SECONDARY TRADEMARK LIABILITY FOR
INTERNET AND MOBILE SITES AND SERVICES AND
OTHER INTERMEDIARIES

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(anonymity) and 37.05 (preemption of state law claims) and in chapter 50.


The geographic scope of a company's common law trademark rights, while potentially significant on *terra firma*,' may be almost irrelevant online. Under U.S. trademark law, common law trademark rights generally exist only in the geographic areas where in use. Thus, a company with senior rights in a given name nonetheless may be unable to enjoin a junior user in an area of the country where the senior user does not market its goods or services.2 The significance of geographic distinctions in cyberspace is addressed in chapter 7.3

6.10 Third—Party Liability for User Content and Misconduct

6.10[1] In General

As under copyright law,1 site owners and service providers potentially may be held directly, contributorily or vicariously liable for trademark, service mark or trade dress infringement (of both registered and unregistered marks)2 and potentially unfair competition,3 based on user infringement, although courts have repeatedly pointed out that the grounds

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1See, e.g., Spartan Food Systems, Inc. v. HFS Corp., 813 F.2d 1279, 1282 (4th Cir. 1987).
3See infra § 7.08.

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1See supra §§ 4.11, 4.12.
2See, e.g., Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1148 (7th Cir. 1992); Fare Deals Ltd. v. WorldChoiceTravel.com, Inc., 180 F. Supp. 2d 678, 687 n.3 (D. Md. 2001).
3See Georgia Pacific Consumer Products, LP v. Von Drehle Corp., 618 F.3d 441 (4th Cir. 2010) (reversing the district court’s entry of summary judgment because a reasonable jury could have found the defendant liable for contributory trademark infringement and unfair competition under the Lanham Act and contributory unfair competition under North Carolina common law, in a case involving physical goods and alleged post-sale confusion brought by the manufacturer of a paper towel dispenser against a vendor of a generic paper towel that was intended for use in

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for imposing indirect trademark liability are narrower.4 Although some district courts had allowed claims to proceed for contributory liability under the Anticybersquatting Consumer Protection Act,5 the Ninth Circuit held in 2013 that no such claim may be made based on the plain text of the statute and because allowing suits against registrars for contributory cybersquatting “would not advance the goals of the statute.”6

A determination of contributory infringement depends upon a defendant’s intent and its knowledge of the wrongful activities.7 Where knowledge exists, the doctrine prevents a third party from disregarding “blatant trademark infringements with impunity.”8 A panel of the Ninth Circuit has emphasized, however, that an express finding of intent is not

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4Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 439 n.19 (1984); AT&T Co. v. Winback & Conserve Program, Inc., 42 F.3d 1421, 1441 (3d Cir. 1994); Perfect 10, Inc. v. Visa Int’l Service Ass’n, 494 F.3d 788, 806 (9th Cir. 2007) (“The tests for secondary trademark infringement are even more difficult to satisfy than those required to find secondary copyright infringement.”), cert. denied, 553 U.S. 1079 (2008); Banff Ltd. v. Limited, Inc., 869 F. Supp. 1103, 1111 (S.D.N.Y. 1994). Third-party claims may not be based on dilution. See infra § 6.11[7].


6Petroliam Nasional Berhad v. GoDaddy.com, Inc., 787 F.3d 546, 550 (9th Cir. 2015); see generally infra §§ 7.06, 7.14, 7.21.


8Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 265 (9th Cir. 1996) (imposing liability on a swap meet owner).
Contributory liability may be imposed under the U.S. Supreme Court's holding in Inwood Laboratories, Inc. v. Ives Laboratories, Inc. if a defendant (1) intentionally induces another to infringe a trademark, or (2) continues to supply a product knowing (or having reason to know) that the recipient is using it to engage in trademark infringement. Although it goes without saying, “for there to be liability for contributory infringement, the plaintiff must establish underlying direct infringement. . . . In other words, there

9Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 658 F.3d 936, 943 (9th Cir. 2011).
11Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844, 854–55 (1982) (pharmaceutical manufacturer-distributor that supplied generic drugs in such a way that induced some pharmacists to mislabel the products as brand name drugs); see also Polymer Technology Corp. v. Mimran, 975 F.2d 58, 64 (2d Cir. 1992) (remanding for further consideration a case involving the sale of professional kit contact lenses where it "would not have taken a great leap of imagination" to realize that the purchaser could not resell the kits without repackaging them); Coach, Inc. v. Goodfellow, 717 F.3d 498, 503–05 (6th Cir. 2013) (affirming judgment for contributory liability against a flea market operator who continued to rent booths and storage units to vendors who he knew or had reason to know were selling counterfeit Coach products based on his receipt of notices from Coach and knowledge of police raids); Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1149 (7th Cir. 1992) (holding that the owner of a flea market could be held contributorily liable even in the absence of knowledge, based on willful blindness); Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 264–65 (9th Cir. 1996) (holding that a plaintiff could state a claims for contributory trademark infringement against the operator of a flea market); The Procter & Gamble Co. v. Haugen, 317 F.3d 1121, 1128–29 (10th Cir. 2003) (following Inwood and Ninth Circuit case law in holding that Amway could not be held contributorily liable for the conduct of its distributors); Mini Maid Services Co. v. Maid Brigade Systems, Inc., 967 F.2d 1516, 1521–22 (11th Cir. 1992) (extending the doctrine to a franchisor-franchisee relationship but holding that the district court erred in finding contributory liability based on the franchisor's failure to supervise the franchisee with reasonable diligence); A & M Records, Inc. v. Abdallah, 948 F. Supp. 1449 (C.D. Cal. 1996) (holding contributorily liable a defendant who continued to supply blank, “time-loaded” audio cassettes to his customers, even though he knew that those cassettes were used to engage in trademark infringement); Polo Ralph Lauren Corp. v. Chinatown Gift Shop, 855 F. Supp. 648 (S.D.N.Y. 1994) (holding that plaintiff stated a claim for contributory infringement by alleging that landlords knowingly failed to prevent tenants’ sale of counterfeit goods).
must necessarily have been an infringing use of the plaintiff's mark that was encouraged or facilitated by the defendant.”

