

The Evolving Law of Secondary Liability in Trademarks

Jefferson F. Scher, Carr & Ferrell LLP

Historically of limited importance in trademark law, secondary liability has received considerable attention because of the role that large intermediaries (such as Google and eBay) play in expanding the reach of small sellers and advertisers. Courts stretching old precedents to fit new contexts have issued some unexpected rulings, and opened the door for challenges considerably further afield in years to come.¹

I. Secondary Liability Defined

Theories of secondary liability in trademark law arose from the common law of torts, which was the wellspring of unfair competition law. Contributory liability can roughly be likened to tort or criminal liability for “soliciting” and “aiding and abetting,” while vicarious liability imposes on a principal responsibility for the acts of its agent or joint tortfeasor. To a great extent, the law remains judge-made and subject to evolution and refinement in light of changing technology and market practices.

A. Contributory Infringement

The United States Supreme Court stated the test for contributory infringement in its 1982 decision in *Inwood Labs., Inc. v. Ives Labs., Inc.* Two different grounds for liability were reiterated from the Court’s 1924 decision in *William R. Warner & Co. v. Eli Lilly & Co.*:

if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit.

Inwood Labs. v. Ives Labs., 456 U.S. 844, 854, 102 S. Ct. 2182, 72 L. Ed. 2d 606, 214 U.S.P.Q. (BNA) 1 (1982).

The “knows or has reason to know” test would appear to exclude mere negligence, contrary to the test set forth in the Third Restatement of Unfair Competition, issued in 1995

(a) the actor intentionally induces the third person to engage in the infringing conduct; or (b) the actor fails to take reasonable precautions against the occurrence of the third person’s infringing conduct in circumstances in which the infringing conduct can be reasonably anticipated.

Restatement (Third) of Unfair Competition § 27 (1995). This approach would extend liability well beyond the second prong of the *Inwood* test, and has been rejected by most courts, including

¹ This paper provides an overview of secondary liability and highlights some recent decisions of particular interest. For a comprehensive treatment of the topic, visit Jane Coleman’s excellent treatise on contributory and vicarious trademark liability at <http://www.secondarytrademarkinfringement.com/>.

recently by the Second Circuit in *Tiffany v. eBay*, 600 F.3d 93, 94 U.S.P.Q.2D (BNA) 1188 (2d Cir. 2010), *cert. denied*, 2010 U.S. LEXIS 9355 (U.S., Nov. 29, 2010).

B. Vicarious Infringement

Vicarious liability requires a relationship, but courts have not limited the relationship to a formal principal and agent arrangement: conveying apparent authority may be sufficient to create such a relationship. See *AT&T Co. v. Winback and Conserve Program, Inc.*, 42 F.3d 1421 (3rd Cir. 1994) (vacating denial of motion for preliminary injunction). Some courts have referred to an “apparent or actual partnership” as equivalent to an actual agency relationship: “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.” See *Hard Rock Café Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143 (7th Cir. 1992) (such a partnership was not supported by the evidence in that case); *Vulcan Golf, LLC v. Google Inc.*, 552 F. Supp. 2d 752 (N.D. Ill. 2008).

In addition to a relationship, some courts may require a direct financial benefit in order for secondary liability to attach. See M. Bartholomew, *Copyright, Trademark and Secondary Liability After Grokster*, 32 Colum. J.L. & Arts 445 (2009). However, this issue is seldom mentioned, and might not be required under the Seventh Circuit formulation.

C. Trademark-Related Doctrines

Section 43 of the Lanham Act now embraces a variety of theories of liability in addition to infringement, including false advertising, trademark dilution, and cybersquatting. The rationale for these theories differs to some extent from traditional notions of unfair competition, and therefore some differences might be expected in the application of theories of secondary liability.

