7 instrumentality of infringing reproduction activity; any preparation of derivative works; any
 8 distribution of copies to the public by sale or other transfer of ownership, rental, lease, or lending;
 9 any public performance; or any public display of copyrighted works. *Cf.* 17 U.S.C. § 106
 10 (enumerated rights of copyright owner).

11 Plaintiff also alleges that "Visa and MasterCard have chosen to ignore the obvious
 12 illegality of each and every Stolen Content Website transaction that they review." Amended
 13 Complaint, ¶ 10. The Ninth Circuit expressly rejected this "blind eye" theory of liability in its recent
 14 *Grokster* decision, where the plaintiffs had argued that "[t]urning a blind eye to detectable acts of
 15 infringement for the sake of profit gives rise to liability." *Metro-Goldwyn-Mayer Studios, Inc. v.*
 16 *Grokster, Inc.*, 2004 WL 1853717, * 8-9 (quoting *Napster I*, 239 F.3d at 1023). The *Grokster* Court
 17 expressly rejected this theory stating: "although that rhetoric has occasionally been employed in
 18 describing vicarious copyright infringement, there is no separate 'blind eye' theory or element of
 19 vicarious liability that exists independently of the traditional elements of liability." *Grokster*, 2004
 20 WL 1853717, * 9.

21 Indeed, the entire thrust of Plaintiff's claims against Defendants is the allegation that
 22 Defendants have turned a "blind eye" to actions of merchants who use payment systems offered by
 23 Defendants. As noted in Defendants' original motion, Plaintiff's theory seeks to turn Defendants
 24 into police, prosecutor, judge, and jury of alleged infringements that take place across the entire
 25 Internet (and, by extension, across the entire range of commerce, since Defendants' payment systems
 26 extend far beyond Internet commerce). Plaintiff's theory seeks to force Defendants to impose an

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1 effective boycott or blockade against other companies merely because Plaintiff has accused those
 2 companies of infringements. This proposed approach is unsupported by any law. It is both
 3 unworkable as a practical matter and is profoundly unwise as a policy matter. Plaintiff's approach
 4 creates vast risks of overenforcement, because companies like Defendants would be encouraged – by
 5 threats of their own liability – to cut off business with companies merely because those companies
 6 may have been accused, possibly wrongly, of infringement. The effect would tend toward
 7 unwarranted disruption of commerce. Plaintiff's proposal would conversely allows companies with
 8 the greatest stake in the matter – those whose rights have allegedly been infringed – to offload onto
 9 others the responsibilities for protecting their own interests while making no efforts to attack the
 10 alleged problems directly.

11 Because Plaintiff has failed to allege facts sufficient to establish that Defendants have
 12 the right and ability to supervise allegedly infringing conduct of third party websites, Plaintiff has
 13 failed to state a cause of action for vicarious copyright infringement.

14 **B. Plaintiff's Amended Complaint Again Fails to State a Claim for Trademark**
 15 **Infringement.**

16 Plaintiff's second and third claims are for trademark infringement. Amended
 17 Complaint, ¶¶ 102-123. Liability for secondary infringement is even narrower under trademark law
 18 than under copyright law. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984);
 19 August 6 Order at 9. As with its copyright claims, Plaintiff alleges no facts that would support direct
 20 trademark infringement and instead bases its claims on the conduct of third parties, some of whom it
 21 alleges leave the "Perfect 10" mark on photographs allegedly copied from Plaintiff's website.
 22 Amended Complaint, ¶ 109. The Court properly dismissed Plaintiff's identical claims in granting
 23 Defendants' motion to dismiss Plaintiff's original complaint. As to Plaintiff's claim of contributory
 24 trademark infringement, the Court stated:

25 In order to be liable for contributory trademark infringement, Defendants must have
 26 either "induce[d] a third party to infringe the plaintiff's mark or supplie[d] a product
 to a third party with actual or constructive knowledge that the product is being used to

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1 infringe the [mark]" (citing *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194
2 F.3d 980, 983 (9th Cir. 1999)). . . . Plaintiff has pled no facts indicating that
3 Defendants induced the allegedly infringing websites to use Plaintiff's marks. . . .
4 Likewise, Plaintiff has not pled facts indicating that Defendants supplied a product to
5 the websites, knowing that the product would be used to infringe Plaintiff's mark.
6 The only service Defendants supply is the ability to accept certain credit cards as
7 payment, and this service has no apparent direct link to the alleged infringing
8 activities

9 August 6 Order at 9. Because Plaintiff has alleged no new facts in its amended complaint that
10 indicate that Defendants either induced a third party to infringe Plaintiff's mark or supplied a product
11 to a third party knowing that it would be used to infringe Plaintiff's mark, Plaintiff has again failed to
12 state a claim for contributory trademark infringement.

13 To state a claim for vicarious trademark infringement, Plaintiff must show that
14 "Defendants and the infringers 'have an apparent or actual partnership, have authority to bind one
15 another in transactions with third parties or exercise joint ownership or control over the infringing
16 product.'" August 6 Order at 9 (quoting *Hard Rock Cafe Licensing Corp. v. Concession Services,
17 Inc.*, 955 F.2d 1143, 1150 (9th Cir. 1992)). Plaintiff has alleged no new facts that would indicate
18 that Defendants and the infringers have the kind of relationship sufficient to support a finding of
19 vicarious trademark infringement. The provisions of the CSI Merchant Agreement in no way give
20 Defendants or the alleged infringers authority to bind one another in transactions with third parties.
21 Nor has Plaintiff alleged facts demonstrating any Defendant's partnership with any of the allegedly
22 infringing third parties or joint ownership or control over the allegedly infringing third party
23 websites. Accordingly, Plaintiff has again failed to state a claim for vicarious trademark
24 infringement.

