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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION**

MICHEL KECK,
Plaintiff,

v.

ALIBABA.COM HONG KONG LTD., et
al.,
Defendants.

Case No. 17-cv-05672-BLF

**ORDER DENYING ALIBABA
DEFENDANTS’ MOTION FOR
PARTIAL JUDGMENT ON THE
PLEADINGS**

[Re: ECF 292]

Plaintiff Michel Keck brings this copyright and trademark infringement action against Alibaba.com Hong Kong Ltd. (“Alibaba HK”), Taobao China Holding Ltd. (“TCHL”), Zhejiang Taobao Network Co., Ltd. (“Zhejiang Taobao”) (collectively, the “Alibaba Defendants”) and numerous Chinese merchants. *See generally* First Amended Complaint (“FAC”), ECF 286. Before the Court is Alibaba Defendants’ Motion for Partial Judgment on the Pleadings (“Motion”). Motion, ECF 292. Specifically, Defendants¹ move to dismiss Count III of the FAC for failure to sufficiently allege the requisite elements of a vicarious copyright infringement claim. *See* Motion at 1. The Court previously ruled that Defendants’ Motion would be determined without oral argument. *See* ECF 299. For the reasons set forth below, the Court hereby DENIES Defendants’ Motion for Partial Judgment on the Pleadings.

I. BACKGROUND

Plaintiff is a professional artist who resides in Indiana and sells her artwork from her own website and through authorized dealers. FAC ¶¶ 1, 180. She alleges that her artwork was reproduced and sold on websites operated by Alibaba Defendants—e.g., Alibaba.com,

¹ In this Order “Defendants” refers to the Alibaba Defendants.

1 AliExpress.com, Taobao Marketplace, Tmall, and 1688.com—by Chinese merchants without her
2 authorization. *See, e.g., id.* ¶¶ 149–156, 190–201. Plaintiff alleges that she sent numerous notices
3 requesting that the infringing products be taken down from the virtual online stores. *See, e.g.,*
4 *id.* ¶¶ 264–74, 278–282. Thereafter, on October 2, 2017, Plaintiff filed this lawsuit against
5 Alibaba Defendants and numerous Chinese merchants (“Defendant Stores”).

6 Plaintiff’s original complaint included Defendants Alibaba.com, Inc., Alibaba Group
7 (U.S.), Inc., Alibaba Group Holding, Ltd. (“AGHL”), and Alipay US, Inc. On February 7, 2018,
8 Keck dismissed Defendant Alipay US, Inc. without prejudice. ECF 165. On August 30, 2018, the
9 Court dismissed Defendant AGHL for lack of personal jurisdiction without leave to amend and
10 dismissed Plaintiff’s claim for vicarious copyright infringement against Defendants Alibaba.com,
11 Inc. and Alibaba Group (U.S.), Inc. with leave to amend, among other rulings. *See Order Granting*
12 *in Part and Denying in Part Alibaba Defendants’ Motion to Dismiss at 25, ECF 277.*

13 Plaintiff subsequently filed her FAC amending, *inter alia*, her vicarious copyright
14 infringement claim. The FAC asserts the following five claims:

- 15 (1) Direct copyright infringement (against Defendant Stores);
- 16 (2) Contributory copyright infringement (against Alibaba Defendants);
- 17 (3) Vicarious copyright infringement (against Alibaba Defendants);
- 18 (4) Contributory trademark infringement (against Alibaba Defendants); and
- 19 (5) Contributory trademark infringement and false designation of origin under 15 U.S.C.
20 § 1125(a) (against Alibaba Defendants).

21 FAC ¶¶ 373–401. The second and third claims are class claims. The instant Motion for Partial
22 Judgment on the Pleadings as to Count III followed. The Court’s prior order at ECF 277 did not
23 address vicarious copyright infringement as to Defendants Alibaba HK, TCHL, or Zhejiang
24 Taobao (the “Alibaba Defendants” in Plaintiff’s FAC, who bring the instant Motion).

25 Additional background² not relevant to the instant Motion is not restated here.

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² For additional background, see the Court’s prior orders at ECF 269 and ECF 277.

1 **II. LEGAL STANDARD**

2 Federal Rule of Civil Procedure 12(c) provides that “[a]fter the pleadings are closed—but
3 early enough not to delay trial—a party may move for judgment on the pleadings.” A Rule 12(c)
4 motion is “functionally identical” to a Rule 12(b)(6) motion, and the same legal standard applies
5 to both. *Cafasso, U.S. ex rel. v. Gen. Dynamics C4 Sys., Inc.*, 637 F.3d 1047, 1054 n.4 (9th Cir.
6 2011). Thus, when considering a Rule 12(c) motion, a district court “must accept the facts as pled
7 by the nonmovant.” *Id.* at 1053. The district court then must apply the *Iqbal* standard to
8 determine “whether the complaint’s factual allegations, together with all reasonable inferences,
9 state a plausible claim for relief.” *Cafasso*, 637 F.3d at 1054 & n.4 (citing *Ashcroft v. Iqbal*, 556
10 U.S. 662 (2009)).