D. Contrasted with Copyright

Courts and commentators often note that the scope of secondary liability in trademark is narrower than the scope of secondary liability in copyright. E.g., *Perfect 10, Inc. v. Visa Int’l Service Ass’n*, 494 F.3d 788, 83 U.S.P.Q.2D (BNA) 1144 (9th Cir. 2007), *cert. denied*, 2008 U.S. LEXIS 4523 (U.S., June 2, 2008); *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984). For example, less notice or a smaller contribution may suffice to establish contributory copyright liability, and no apparent authority is necessary for vicarious copyright liability. In his thorough comparative treatment, Professor Mark Bartholomew questions whether the differences are justified. See M. Bartholomew, *Copyright, Trademark and Secondary Liability After Grokster*, 32 Colum. J.L. & Arts 445 (2009). Whatever the historical rationale, the flexibility of the doctrine is likely to encourage further attempts to borrow from copyright cases.

II. Contributory Liability

As claims for contributory liability have reached beyond the paradigmatic manufacturer-distributor relationship in *Inwood* to more intangible services, courts have struggled to find both a sound legal footing and an equitable balance of responsibility between direct infringers and alleged contributory infringers.

A. Intentional Inducement

Inducement liability is not established merely by providing the means by which a third party might infringe, or information which might be useful in committing infringement. At a minimum, some suggestion to infringe is required. In *Inwood*, a generic drug manufacturer's production of lookalike capsules and distribution of catalogs comparing the appearance and prices of generic and brand-name drugs was accused of *impliedly inviting* pharmacists to pass off generic capsules as branded ones. Because such mislabeling was very rare, and appeared to be the result of error, the Supreme Court found this theory of inducement implausible.²

Inwood appears to allow for intent to be proven through evidence of a suggestion having been inferred.³ Could a subtle suggestion prove inducement in the absence of a direct infringer's testimony that it was so influenced? In *Gucci America, Inc. v. Frontline Processing Corp.*, 721 F. Supp. 2d 228 (SDNY 2010), would-be counterfeiters of Gucci handbags needed assistance in arranging for credit card processing services. Defendant Durango Merchant Services advertised its ability to find processors for "high risk" businesses. In addition to assisting with applications, it advised on the shopping cart design and took a cut of each sale.

While it is easy to understand that the ability to accept credit cards is important for an online business, it is less clear why Durango should be held responsible for "inducing" infringement in this situation. In denying Durango's motion to dismiss, the court characterized its marketing as "a message designed to stimulate others to commit violations," and its advice on the checkout process as "affirmative steps taken to foster infringement," in both cases analogizing to the law of contributory liability in the copyright context.

This ruling goes well beyond the notion of suggesting infringement, and appears to countenance inducement liability for service providers that are too encouraging of the aspirations of their customers. It is too soon to tell whether or to what extent inducement liability may be expanded in this or other cases.⁴

² See also *Perfect 10, Inc. v. Visa Int'l Service Ass'n*, 494 F.3d 788, 83 U.S.P.Q.2D (BNA) 1144 (9th Cir. 2007) ("These allegations, however, cite no affirmative acts by Defendants suggesting that third parties infringe Perfect 10's mark, much less induce them to do so.").

³ Query whether such evidence is an appropriate substitute for more traditional evidence of subjective intent.

⁴ On October 10, 2010, the court entered a stipulated injunction against Durango pursuant to a mediated settlement. Documents in the case are available through <http://dockets.justia.com/docket/new-york/nysdce/1:2009cv06925/350358/>.

B. Constructive Knowledge

There is no dispute that one who aids another to commit infringement by supplying the other with a product or service essential to the infringement with actual knowledge of the planned infringement, has committed contributory trademark infringement. The principal challenge in the law is when, in the absence of actual knowledge of a specific act of primary infringement, constructive knowledge should be imputed. In other words, what facts justify a finding that a defendant “should have known” it was contributing to infringement?

1. Duty to investigate versus willful blindness

A defendant who fails to investigate suspected infringement may, under certain circumstances, be held to have actual knowledge of the infringement under the doctrine of “willful blindness.” However, to avoid creating a universal duty to police the activities of others, courts generally do insist that the blindness was indeed willful.