Where an accused contributory infringer supplies a service rather than a product or where liability is premised on the operation of a venue such as a website, under the second prong of the Inwood test courts in the Ninth Circuit and some district courts elsewhere have first required consideration of the extent of control exercised by the defendant over the third party's means of infringement. For liability potentially to attach for knowledge or reason to know under this standard, there must be “direct control and monitoring of the instrumentality used by a third party to infringe plaintiff's mark.” If there is not, liability based on knowledge or reason to know may not be imposed under the Ninth

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12 Rosetta Stone Ltd. v. Google, Inc., 676 F.3d 144, 163 (4th Cir. 2012); see also, e.g., 1-800-Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229, 1249 (10th Cir. 2013).

13 See Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 658 F.3d 936 (9th Cir. 2011) (holding that a web hosting business and its owner controlled the means of infringement of websites owned by customers in the People’s Republic of China who used the sites to sell counterfeit handbags, where the defendants controlled the servers on which the websites were stored); Perfect 10, Inc. v. Visa Int'l Service Ass'n, 494 F.3d 788, 807 (9th Cir. 2007) (affirming dismissal of a claim brought against payment processing services that allowed infringing websites to accept credit card payments), cert. denied, 553 U.S. 1079 (2008); Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980, 984 (9th Cir. 1999) (holding that a domain name registrar could not be held liable merely for registering names that were subsequently used to engage in infringement); Gucci America, Inc. v. Frontline Processing Corp., 721 F. Supp. 2d 228 (S.D.N.Y. 2010) (applying Lockheed Martin in granting in part and dismissing in part claims for contributory trademark infringement); Tiffany (N.J) Inc. v. eBay, Inc., 576 F. Supp. 2d 463 (S.D.N.Y. 2008) (holding that where liability is premised on the conduct of a user of a venue, an initial threshold showing—direct control and monitoring over the means of infringement—must be made), aff'd in relevant part on other grounds, 600 F.3d 93, 104–05 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010) (assuming without deciding that the Inwood test would be applied).

14 Perfect 10, Inc. v. Visa Int'l Service Ass'n, 494 F.3d 788, 807 (9th Cir. 2007), cert. denied, 553 U.S. 1079 (2008); Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980, 984 (9th Cir. 1999); Stayart v. Yahoo! Inc., 651 F. Supp. 2d 873 (E.D. Wis. 2009) (dismissing plaintiff's claim for contributory infringement; “Even after receiving Stayart's complaints, Yahoo! cannot be held liable for failing to remove the offending search results. Yahoo! did not create the offending content and did not exert any control over the third-party websites where the alleged infringement occurred.”), aff'd on other grounds, 623 F.3d 436 (7th Cir. 2010); SB Designs v. Reebok Intl', Ltd., 338 F. Supp. 2d 904, 913–914 (N.D. Ill. 2004)
Circuit's rule. Where direct control and monitoring exists, a brand owner still must show knowledge or reason to know to prevail. Whether or not this added test is applied, liability independently could be imposed based on the first prong of the Inwood test for inducing trademark infringement.

Although secondary liability may be imposed for intent to induce infringement, most reported opinions turn on the issue of whether a defendant continued to supply a good or service even though it knew or had reason to know of infringement.

The knowledge required to establish liability in Internet cases must be specific or particularized. Generalized knowledge that a site or service could be, or in fact is used for infringement is not enough. As explained by the Fourth Circuit, “[i]t is not enough to have general knowledge that some percentage of the purchasers of a product or service is using it to engage in infringing activities; rather, the defendant must supply its product or service to 'identified individuals' that it knows or has reason to know are engag-

(applying Lockheed Martin in holding that a defendant that exerted no control over an allegedly infringing third-party website cannot be held contributorily liable). But see Medline Industries, Inc. v. Strategic Commercial Solutions, Inc., 553 F. Supp. 2d 979, 992 n.3 (N.D. Ill. 2008) (disagreeing with the SB Designs court that the Seventh Circuit has adopted the Ninth Circuit's requirement that a plaintiff must plead that the defendant directly controlled and monitored the instrumentality of infringement used by the direct infringer and declining to impose that requirement in denying the defendant's motion to dismiss).