11 A district court generally may not consider materials outside the pleadings in deciding a
12 motion under either Rule 12(b)(6) or Rule 12(c), and if such materials are presented to the court
13 and not excluded, the motion must be treated as a motion for summary judgment under Rule 56.
14 *See* Fed. R. Civ. P. 12(d) (“If, on a motion under Rule 12(b)(6) or 12(c), matters outside the
15 pleadings are presented to and not excluded by the court, the motion must be treated as one for
16 summary judgment under Rule 56.”). A district court may, however, consider the following
17 materials without converting a Rule 12(c) motion to a Rule 56 motion: “(1) exhibits to the
18 nonmoving party’s pleading, (2) documents that are referred to in the non-moving party’s
19 pleading, or (3) facts that are included in materials that can be judicially noticed.” *Yang v. Dar Al-*
20 *Handash Consultants*, 250 F. App’x 771, 772 (9th Cir. 2007).

21 **III. DISCUSSION**

22 Defendants argue that Plaintiff’s vicarious copyright infringement claim (Count III of the
23 FAC) should be dismissed for failure to sufficiently allege one or both necessary elements of such
24 a claim. *See* Motion at 1–3. Plaintiff counters that “Defendants cannot advance a serious
25 argument that, under existing precedent, Keck failed to allege facts supporting the elements of
26 vicarious [copyright] infringement.” Opp’n at 2, ECF 296.

27 Vicarious copyright liability is an “outgrowth” of respondeat superior. *See A&M Records,*
28 *Inc. v. Napster Inc.*, 239 F.3d 1004, 1022 (9th Cir. 2001) (quoting and citing *Fonovisa, Inc. v.*

1 *Cherry Auction, Inc.*, 76 F.3d 259, 262 (9th Cir. 1996)). “[T]o succeed in imposing vicarious
2 liability, a plaintiff must establish that [1] the defendant exercises the requisite control over the
3 direct infringer and that [2] the defendant derives a direct financial benefit from the direct
4 infringement.” *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1173 (9th Cir. 2007) (citing
5 *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005)). Here, for the
6 reasons discussed below, the Court finds that Plaintiff’s FAC contains sufficient factual
7 allegations to support a vicarious copyright infringement claim against Defendants. Each element
8 is discussed in turn, followed by a short conclusion.

9 **A. Requisite Control**

10 “A vicarious infringer ‘exercises control over a direct infringer when he has both a legal
11 right to stop or limit the directly infringing conduct, as well as the practical ability to do
12 so.’” *Williams v. Gaye*, 895 F.3d 1106, 1132 (9th Cir. 2018) (quoting *Amazon.com*, 508 F.3d at
13 1173).

14 First, Defendants argue that Keck does not plausibly allege that Defendants had the right to
15 stop or limit the infringing conduct by the Chinese merchants who use Defendants’ websites
16 because the merchants are “independent actors whose product listings are not [] materially shaped
17 by the Alibaba Defendants.” *See* Motion at 12. Defendants acknowledge that they have the
18 capacity to “remove infringing listings and penalize the sellers,” *see* Motion at 11, but contend that
19 this “prong of vicarious liability requires more than simply the capacity of an online service
20 provider to remove infringing material from the system,” *see* Motion at 10. Defendants cite
21 *Amazon.com*, 508 F.3d at 1172–75 for this proposition. *See* Motion at 10.

22 In *Amazon.com*, the Ninth Circuit evaluated plaintiff Perfect 10’s contention that Google
23 was vicariously liable for third-party websites’ reproduction, display, and distribution of
24 unauthorized copies of Perfect 10’s images on the internet. *See Amazon.com*, 508 F.3d at 1173.
25 In reversing the district court’s grant of a preliminary injunction, the Ninth Circuit held that
26 Perfect 10 did not demonstrate a likelihood of success in establishing that Google had the right
27 and ability to stop or limit the infringing activities of the third-party websites. *See id.* at 1173. In
28 *Amazon.com*, some third-party websites participated in Google’s AdSense program, which

1 matches online content with ads relevant to that content. *See id.* at 1156, 1166. The Ninth Circuit
2 noted that although Google had “the right to monitor and terminate partnerships with [third-party
3 websites participating in AdSense] that violate others’ copyrights,” Google “[could] not stop any
4 of the third-party websites from [directly infringing] Perfect 10’s images because that infringing
5 conduct takes place on the third-party websites.” *Id.* at 1173–74.