The seminal cases involve operators of “flea markets” or “swap meets” known for the occasional distribution of counterfeit products such as CDs, DVDs, and branded clothing. These operators typically have the right to terminate vendors which deal in counterfeits, but they do not have a duty to seek out infringements. *Hard Rock Café Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143, 21 U.S.P.Q.2D (BNA) 1764 (7th Cir. 1992); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 37 U.S.P.Q.2D (BNA) 1590 (9th Cir. 1996).

At a general level, the operator may suspect that *some percentage* of the merchandise for sale is counterfeit. A swap meet usually involves a very large number of vendors selling a wide variety of goods, and it would be quite time-consuming to investigate even a small portion of the sales. The Seventh Circuit ruled that defendant “CSI has no affirmative duty to take precautions against the sale of counterfeits. Although the ‘reason to know’ part of the standard for contributory liability requires CSI (or its agents) to understand what a reasonably prudent person would understand, it does not impose any duty to seek out and prevent violations.” This is a practical rule, but it is not the end of the story.

The Seventh Circuit ruled that if CSI had *suspected* infringement but chosen not to investigate, then it may be charged with actual knowledge: “To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate.” In the *Fonovisa* case, the Ninth Circuit agreed: “a swap meet can not disregard its vendors’ blatant trademark infringements with impunity.” In the context of eBay, the Second Circuit in *Tiffany* ruled that “When it has reason to suspect that users of its service are infringing a protected mark, [a service provider] may not shield itself from learning of the particular infringing transactions by looking the other way.”

Somewhere there is a line between a vague awareness of past or present infringing activity, and actual suspicion or “reason to suspect” that a particular act of infringement is being committed. Undoubtedly there will continue to be litigation until that line is better defined.

2. Particularity of Knowledge

In *Tiffany v. eBay*, eBay admitted it had general knowledge that a substantial amount of Tiffany jewelry sold on the site was counterfeit. Only 5% to 25% of the Tiffany items sold on eBay were genuine, according to a Tiffany study criticized by the court. Considering the overwhelming proportion of counterfeit items, Tiffany demanded that eBay be held accountable without knowledge of whether any particular auction was for genuine or counterfeit goods.

The Second Circuit, citing fragments of language from the Supreme Court's decisions in *Inwood* ("continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement") and *Sony* ("supply its products to identified individuals known by it to be engaging in continuing infringement"), rejected this approach. The court concluded that "knowledge" for purposes of contributory liability requires knowing that an individual auction or a particular seller dealt in counterfeit merchandise.

Tiffany sought review by the United States Supreme Court of the question of whether the Second Circuit had read too much into *Inwood* in focusing on the word "one," arguing that the Second Circuit decision was inconsistent with the Ninth Circuit's ruling on the swap meet in *Fonovisa*. In *Fonovisa*, there was "no dispute for purposes of this appeal that Cherry Auction and its operators were aware that vendors in their swap meet were selling counterfeit recordings in violation of Fonovisa's trademarks and copyrights." There had been multiple busts by the local sheriff, Cherry Auction "patrolled" the swap meet, and the operator's failure to comply with its promise to provide the sheriff information about individual sellers created potential "liability for protecting infringers' identities." Although the Ninth Circuit's language was indeed sweeping, Tiffany may have overestimated the Supreme Court's respect for its judgments: the Court declined to review the Second Circuit's decision.

Commentators have noted the voluminous findings in the *Tiffany* case regarding eBay's VeRO notice-and-take-down program, and special accommodations for selected brand owners, including flagging auctions for review and a six-to-twelve hour pre-review window before auctions commenced on Tiffany items. To some extent, the court saw eBay as working harder than Tiffany to thwart sales of counterfeits, which may have influenced its conclusions. It could be a problem for other online marketplaces if such efforts are required to avoid willful blindness, since they may be hard pressed to implement such comprehensive programs.

3. Effective Notice of Suspected or Actual Infringement

One would expect that a specifically worded cease and desist letter could suffice to place a company on notice sufficient to trigger contributory liability. Surprisingly, courts have not always found this to be the case.

In *Tiffany*, the plaintiff's demand letters did not refer to specific auctions, and therefore were held not to create actual or constructive knowledge of specific acts of infringement, or even suspicion of infringement.