15 Some argue that the doctrine should not apply to venues such as eBay that do not have any direct means to establish whether there is an act of direct infringement because they do not take possession of the goods listed for sale by users of their service. See Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 105 n.10 (2d Cir.) (noting the argument advanced by amici but declining to address it since it was not raised by the parties on appeal), cert. denied, 131 S. Ct. 647 (2010); see also Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1148 (7th Cir. 1992) (noting that “it is not clear how the doctrine applies to people who do not actually manufacture or distribute the good that is ultimately palmed off by someone else.”).

16 See Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 107–109 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010); Rosetta Stone Ltd. v. Google, Inc., 676 F.3d 144, 163 (4th Cir. 2012); see also Sellify Inc. v. Amazon.com, Inc., No. 09 Civ. 0268 (JSR), 2010 WL 4455830, at *4 (S.D.N.Y. Nov. 14, 2010) (granting summary judgment for Amazon.com on the issue of contributory infringement where there was “no evidence that Amazon had particularized knowledge of, or direct control over,” third party sponsored link advertisements purchased by an Amazon.com associate to generate sales).
ing in trademark infringement.”

At the same time, the requirement that knowledge be specific and particularized does not mean that a defendant has no duty to act unless and until it obtains that knowledge for a specific individual offender. In *1-800-Contacts, Inc. v. Lens.com, Inc.*, the Tenth Circuit reversed the entry of summary judgment in favor of the defendant, Lens.com, finding that there was at least a factual question about whether Lens.com could have stopped an anonymous affiliate from using plaintiff’s mark in sponsored link advertisements where the defendant received notice of the advertisement when it was sued (a copy of the advertisement was attached to the complaint) and evidence was presented suggesting that even though Lens.com could not identify the specific responsible affiliate it could have required Commission Junction to send an email blast to all affiliates forbidding this use. The court explained that particularized knowledge is required in cases where a defendant could not act on anything but specific knowledge, as in *Rosetta Stone* and *Tiffany v. eBay*, but a less exacting standard is required (at least in the Tenth Circuit) where the defendant has knowledge sufficient to act upon to deter infringement, and fails to do so, as in *1-800 Contacts*, where the court remanded the case for consideration of whether the defendant could have compelled Commission Junction to notify all Lens.com affiliates, even if Lens.com did not know the identity of the specific affiliate responsible for the advertisement. Distinguishing *Rosetta Stone* and *Tiffany v. eBay*, the court in *1-800 Contacts* explained that:

> When modern technology enables one to communicate easily and effectively with an infringer without knowing the infringer’s specific identity, there is no reason for a rigid line requiring knowledge of that identity, so long as the remedy does not interfere with lawful conduct.  

In addition to actual knowledge, a site or service alternatively may be held contributorily liable for trademark infringement if it has “reason to know” of infringing activity,

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17 *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 163 (4th Cir. 2012).
18 See *1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1252–54 (10th Cir. 2013).
19 *1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1252–54 (10th Cir. 2013).
20 *1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1254 (10th Cir. 2013).
which has been construed to mean willful blindness since
generalized knowledge does not provide grounds for impos-
ing contributory liability. The Second Circuit explained that
if a site owner “had reason to suspect that counterfeit . . .
goods were being sold through its website, and intentionally
shielded itself from discovering the offending listings or the
identity of the sellers behind them, . . . [it] might very well
. . . [be] charged with knowledge of those sales sufficient to
satisfy Inwood’s ‘knows or has reason to know’ prong.”21 At
the same time, while “willful blindness is inexcusable under
contributory infringement law,”22 it does not “impose . . . an
affirmative duty to seek out potentially infringing uses” by
third-parties.23 “To be clear, a service provider is not
contributorily liable under Inwood merely for failing to an-
ticipate that others would use its service to infringe a
protected mark.”24

For Internet sites and services, knowledge or reason to
know potentially applies to both listings and individuals.
The traditional Inwood test focuses on a defendant’s act in
supplying a product “to one whom it knows or has reason to
know is engaging in trademark infringement.”25 In Tiffany (N.J) Inc. v. eBay, Inc.,26 the Second Circuit explained that
Notices of Claimed Infringement and buyer complaints about
specific listings “gave eBay reason to know that certain sell-

21Tiffany (N.J) Inc. v. eBay Inc., 600 F.3d 93, 109 (2d Cir.), cert. denied,
131 S. Ct. 647 (2010).
22Ford Motor Co. v. Greatdomains.com, Inc., 177 F. Supp. 2d 635, 646
(E.D. Mich. 2001) (holding a domain name auction site not contributorily
liable), citing Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.,
955 F.2d 1143, 1149 (7th Cir. 1992). “To be willfully blind, a person must
suspect wrongdoing and deliberately fail to investigate.” Hard Rock Cafe,
955 F.2d at 1149.
23Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949,
951 (C.D. Cal. 1997) (referring to the obligations of a registrar in accept-
ing domain name registrations), aff’d on other grounds, 194 F.3d 980 (9th
Cir. 1999); see also Hard Rock Cafe Licensing Corp. v. Concession Services,
Inc., 955 F.2d 1143, 1149 (7th Cir. 1992) (finding no duty on the part of a
flea market owner to take precautions against potential acts of infringe-
ment by vendors).
24Tiffany (N.J) Inc. v. eBay Inc., 600 F.3d 93, 110 n.15 (2d Cir.), cert.
denied, 131 S. Ct. 647 (2010).
25Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844,
854 (1982).
26Tiffany (N.J) Inc. v. eBay Inc., 600 F.3d 93 (2d Cir.) cert. denied, 131
S. Ct. 647 (2010).
ers had been selling counterfeits, [but] those sellers’ listings were removed and repeat infringers were suspended from the eBay service.” While terminating repeat infringers is a requirement for the safe harbor under the Digital Millennium Copyright Act, and not an express requirement under Inwood, the Second Circuit in Tiffany v. eBay plainly cast Inwood’s reason to know prong as applying to users, not merely listings or particular counterfeit items. A service provider that merely removes listings, but not the users who post them, may be at risk for contributory liability, depending on the particular facts of a given case.