6 The Ninth Circuit then contrasted Google’s capabilities to those of the swap meet operators
7 in *Fonovisa*, 76 F.3d at 262–63. In *Fonovisa*, the Ninth Circuit found that a swap meet operator’s
8 “broad contract with its vendors” was sufficient to satisfy the control requirement because it “had
9 the right to terminate vendors for any reason whatsoever and through that right had the ability to
10 control the activities of vendors on the premises.” *Id.* at 263. Unlike *Fonovisa*, Google did not
11 have “contracts with third-party websites that empower Google to stop or limit them from
12 reproducing, displaying, and distributing infringing copies of Perfect 10’s images on the
13 Internet.” *Amazon.com*, 508 F.3d at 1173.

14 In addition, the Ninth Circuit contrasted Google with Napster in *A&M Records*, 239 F.3d
15 at 1011. “Because Napster had a closed system requiring user registration, and could terminate its
16 users’ accounts and block their access to the Napster system, Napster had the right and ability to
17 prevent its users from engaging in the infringing activity of uploading file names and downloading
18 Napster users’ music files through the Napster system. By contrast, Google cannot stop any of the
19 third-party websites from reproducing, displaying, and distributing unauthorized copies of Perfect
20 10’s images because that infringing conduct takes place on the third-party websites.” *Amazon.com*,
21 508 F.3d at 1174 (internal quotations and citations omitted).

22 Here, although a close call, the Defendants are more similarly situated to the swap meet
23 operator and Napster than to Google. Crucially, Plaintiff alleges that Defendants’ websites are
24 online marketplaces that constitute “a large ecosystem for online and mobile commerce” over
25 which Defendants “exercise high levels of control.” *See* FAC ¶¶ 11, 133, 151, 253. Plaintiff
26 further alleges that Defendants are “involved in the day-to-day operation, control, marketing, and
27 design of [the marketplaces].” *Id.* ¶ 6; *see also id.* ¶¶ 253, 346–49. For example, Plaintiff
28 specifically alleges that “the Alibaba Defendants provide marketing services to merchants who

1 operate on Taobao, Alibaba.com and AliExpress, provide guidance for the layout of the
 2 merchants’ virtual stores, and facilitate transactions between merchants and buyers.” *Id.* at ¶ 346.
 3 Thus, unlike in *Amazon.com*, the alleged direct infringement here takes place not “on the internet”
 4 writ large but instead on Defendants’ websites/marketplaces. Moreover, Plaintiff alleges that
 5 Defendants have the right and ability to terminate the membership of merchants who repeatedly
 6 infringe, the right to remove, modify, or reject unlawful content on the websites/marketplaces, and
 7 the discretionary right to suspend access to the websites/marketplaces. *See* FAC ¶¶ 248–251. In
 8 other words, where Google had the right to terminate the AdSense partnership—which would not
 9 have stopped direct infringement by third parties—here the Defendants could have ended the
 10 alleged direct infringement on their own websites/marketplaces by terminating or suspending the
 11 merchants’ memberships. *See Amazon.com*, 508 F.3d at 1174; *see also Routt v. Amazon.com, Inc.*,
 12 584 Fed. Appx. 713, 714–15 (9th Cir. 2014) (“A defendant has control over a third party’s
 13 infringing conduct when the defendant can directly put an end to that conduct.”).

14 Second, Defendants argue that Plaintiff does not sufficiently allege that Defendants have
 15 “the practical ability to stop or limit the [alleged] infringement.” *See* Motion at 13. Defendants
 16 acknowledge that Plaintiff alleges that Defendants have deployed technology to identify and take
 17 down “millions of postings that infringed third parties’ intellectual property rights,” but contend
 18 that these measures “do not reflect an ability *to prevent sellers from uploading infringing listings*
 19 *in the first place.*” *See id.* at 13 (emphasis in original). However, as Plaintiff points out, *see*
 20 Opp’n at 9, a “practical ability” to stop or limit infringement does not require antecedent
 21 prevention. Instead, the question is whether Defendants have “the practical ability **to police** the
 22 infringing activities of third-part[ies].” *See Amazon.com*, 508 F.3d at 1174 (emphasis added).
 23 Indeed, “[t]o escape imposition of vicarious liability, the reserved right to police must be exercised
 24 to its fullest extent. Turning a blind eye to detectable acts of infringement for the sake of profit
 25 gives rise to liability.” *See A&M Records*, 239 F.3d at 1023.