In a case involving ads placed by affiliates on Google, 1-800 Contacts notified Lens.com of a keyword-triggered ad that improperly used the 1-800 Contacts mark. However, the court ruled

that 1-800 Contacts failed to provide sufficient information to determine which affiliate had run the ad. “Because contributory trademark infringement does not require a defendant ‘to refuse to provide a product or service to those who merely might infringe the trademark,’ Lens.com had no obligation to cease licensing its name to all of its affiliates while it took steps to identify the one who generated this particular impression.” *1-800 Contacts, Inc. v. Lens.com, Inc.*, 2010 U.S. Dist. LEXIS 132389, 77-83 (D. Utah Dec. 14, 2010).

In *Fare Deals*, the plaintiff’s demand letter alleged infringement of an unregistered mark through use in a third party’s domain name. Defendant suppliers of travel bookings, who paid the domain registrant commissions via affiliate links, were not deemed to have been willfully blind. Although they declined to terminate their relationship with the domain registrant, the court found that by comparison with counterfeiting cases, the infringement of a mark through a domain name was not obvious. *Fare Deals Ltd. v. World Choice Travel. com, Inc.*, 180 F. Supp. 2d 678 (D. Md 2001). This ruling might reflect poor drafting by plaintiff’s counsel, or the court’s reluctance to find liability in the case of a somewhat attenuated relationship. Whatever the reason, service providers probably should not disregard highly specific allegations of infringement.

Some plaintiffs have asserted that the existence of a Federal trademark registration puts a defendant on sufficient notice. Not surprisingly, such constructive notice of rights has not been found sufficient to satisfy *Inwood*, or even to create the level of suspicion required for willful blindness. *E.g., GMA Accessories, Inc. v. BOP, LLC*, 2011 U.S. Dist. LEXIS 12313, 15-16 (S.D.N.Y. Feb. 8, 2011) (“To find otherwise would extend contributory liability to all service providers in any case involving a federally registered trademark.”); *Nomination Di Antonio E Paolo Gensini S.N.C. v. H.E.R. Accessories Ltd.*, 2010 U.S. Dist. LEXIS 130681, 2010 WL 4968072, 5 (S.D.N.Y. 2010).

C. The Broad Net of Potential Liability

Claims of contributory infringement are not limited to manufacturers, distributors, flea markets, and online marketplaces. Plaintiffs often cast a broad net covering individuals and entities that play or played a part, large or small, in effectuating trademark infringement.

1. The Criteria of Monitoring and Control

Courts have recognized that not all service providers play an equivalent role in providing an instrumentality (service) used by the primary infringer. Accordingly, in extending *Inwood* beyond manufacturers, distributors and landlords, courts have imposed a threshold test for the application of contributory infringement liability, distinct from the question of knowledge. This test inquires into the relationship between the alleged contributory and primary infringers, focusing on the nature and expectation of monitoring of control over use of the instrumentality (service), and its relationship to the infringement.

In *Hard Rock Café*, the Seventh Circuit sought to place swap meets on a continuum of responsibility from a manufacturer or distributor, on the one hand, and a temporary staffing agency that supplied employees to erect the counterfeiter’s booth, on the other. The court appeared to assume that the contribution of the latter service provider to the infringement would be too insubstantial to justify the application of secondary liability principles. Because the

common law of torts imposes a duty on landlords “knowing or having reason to know” that a tenant was acting tortiously, the court felt comfortable extending *Inwood* to swap meets.⁵

Unlike swap meet operators, some online service providers have been found not to have “control” over the infringement, or a similar expectation that they will monitor the use of their service. Domain name registrar Network Solutions was found not to be subject to contributory infringement liability for the infringing use of a domain name by a registrant. *Lockheed Martin Corp. v. Network Solutions Inc.*, 194 F.3d 980, 52 U.S.P.Q.2D (BNA) 1481 (9th Cir. 1999). “[W]e consider the extent of control exercised by the defendant over the third party’s means of infringement.” Although NSI plays a necessary role in the use of the domain name, by translating it to an IP address, NSI is not involved in the actual use made of a domain name by a registrant, which use constitute the alleged infringement. Nor is NSI “expected to monitor the internet.”