On the other hand, merely because a service provider receives notice does not mean that the provider has knowledge, although notice could provide grounds for finding reason to know. A number of district courts have held that merely sending a site or service a letter may not be sufficient to establish liability if the recipient fails to take action, either because the information is too generalized to provide specific notice or—because of the unique nature of trademark rights—too difficult for a service provider to effectively evaluate based solely on a notice. If an ISP receives multiple letters and either takes no action against a site or its owners or

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27 Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 109 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010).

28 17 U.S.C.A. § 512(i); supra § 4.12[3][B].

29 See, e.g., Tiffany (NJ), Inc. v. eBay, Inc., 576 F. Supp. 2d 463, 511 (S.D.N.Y. 2008) (“mere assertions and demand letters are insufficient to impute knowledge as to instances not specifically identified in such notices, particularly in cases where the activity at issue is not always infringing.”), aff’d, 600 F.3d 93, 109 & n.13 (2d Cir.) (“The demand letters did say that eBay should presume that sellers offering five or more Tiffany goods were selling counterfeits, . . . but we agree with the district court that this presumption was factually unfounded.”; finding that “NOCIs and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeits, [but] those listings were removed and repeat offenders were suspended from the eBay site.”), cert. denied, 131 S. Ct. 647 (2010); Fare Deals Ltd. v. WorldChoiceTravel.com, Inc., 180 F. Supp. 2d 678, 690–91 (D. Md. 2001) (finding insufficient a demand letter notifying the defendant of plaintiff’s position); Gucci America, Inc. v. Hall & Associates, 135 F. Supp. 2d 409, 420 (S.D.N.Y. 2001) (holding that a “trademark owner’s mere assertion that its domain name is infringed is insufficient to impute knowledge of infringement,” and a demand letter is also insufficient); Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 964 (C.D. Cal. 1997) (holding that a “trademark owner’s demand letter is insufficient to resolve th[e] inherent uncertainty” in questions of infringement), aff’d on other grounds, 194 F.3d 980 (9th Cir. 1999); Coca-Cola Co. v. Snow Crest Beverages, 64 F. Supp. 980, 987 (D. Mass.

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if the offending site reappears at other locations also hosted by the defendant, liability for contributory infringement may be found.\textsuperscript{30}

Contributory liability also may arise if a defendant fails to move quickly enough to remove allegedly infringing material.\textsuperscript{31}

Whether an allegation of infringement in fact provides reason to know may not be readily apparent. Unlike under copyright law, liability for trademark infringement may not be established merely because a mark is reproduced without the permission of the owner and is not a fair use. To be actionable, a plaintiff must show likelihood of confusion.\textsuperscript{32} Further, trademark rights may be strong or weak, depending on the strength of the mark, and broad or narrow, depending on third party use of the same or similar marks.\textsuperscript{33} Different companies may lawfully use the same mark in different industries (such as Delta Airlines and Delta Faucets) and even where disputes arise in the same field it may be dif-

\textsuperscript{30}See Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 591 F. Supp. 2d 1098, 1112–13 (N.D. Cal. 2008) (denying summary judgment, finding a triable issue on these facts); see generally infra § 6.10[2] (discussing the case, including a subsequent jury verdict for Louis Vuitton and appeal). Luis Vuitton was a counterfeiting case, which may be easier for a service provider to evaluate than a dispute over legitimate products or services.

\textsuperscript{31}See 1-800-Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229, 1252–55 (10th Cir. 2013) (reversing the entry of summary judgment in favor of the defendant, Lens.com, because although there was no evidence that Lens.com knew or should have known that any of its affiliates were using the plaintiff’s mark in the text of sponsored link advertisements as of the time it was sued, the complaint included a screenshot of one such an advertisement and Lens.com did not take corrective action with respect to that advertisement until three months later; although Lens.com did not know the identity of the affiliate that had placed the advertisement, the court explained that if it could have required Commission Junction “to send an email blast to its affiliates forbidding such use, then Lens.com’s failure to proceed in that manner after learning of such ads could constitute contributory infringement.”).

\textsuperscript{32}Direct liability also may be established by showing dilution by tarnishment or blurring, although secondary liability may not be based on dilution. \textit{See supra} § 6.08; \textit{infra} § 6.11.