25 **C. Plaintiff's Amended Complaint Again Fails To State A State Trademark Violation.**

26 The fourth claim in Plaintiff's amended complaint, for wrongful use of a registered
27 mark under California Business & Professions Code § 14335, is also identical to that claim in its
28 original complaint. Again Plaintiff has failed to allege that Defendants have ever used Plaintiff's
29 mark, so the claim must be based upon a claim of secondary liability. Because, as set forth above,

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1 Plaintiff has failed to allege facts sufficient to state a claim for secondary trademark liability, this
2 claim too must fail. See August 6 Order at 10.

3 **D. Plaintiff's Amended Complaint Again Fails to State a Claim for Violation of Publicity**
4 **Rights.**

5 Plaintiff's fifth claim is for violation of the right of publicity on an aiding and abetting
6 theory. Amended Complaint, ¶¶ 127-136. As the Court made clear in its August 6 Order, however,
7 "[t]o establish aiding and abetting liability ... plaintiff must show that [Defendants] affirmatively
8 participated in the [illegal] activities with the intent to facilitate them.' . . . The fact that Plaintiff
9 may have notified Defendants of illegal conduct is 'not sufficient to establish aiding and betting
10 liability.'" August 6 Order at 10-11 (citing *Emery v. Visa Int'l Service Assoc.*, 95 Cal. App. 4th 952,
11 962 (2002)). As recognized by the Court, Plaintiff failed to allege facts showing that Defendants
12 affirmatively participated in the alleged infringing activities in its original complaint and has simply
13 alleged no new facts that would support such a claim.

14 **E. Plaintiff's Amended Complaint Again Fails to State a Claim for Unfair Competition.**

15 Plaintiff's sixth claim is for unfair competition under 15 U.S.C. § 1125(a), California
16 Business & Professions Code §§ 17200 *et seq.*, and the common law. Amended Complaint, ¶¶ 137-
17 148. As stated by the Court:

18 [v]icarious liability, however, is precluded under the California unfair competition
19 laws. . . . A defendant's liability must be based on his personal participation. . . .
20 Although [aiding and abetting liability] may be possible, Plaintiff has not alleged
21 sufficient facts to support such a claim for the same reasons set forth in the preceding
section. Plaintiff has simply failed to allege facts indicating that Defendants assisted
specifically in the unlawful conduct of the third parties.

22 August 6 Order at 11-12. In realleging this cause of action Plaintiff has simply ignored the Court's
23 order, in which it held that to support this claim Plaintiff must allege facts indicating that
24 "Defendants assisted specifically in the unlawful conduct of the third parties." August 6 Order at 11.
25 Because Defendant has set forth no new facts that would support this claim, it too must fail.

1 **F. Plaintiff's Amended Complaint Again Fails to State a Claim for False Advertising.**

2 Plaintiff's seventh claim is for false advertising under the common law and under
3 California Business & Professions Code §§ 17200 *et seq.* The Court dismissed an identical claim in
4 Plaintiff's original complaint, stating that "[f]or the same reasons set forth in the preceding sections
5 concerning aiding and abetting liability, Plaintiff has failed to adequately state facts supporting a
6 claim against Defendants for false advertising under either California law or the common law."
7 August 6 Order at 12. As Defendant has alleged no new facts that would support a claim for false
8 advertising, this claim must also fail.

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MPA OF MASTERCARD, FIRST DATA, CARDSERVICE,
AND HUMBOLDT SUPPORTING DEFENDANTS'
MOTION TO DISMISS AMENDED COMPLAINT

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1 **III. CONCLUSION**

2 Plaintiff cannot escape the fact that its action is based upon wholly inadequate legal
3 theories, namely that Defendants should be liable for doing business with, and supporting, alleged
4 third-party infringers without actually contributing to, or controlling, the actual infringing activities
5 of those third parties. The new inclusion of a Cardservice International merchant agreement, and
6 allegations that through their contractual relationships Defendants either “dictate” or “preapprove”
7 products or services, do not change the facts that (1) Defendants cannot affect or control any third
8 parties’ infringements by terminating merchant status and (2) Defendants do not furnish or control
9 the “site and facilities” or instrumentalities of any third parties’ alleged infringing conduct. Plaintiff
10 has again failed to set forth facts sufficient to support its seven remaining causes of action. For these
11 reasons, as set forth above, and as set forth in related arguments in Defendants’ motion to dismiss
12 the original complaint, the Court should grant Moving Defendants’ motion and dismiss this action in
13 its entirety with prejudice.

14 Dated: September 24, 2004 WINSTON & STRAWN LLP

15
16 By: /s/ Andrew P. Bridges
17 ANDREW P. BRIDGES
18 Attorneys for Defendant
19 MASTERCARD INTERNATIONAL
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23 By: /s/ Michael H. Page
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28 FIRST DATA CORP., CARDSERVICE
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29 Andrew P. Bridges attests that he has obtained the
30 concurrence of the signatory indicated above.

31 MPA OF MASTERCARD, FIRST DATA, CARDSERVICE,
32 AND HUMBOLDT SUPPORTING DEFENDANTS’
33 MOTION TO DISMISS AMENDED COMPLAINT