By contract, at least one court has analogized a website hosting service to a swap meet, characterizing it as “the Internet equivalent of leasing real estate.” *Louis Vuitton Malletier, S.A. v. Akanoc Solutions*, 591 F.Supp.2d 1098 (N.D. Cal. 2008). While the host may not actually monitor its customers’ use of its services, it certainly has the ability to block access to sites and close accounts, which was deemed sufficient control to make the host eligible for potential contributory liability under *Lockheed*. In *Akanoc*, the jury ultimately returned an award of \$10.5 million against each of the defendants on the contributory trademark infringement claim. For links to documents in the case, see E. Goldman, *Making Sense of the \$32M Contributory Trademark Infringement Judgment Against a Web Host--Louis Vuitton v. Akanoc*, http://blog.ericgoldman.org/archives/2009/09/making_sense_of.htm (September 18, 2009).

The District Court in *Tiffany* reached a similar conclusion with respect to eBay’s ability to monitor and control auctions it hosts. However, on appeal, the Second Circuit declined to reach the question of whether eBay met the criteria established in *Lockheed*.

In *Roger Cleveland Golf Co. v. Prince*, tried this month in the District of South Carolina, a jury found web services company Bright Builders contributorily liable for damages of over \$770,000, compared with a damage award of under \$30,000 for the counterfeiter. Bright Builders not only hosted the site, but “created and developed” it, and took a large fee for providing business advice. In light of this additional involvement, the jury might have concluded that the consultant was the more culpable party and partially induced the infringement. (For links to documents in the case, see E. Goldman, *Jury Awards Damages Against Web Designer/SEO/Host on Contributory Trademark Infringement Theory--Roger Cleveland v. Prince*, http://blog.ericgoldman.org/archives/2011/03/jury_awards_dam.htm (March 16, 2011).)⁶

Service providers that lack direct control over a web site also have been haled into court on a contributory liability theory. In *Perfect 10, Inc. v. Visa*, the Ninth Circuit considered the role of companies involved in processing credit card charges for online subscriptions. The websites at

⁵ The swap meet operators were not simply lessors of land, but were involved in the day-to-day operation of the marketplace. At least one court has declined to extend *Hard Rock Café* and *Fonovisa* to a defendant alleged only to have leased land to a flea market. *Malletier v. Flea Market, Inc.*, 2009 U.S. Dist. LEXIS 48757 ((N.D. Cal. June 10, 2009).

⁶ As in Gucci’s case against Durango Merchant Services, the court may have felt that Bright Builders had a mentor relationship to the would-be counterfeiters, helping bring to fruition a scheme that otherwise might never have succeeded.

issue displayed copied images bearing the plaintiff's mark, but there was not a direct relationship between the display of a particular image and a credit card charge. The payment providers had the right to stop providing processing services, but could not directly affect the display of particular images. In light of these limitations, the Ninth Circuit concluded that the degree of control fell short the standard set in *Hard Rock* and *Lockheed*. *Perfect 10, Inc. v. Visa Int'l Service Ass'n*, 494 F.3d 788, 83 U.S.P.Q.2D (BNA) 1144 (9th Cir. 2007).

In dissent, Judge Kozinski argued that the question of control should focus not on the infringement itself, but on the service provided by the defendants. "Without defendants' payment systems, the infringers would find it much harder to peddle their infringing goods." In some sense, this is tautological: since a service provider always has the ability to cease providing its service, there is no limitation on potential secondary liability — so long as the service provider makes a "material contribution" to the infringement, a standard imported from copyright law. Following this approach would appear to undo the *Lockheed* decision in that connecting a domain name to a web site makes a material contribution to any infringement conducted at that web site.

Judge Kozinski's view was adopted by the Southern District of New York in *Gucci America*. Reasoning that the infringing act was the sale of counterfeit bags, processing the payment was a "essential factor" in the infringement that was entirely under the control of the service providers. Unlike *Perfect 10*, refusing to provide service really could bring the infringement to a halt. Thus the court denied a motion to dismiss contributory liability claims against the card processors.