\textsuperscript{33}See \textit{supra} §§ 6.02[2], 6.08.
It is difficult or impossible for a service provider to evaluate issues such as first use in commerce or exclusive rights in different geographic areas to particular marks. Thus, while some notices may well give a service provider reason to know that a person is engaged in infringement, other notices may not.

Indeed, case law underscores that even in instances of alleged counterfeiting it may be difficult in many instances for a service provider—or even the brand owner—to know whether a particular listing or advertisement posted by a user on an Internet site or service is for a genuine or counterfeit product.

In *Tiffany (NJ) Inc. v. eBay, Inc.* the Second Circuit found no liability where eBay took down all listings that were specifically identified by Tiffany (including some that later turned out to have been for genuine products) so the issue of whether notice necessarily provides reason to know did not arise. The case supports the proposition that notice may provide reason to know about infringement. Whether it in fact does in a given case may depend on the specificity of the notice and what a service provider in fact can determine through investigation.

On the other hand, in *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.* liability for contributory trademark infringement was affirmed by the Ninth Circuit where a web host received and did not reply to 18 infringement notices about websites it was hosting that were selling counterfeit products.

*Tiffany v. eBay* and *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.* make clear that notice + takedown eliminates knowledge or reason to know under *Inwood*, while notice + inaction may amount to willful blindness if material is shown

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34 See supra §§ 6.02, 6.08, 6.09.

35 In *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010), for example, Tiffany sent a number of notices for listings which eventually turned out to be authentic products, and could not offer a meaningful way to distinguish listings for genuine products from those that were infringing. *See* 600 F.3d at 109 n.13 (rejecting Tiffany’s argument that any listing of 5 items or more could be assumed to be counterfeit as factually unfounded).

36 *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010).

37 *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011); see generally infra § 6.10[2].
Neither the Second Circuit nor the Ninth Circuit, however, had occasion to closely analyze the question of under what circumstances notice + investigation leading to a determination not to remove a listing or terminate a user can lead to liability based on a service having reason to know about infringement, which presumably would turn on the facts of a given case.

While some site owners and service providers may be willing to litigate that question, a more cautious approach would be to simply adopt a uniform takedown policy in response to notices of infringement, as eBay had done in *Tiffany v. eBay*.

Where contributory liability is premised on intent to induce trademark infringement, rather than knowledge or reason to know, the U.S. Supreme Court’s decision in *Global-Tech Appliances, Inc. v. SEB S.A.*, a patent inducement case, may be relevant by analogy. In *SEB*, the Court rejected arguments that negligence (i.e., that a defendant knew or should have known) or recklessness (a deliberate indifference to a known risk of infringement) were sufficient for liability to be imposed under the Patent Act. The Court, however, clarified in *dicta* that liability could be imposed for willful blindness, which the majority concluded was equivalent to knowledge. To establish inducement based on willful blindness, Justice Alito, writing for eight of the nine justices, stated that a defendant must (1) subjectively believe that there is a high probability that a fact exists; and (2) take deliberate actions to avoid learning of that fact. A willfully blind defendant, Justice Alito explained, “is one who takes deliberate actions to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known the critical facts.”

Unlike a patent (or even a copyright), the existence and scope of trademark rights—especially common law rights—may be difficult to assess, perhaps explaining why so few cases impose secondary liability for trademark infringement based on inducement. Nevertheless, where an intent to

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induce may be shown, together with “affirmative steps to bring about the desired result . . . ,” 41 inducement liability potentially may be shown.

In *SEB*, the Court explained that *induce* means “[t]o lead on; to influence; to prevail on; to move by persuasion or influence.” 42 As *SEB* underscores, inducement is a tougher standard to meet than merely contributory infringement. 43

Earlier Seventh Circuit case law had established that willful blindness is also equivalent to actual knowledge for purposes of establishing contributory trademark infringe-

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41 *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2065 (2011) (holding that the addition of the adverb actively in the section 271(b) of the Patent Act “suggests that the inducement must involve the taking of affirmative steps to bring about the desired result . . . .”); *see also Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937–38 (2005) (holding that liability for inducing copyright infringement requires a showing of “purposeful, culpable expression and conduct” and may be imposed on “one who distributes a device with the object of promoting its use to infringe . . . , as shown by clear expression or other affirmative steps taken to foster infringement . . . .”). The Court made this point explicitly in Grokster even in the absence of statutory authority under the Copyright Act similar to the Patent Act which imposes liability for active inducement. See 35 U.S.C.A. § 271(b).

While there is not much case law elaborating on trademark inducement, there is no reason to think that the U.S. Supreme Court, which imported from the Patent Act into copyright case law the concept of inducement, would construe trademark inducement (which like copyright inducement is a creature of common law) any less restrictively. Indeed, there are reasons to argue why the standards for imposing liability for inducing trademark infringement should be even more narrowly drawn. *See Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984) (characterizing the grounds on which contributory trademark infringement may be imposed as more narrowly drawn than for contributory copyright infringement). Unlike a patent or even a copyright, the scope of trademark rights may depend on third party uses, will vary given the intrinsic strength of the mark and need not be registered to gain protection under federal law.