26 Here, Plaintiff has adequately alleged that Defendants failed to police their
 27 websites/marketplaces to the fullest extent, thus permitting detectable acts of infringement to
 28 occur. For example, Plaintiff alleges that Defendants have technology to proactively identify

1 infringing material, *see, e.g.*, FAC ¶¶ 246, 252, and that Plaintiff has repeatedly notified
 2 Defendants of infringing material, *see, e.g., id.* ¶¶ 264–73, but that Defendants nonetheless failed
 3 to remove the infringing material, *see, e.g., id.* ¶¶ 221, 256, 274–86, 332. As another example,
 4 Plaintiff alleges that so-called “repeat offenders”—merchants identified as having previously
 5 infringed—were permitted to continue to use Defendants’ websites/marketplaces despite
 6 Defendants’ knowledge of the merchants’ infringing activity. *See id.* ¶¶ 337–341. Plaintiff also
 7 alleges that Defendants have failed to maintain adequate records of infringing activity, *see id.*
 8 ¶ 342, which the Court may reasonably infer hinders Defendants’ ability to police their system.
 9 Taken as a whole, the Court finds sufficient allegations of Defendants’ practical ability to stop or
 10 limit infringement and failure to police their websites/marketplaces “to [the] fullest extent.” *See*
 11 *A&M Records*, 239 F.3d at 1023.

12 In sum, Plaintiff sufficiently alleges “a legal right to stop or limit the directly infringing
 13 conduct, as well as the practical ability to do so.” *Williams*, 895 F.3d at 1132.

14 **B. Direct Financial Benefit**

15 The Court next turns to the second element of vicarious copyright infringement, whether
 16 “the defendant derives a direct financial benefit from the direct infringement.” *Amazon.com, Inc.*,
 17 508 F.3d at 1173. “Financial benefit exists where the availability of infringing material acts as a
 18 draw for customers.” *Ellison v. Robertson*, 357 F.3d 1072, 1078 (9th Cir. 2004) (internal
 19 quotation and citations omitted). “[T]he size of the ‘draw’ relative to a defendant’s overall
 20 business is immaterial. Indeed, [t]he essential aspect of the ‘direct financial benefit’ inquiry is
 21 whether there is a causal relationship between the infringing activity and any financial benefit a
 22 defendant reaps, regardless of how substantial the benefit is in proportion to a defendant’s overall
 23 profits.” *Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657, 673 (9th Cir.), *cert. denied*, 138 S. Ct.
 24 504, (2017) (internal quotation and citation omitted). “There is no requirement that the draw be
 25 substantial.” *Ellison*, 357 F.3d at 1079.

26 Defendants argue that “Plaintiff’s allegations do not establish a direct financial benefit
 27 from the alleged direct infringement in the manner [] require[d].” *See* Motion at 16. At the
 28 pleading stage, the Court disagrees. The factual matter in the FAC, accepted as true, *see Iqbal*,

1 556 U.S. at 678, supports the inference that the allegedly infringing material draws customers to
2 Defendants’ websites/marketplaces resulting in benefits to Defendants they would not otherwise
3 receive. For example, Plaintiff alleges that Defendants receive commissions from the sale of
4 unauthorized copies of Keck’s artwork and that the unauthorized display, reproduction and sale of
5 copyrighted works owned by Keck and others draws visitors to Defendants’ platforms. *See, e.g.*,
6 FAC ¶¶ 257–59. As another example, Plaintiff alleges that Defendants have knowledge that
7 goods are being sold on their platforms in violation of third parties’ copyright and trademark
8 rights, that Defendants have developed the reputation as marketplaces for such “[k]nock-off
9 goods,” and that Defendants monetize increased traffic due to those goods. *See, e.g.*, FAC
10 ¶¶ 161–63. These allegations adequately support Plaintiff’s assertion of a causal link between the
11 merchants’ allegedly infringing activities and financial benefit to Defendants.

12 Defendants cite *Ellison v. Robertson*, 357 F.3d 1072 (9th Cir. 2004), for the proposition
13 that no causal relationship exists here. *See* Motion at 15–16. In *Ellison*, the question before the
14 court was “whether there [was] a triable issue of a material fact regarding whether AOL received a
15 direct financial benefit from the copyright infringement.” 357 F.3d at 1079. The court concluded
16 that plaintiff had not offered enough evidence for a reasonable juror to find a direct financial
17 benefit. *Id.* Here, at the pleading stage, the Court is not asked whether Plaintiff has sufficient
18 evidence to create a triable issue of material fact. Instead, the question is whether Plaintiff
19 plausibly alleged a direct financial benefit to Defendants due to the alleged infringing activity,
20 which Plaintiff has.

21 **C. Conclusion**

22 As stated above, the Court finds that Plaintiff has sufficiently alleged vicarious copyright
23 infringement. For this claim, full application of the law to the facts would require a developed
24 record. The Court has reviewed Defendants’ arguments in full and finds certain arguments
25 compelling but better suited for summary judgment or trial on a developed record.

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IV. ORDER

For the foregoing reasons, Defendants' Motion for Partial Judgment on the Pleadings at ECF 292 is DENIED.

IT IS SO ORDERED.

Dated: February 21, 2019



BETH LABSON FREEMAN
United States District Judge