The upshot of these cases is that service providers might be able to persuade some courts that they are not subject to contributory liability due to lack of control, but that the law remains quite unsettled.

2. Google and Other Search Engines

Advertising triggered by a user's search terms has provided fertile ground for trademark challenges. While the original cases involved display (banner) advertising on the Excite and Netscape search sites, most recent litigation has been brought against industry leader Google for its text-based AdWords offerings.

Google allows advertisers to bid on the search terms (words and/or phrases, collectively known as keywords) for which they would like to have their advertisements displayed. For popular keywords, ads may be rotated based on each advertiser's budget and willingness to pay. During the keyword selection process, Google automatically suggests related terms, some of which may be a competitor's trademarks. Companies whose competitors have chosen their trademarks as keywords often have been sued as direct infringers, but of course it would be convenient if Google could be persuaded (or ordered) not to accept any such ads in the first place.

Over the years, Google has varied its approach to the use of third party marks in keyword-triggered advertisements. Originally it responded to complaints from trademark owners by requiring advertisers to remove the marks from the ad text, but more recently it has allowed for a certain scope of nominative fair use. The company has adamantly refused to prevent the use of

third party marks as keywords to trigger the display of advertisements, and at one time appeared to encourage their selection.

For purposes of this discussion, I will assume that at least in some cases, the use of a mark purely to trigger the display of an advertisement, even when not displayed to the user in the advertisement, constitutes an underlying infringement. Is Google contributorily liable for such infringement?

In a case brought by Rosetta Stone against Google to bar use of its mark in connection with advertisements placed by counterfeiters, the court in the Eastern District of Virginia followed the reasoning of the Second Circuit in *Tiffany*. The court noted that Google “creat[ed] a team dedicated to fighting advertisements for counterfeit goods” and “worked closely with law enforcement and brand owners to combat counterfeiting.” Consistent with the Second Circuit’s endorsement of eBay’s VeRO program, the court appeared to be satisfied that Google was meeting its obligation to cease supplying its service once it received actual notice.

Google also was well aware of the general problem of counterfeit Rosetta Stone products, having received about 200 notices for specific ads. But because Google had no way of knowing whether any particular advertisement linked to counterfeit product — even Rosetta Stone did not know without ordering the product — such general knowledge was insufficient to award summary judgment to Rosetta Stone. *Rosetta Stone Ltd. v. Google Inc.*, 730 F. Supp. 2d 531 (E.D. Va. 2010).

On appeal, Rosetta Stone is challenging these findings as inconsistent with the facts, and inappropriate for summary judgment. In particular, Google allowed the same advertisers to use Rosetta Stone’s mark as a keyword in connection with ads linking to different web sites than the ones complained of by Rosetta Stone. *Inwood* speaks in terms of “supply[ing] ... one” with a service, arguably requiring a refusal to deal with that “one,” regardless of her or his otherwise good behavior. In *Tiffany*, the court appeared to accept the reasonableness of eBay’s “two-strikes” policy for suspending a seller’s account. If Google chose not to suspend accounts of habitual infringers, the Fourth Circuit may have to decide whether *Inwood* should be interpreted to refer only to an individual infringement or to an entire relationship. Stay tuned.

Google’s suggestion of third party trademarks as keywords also has been attacked under *Inwood*’s inducement prong. One difficulty with this argument is the intent requirement: Google’s algorithm does not distinguish between related terms which are trademarks and those which are not. Such suggestions might be negligent, but Google warns advertisers that they are responsible for avoiding trademark infringement. Thus, it is difficult to argue that Google *intended* for the advertiser to infringe a trademark. *E.g.*, *Rosetta Stone Ltd. v. Google Inc.*, 730 F. Supp. 2d 531 (E.D. Va. 2010).

The District Court’s conclusions in *Rosetta Stone* arguably conflict with the decision in *GEICO* in the same district a few years ago. *Government Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004). In that case, the court denied a motion to dismiss against Google and Overture. Because *Rosetta Stone* was decided on summary judgment, it is likely to be the more persuasive precedent — at least until the decision on appeal comes down.