At the very least, the requirement that actual knowledge or willful blindness of the patent underlying an inducement claim be shown (see *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011); *infra* § 8.10[3]) should be applied with equal vigor to hold that a claim for inducing trademark infringement must require a showing of knowledge of the underlying mark.


43 *See generally supra* § 4.11[6] (analyzing copyright inducement); *infra* § 8.10[3] (patent inducement).
To establish vicarious liability, a defendant and the direct infringer must 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.”47 Vicarious liability has not been universally recognized and therefore may not necessarily be

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44 See Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1148–49 (7th Cir. 1992), citing Louis Vuitton S.A. v. Lee, 875 F.2d 584, 590 (7th Cir. 1989).

45 Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1149 (7th Cir. 1992), citing Louis Vuitton S.A. v. Lee, 875 F.2d 584, 590 (7th Cir. 1989).

46 Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1149 (7th Cir. 1992).

47 See, e.g., Fonovisa, Inc. v. Cherry Auction, Inc., 847 F. Supp. 1492, 1498 (E.D. Cal. 1994), rev’d on other grounds, 76 F.3d 259 (9th Cir. 1996), citing David Berg & Co. v. Gatto Int’l Trading Co., 884 F.2d 306, 311 (7th Cir. 1989); see also Perfect 10, Inc. v. Visa Int’l Service Ass’n, 494 F.3d 788, 807 (9th Cir. 2007) (dismissing plaintiff’s claim), cert. denied, 553 U.S. 1079 (2008); Gucci America, Inc. v. Frontline Processing Corp., 721 F. Supp. 2d 228 (S.D.N.Y. 2010) (articulating this standard in holding that the plaintiff had failed to state a claim, while also noting that the Second Circuit has not actually applied the doctrine); Sellify Inc. v. Amazon.com, Inc., No. 09 Civ. 0268 (JSR), 2010 WL 4455830, at *2 (S.D.N.Y. Nov. 14, 2010) (granting summary judgment for Amazon.com on plaintiff’s claim for vicarious trademark infringement over third party sponsored link advertisements without deciding what standard to apply, where Amazon’s associate agreement expressly disclaimed any agency relationship and there were insufficient facts to support a finding of liability based on either actual or apparent authority); Stayart v. Yahoo! Inc., 651 F. Supp. 2d 873 (E.D. Wis. 2009) (dismissing plaintiff’s claim for vicarious liability arising out of Yahoo!’s alleged failure to remove offending search results from a third-party website that it did not create and had no control over; “Yahoo! cannot be vicariously liable without ‘a finding that 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.’”), aff’d on other grounds, 623 F.3d 436 (7th Cir. 2010); Banff Ltd. v. Limited, Inc., 869 F. Supp. 1103, 1111 (S.D.N.Y. 1994) (quoting the lower court decision in Fonovisa, Inc., without adopting the standard).
applied in all circuits. Where it is recognized, it must be based on agency law principles, rather than the broader concepts of vicarious liability applicable under tort or copyright law. While agency principles underlie vicarious trademark liability, it potentially may be imposed even where the party directly liable is an independent contractor. Likewise, an e-commerce business potentially may be held vicariously liable for the conduct of affiliate marketers, if

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48 See, e.g., Gucci America, Inc. v. Frontline Processing Corp., 721 F. Supp. 2d 228 (S.D.N.Y. 2010) (granting in part defendants' motion to dismiss claims for vicarious liability, "a theory of liability considered elsewhere but not yet the subject of a decision by this Circuit . . .", where in any case Gucci could not plausibly assert based on actual or apparent partnership); 800-JR Cigar, Inc. v. GoTo.com, Inc., 437 F. Supp. 2d 275, 281 (D.N.J. 2006) (stating in dicta that the Third Circuit has declined to adopt the doctrine of vicarious trademark infringement), citing AT&T Co. v. Winback & Conserve Program, Inc., 42 F.3d 1421, 1431 (3d Cir. 1994); Banff Ltd. v. Limited, Inc., 869 F. Supp. 1103, 1111 (S.D.N.Y. 1994) (discussing other cases).

49 See AT&T Co. v. Winback & Conserve Program, Inc., 42 F.3d 1421, 1441 (3d Cir. 1994) (declining to apply vicarious copyright case law or to expand joint liability for trademark violations beyond agency principles, based on the Supreme Court's admonition that the scope of secondary liability for trademark infringement is more narrowly drawn than under copyright law); Rosetta Stone Ltd. v. Google, Inc., 676 F.3d 144, 165 (4th Cir. 2012) (affirming summary judgment for the defendant on plaintiff's claim for vicarious trademark infringement because liability for vicarious trademark infringement requires a finding that the defendant and 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."; quoting Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1150 (7th Cir. 1992); 1-800-Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229, 1240 (10th Cir. 2013) (holding that "the Lanham Act incorporates common-law agency principles: a principal may be held vicariously liable for the infringing acts of an agent.").