D. Should there be a safe harbor similar to the DMCA notice-and-take-down regime?

As illustrated by the practices of eBay and Google, many companies already have implemented private notice-and-take-down procedures, but while such programs may evidence a good faith effort to comply with *Inwood*, they fall well short of a statutory safe harbor.

Online service providers have become very familiar with the notice-and-take-down regime established by the Digital Millennium Copyright Act. In exchange for following a prescribed procedure involving identifying an agent and acting promptly on notifications of infringement, sites are immunized from numerous theories of secondary liability under copyright law. Would such a scheme be useful for trademarks?

From the perspective of brand owners, having a clearly defined set of requirements that online service providers must take to avoid contributory liability would be useful both for obtaining compliance and, if necessary, supporting a claim. From the perspective of online service providers, while such requirements can be onerous, they would remove an element of uncertainty.

Problems are most likely to arise with respect the level of proof required to support a take-down. In the copyright context, rights owners argue that a take-down is mandatory once the required information is supplied — that the online service provider has no discretion to evaluate whether the use of the protected material might not be non-infringing or fair use. Once the material has been removed, it can be restored only if the service provider's customer provides a proper counter-notification.

Unlike copyright, which restricts reproduction in most cases, trademark rights usually are highly contextual: use on unrelated goods and services, use in an ordinary descriptive sense, and use to refer to the trademark owner or its products may be completely acceptable. This makes an immediate take-down, outside of the context of counterfeit goods, much less appealing from the perspective of balancing rights.

III. Vicarious Liability

Vicarious liability may have the most vitality in cases involving contractually appointed agents. In the case of marketing affiliates, however, the relationship of paying for referrals might not be sufficient close to create liability. In *Fare Deals*, the owner of the faredeals.com domain name posted a web site that enabled visitors to make travel bookings through Hotwire and the Hotel Reservation Network. By virtue of the affiliate relationship between the domain registrant and the service providers, the domain registrant was paid commissions for directing such traffic to the two services. However, not all “affiliates” are agents. As a formal matter, at least one of the affiliate agreements “explicitly define[d] affiliates as independent contractors, disavowing any partnership or joint venture.” While such language may be rebutted with evidence of the parties’ conduct, plaintiff failed to supply evidence justifying recharacterization of the relationship.

Lacking a formal agency relationship, plaintiffs usually emphasize a community of financial interest between a direct infringer and the party it seeks to hold vicariously liable. Such a shared interest, or even a direct financial benefit, may be insufficient in the absence of joint control over the infringing enterprise as a whole. A defendant’s control over just one instrumentality of infringement, no matter how important, appears not to be sufficiently similar to the archetypal joint tortfeasor relationship.

In *Perfect 10, Inc. v. Visa*, the Ninth Circuit disagreed that payment processors had a “symbiotic” relationship with the direct infringer merely because processing fees were proportional to the direct infringer’s charges. The element of partnership, or joint ownership and control, was missing where “Defendants process payments to these websites and collect their usual processing fees, nothing more.” Unlike contributory liability, the issue of control is not limited to the service provider’s instrumentality.

Following *Perfect 10*, the court in *Gucci America* explained that “[w]hile Defendants may have sufficient control over the sale of counterfeit goods to support contributory liability, . . . the facts alleged do not support an inference that they had the type of control over a company like Laurette as a whole, i.e. akin to joint ownership, necessary for vicarious liability.”

In *Akanoc*, the web hosting defendants clearly had the ability to monitor and shut down the infringing web sites. Plaintiff argued that such control was sufficient to show “a tacit partnership” among the parties. However, the court disagreed, finding “no evidence indicating that Defendants might have a relationship with a direct infringer that is so close as to be an actual or apparent partnership.”

In *Rosetta Stone*, the court focused on control over the creation and content of the advertisements. Because Google did not control the advertisements themselves, but only the space and underlying mechanics, it did not have joint ownership or control of the advertisements appearing on its site.

Vicarious liability appears likely to remain of limited relevance, even as courts further develop the law of contributory liability.

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