50 See AT&T Co. v. Winback & Conserve Program, Inc., 42 F.3d 1421, 1434 (3d Cir. 1994).
they were acting within the scope of their actual authority.\textsuperscript{51}

Some courts alternatively have imposed “joint tortfeasor” liability on more remotely involved defendants or the owners or operators of entities held liable, based on tort theories of joint liability or conspiracy.\textsuperscript{52} As explained by a Seventh

\textsuperscript{51}See 1-800-Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229, 1250-52 (10th Cir. 2013) (finding no vicarious liability). In \textit{Lens.com}, the Tenth Circuit affirmed a lower court order granting summary judgment to the defendant, Lens.com, for vicarious liability based on an affiliate’s publication of sponsored link advertisements promoting Lens.com that featured variations of plaintiff’s mark in their text, because the affiliate was not authorized by Lens.com to publish ads displaying plaintiff’s mark. The court explained that a principal is subject to liability for its agent’s tortious conduct only if the conduct “is within the scope of the agent’s actual authority or ratified by the principal.” \textit{Id.} at 1251, \textit{quoting} Restatement (Third) of Agency § 7.04. The court further explained that an “agent acts with actual authority if it ‘reasonably believes, in accordance with the principal’s manifestations to the agent, that the principal wishes the agent so to act.’” \textit{1-800-Contacts, Inc. v. Lens.com, Inc.}, 722 F.3d 1229, 1251 (10th Cir. 2013), \textit{quoting} Restatement (Third) of Agency § 2.01. By contrast, lack of actual authority is established by showing either that the agent did not believe, or could not reasonably have believed, that the principal’s grant of actual authority encompassed the act in question. This standard requires that the agent’s belief be reasonable, an objective standard, and that the agent actually hold the belief, a subjective standard. \textit{1-800-Contacts, Inc. v. Lens.com, Inc.}, 722 F.3d 1229, 1251 (10th Cir. 2013), \textit{quoting} Restatement (Third) of Agency § 2.02 comment e (emphasis in opinion). Because the affiliate “never believed, reasonably or otherwise, that Lens.com authorized him to place the ads . . . the subjective component of actual authority was absent.” \textit{1-800-Contacts, Inc. v. Lens.com, Inc.}, 722 F.3d 1229, 1252 (10th Cir. 2013).

Notwithstanding its holding, the court, addressing the district court’s analysis, noted in \textit{dicta} that a plaintiff need not show a fiduciary relationship to establish agency, an independent contractor may be an agent, an agent without authority to bind a principal to a contract may nonetheless have authority for other purposes and the absence or infrequency of direct communications from a company to its affiliates is not conclusive of whether the affiliates were its agents because a principal can authorize an agent to appoint a subagent, and the subagent can then act as an agent for the principal even though the principal’s control is indirect. \textit{Id.} at 1250–51. The court also noted that merely because an affiliate may work simultaneously for other advertisers does not necessarily mean that they could not also be a defendant’s agent because “[a]n agent can serve multiple principals at once, even principals that are competing with one another.” \textit{Id.} at 1250.

\textsuperscript{52}See, e.g., TrafficSchool.com, Inc. v. eDriver, Inc., 633 F. Supp. 2d 1063, 1082 (C.D. Cal. 2008) (citing other cases), \textit{aff’d in relevant part}, 653 F.3d 820 (9th Cir. 2011).
Circuit panel, “[b]ecause unfair competition and trademark infringement are tortious, the doctrine of joint tortfeasors . . . [applies, and therefore e]very person actively partaking in, lending aid to, or ratifying and adopting such acts is liable equally with the party itself performing these acts.”

Although characterized differently, joint tortfeasor liability is equivalent to vicarious liability.

As noted earlier in this section, and as under copyright and patent law, in order for secondary liability to be imposed for trademark infringement there must be an underlying act of direct infringement.

Given the more limited scope of third-party trademark liability doctrines, secondary liability often proves difficult for a plaintiff to establish for misconduct online except in clearcut cases of counterfeiting. To prevail on a claim for secondary liability, a plaintiff must show knowledge (either actual or imputed), intent or active participation. This is a tougher standard than under copyright law, for example, where, in addition to knowledge or intent secondary liability

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54 When the district court in Fonovisa, Inc. v. Cherry Auction, Inc., 847 F. Supp. 1492, 1498 (E.D. Cal. 1994), rev'd on other grounds, 76 F.3d 259 (9th Cir. 1996), referred to vicarious liability, it cited David Berg & Co. v. Gatto Int'l Trading Co., 884 F.2d 306, 311 (7th Cir. 1989), which addressed what it called “joint tortfeasor liability.” Some courts have continued to use the “joint tortfeasor” terminology, even though today it is more common to speak of “vicarious trademark liability.”

55 See supra § 4.11[4].

56 See infra § 8.10.

potentially may be imposed where a defendant has a financial interest and the right and ability to control infringement.\(^{58}\) As courts have noted, it also may be easier in some cases to establish a reason to know about infringement in copyright than in trademark cases, given the nature of trademark rights, as previously noted.\(^{56}\) These difficulties may be magnified in Internet cases where the person directly responsible for infringement acted anonymously or pseudonymously\(^{60}\) and therefore motive or intent, at most, may be inferred. Of course, in clear cut cases of piracy, intent nonetheless may be inferred.

Indirect trademark liability claims have been pursued against manufacturers and others involved in the distribution of infringing products,\(^{61}\) and on landlords or operators of flea markets.\(^{62}\) It also has been asserted against operators of App stores,\(^{63}\) domain name registrars,\(^{64}\) blog operators, search engines and others, although it is much easier to plead a claim of secondary liability than to prevail at trial or on motion for summary judgment. Given the narrow scope of

\(^{58}\) See supra § 4.11[4].  
\(^{59}\) In addition to the cases cited in this section, see supra § 4.11[3].  
\(^{60}\) See generally infra § 37.02.  
\(^{62}\) See, e.g., Coach, Inc. v. Goodfellow, 717 F.3d 498, 503–05 (6th Cir. 2013); Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1149 (7th Cir. 1992); Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 264 (9th Cir. 1996).  
\(^{63}\) See, e.g., Evans v. Hewlett-Packard Co., C 13-02477 WHA, 2013 WL 4426359, at *2 (N.D. Cal. Aug. 15, 2013) (denying defendants’ motion to dismiss a claim for contributory infringement asserted against the operator of an App store for Palm devices where the plaintiff, Ernest Evans (a/k/a Chubby Checker), alleged that that when defendants chose to place the app in commerce, defendants had actual knowledge that none of the plaintiffs had consented to the use of the name “Chubby Checker” and that defendants advertised the lascivious nature of the allegedly infringing “Chubby Checker” app).  
\(^{64}\) See, e.g., Baidu, Inc. v. Register.com, Inc., 760 F. Supp. 2d 312, 321-22 (S.D.N.Y. 2010) (dismissing plaintiff’s claim of contributory trademark infringement where Register.com “did not induce the intruder to engage in trademark infringement, nor did it monitor or control the Intruder, nor did it know or have reason to know that the Intruder was engaging in or would engage in trademark infringement. Indeed, although it may have no one to blame other than itself, Register was tricked by the Intruder . . . ” and Baidu could not plausibly allege that Register.com controlled, monitored or assisted in the infringement or had knowledge of it).
potential liability, however, secondary liability typically has not been imposed on Internet sites or services absent inducement or specific knowledge of ongoing acts of infringement and a deliberate choice to ignore that information. Merely operating a legitimate site or service where users engage in isolated acts of misconduct should not be enough to impose liability.

Although as noted earlier the grounds for imposing secondary liability for trademark infringement are narrower than under the Copyright Act, there also are no equivalent safe harbors. Unlike copyright law, there is no corollary to the Digital Millennium Copyright Act under the Lanham Act to limit the liability of service providers and afford an easy notice and takedown remedy for rights owners. Nevertheless, evolving case law suggests that site owners and service providers may want to employ similar practices—including notice and take down and termination of infringers—to limit liability.

Some Internet sites and services, including blogs, also may be able to qualify for the innocent printer's and publishers defense discussed in section 6.16[D]. The showings required to qualify for this defense or establish secondary liability, however, are mutually exclusive. If a prima facie showing of secondary liability may be made, the requirements of showing lack of knowledge and objectively reasonable conduct to qualify for the innocent printer's and publisher's defense almost certainly could not be shown.

A summary of the major Internet cases addressing secondary trademark infringement is set forth below in section 6.10[2].

Even where secondary liability may not be shown, in some circumstances direct liability potentially may be imposed on sites or services for trademark infringement, dilution, unfair competition and related claims or, in cases involving domain names, under the Anticybersquatting Consumer Protection Act.

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65 See supra § 6.01.
66 See infra § 6.12.
67 See infra § 7.06.
6.10[2][A] Case Law on Liability for UGC and Other Material Posted or Stored By Users

6.10[2][A] Overview

The number of Lanham Act opinions imposing liability on Internet sites and services for material posted or stored by users or for other user misconduct is relatively small. As underscored in section 6.10[1], the standards for proving secondary liability can be difficult to meet in cases that do not involve counterfeiting or pirate sites or services that actively encourage or induce infringement or turn a blind eye to it. While some courts have ruled that a plaintiff could state a claim, prevailing on the merits has been more difficult. As shown in this section, defendants to date generally have

[Section 6.10[2][A]]

1See, e.g., Gucci America, Inc. v. Frontline Processing Corp., 721 F. Supp. 2d 228 (S.D.N.Y. 2010) (granting in part and denying in part defendant’s motion to dismiss claims for secondary trademark infringement brought against payment processing services that facilitated website sales of counterfeit bags; allowing a claim for contributory infringement based on inducement to proceed against one defendant and contributory infringement based on knowledge and continuing to supply a product to proceed against the other); Vulcan Golf, LLC v. Google Inc., 552 F. Supp. 2d 752, 770 (N.D. Ill. 2008) (ruling that the plaintiff had stated a claim for contributory infringement against Google, Inc. by alleging that it was aware of the allegedly infringing nature of the domain names that it advertised); GEICO v. Google, Inc., 330 F. Supp. 2d 700, 704–05 (E.D. Va. 2004) (denying defendants Google, Inc. and Overture Services, Inc.’s motions to dismiss federal Lanham Act claims for trademark infringement, contributory trademark infringement, vicarious trademark infringement, false representation and dilution arising out of their practice of selling advertisements linked to search terms); see also Perfect 10, Inc. v. Cybernet Ventures, Inc., 167 F. Supp. 2d 1114, 1122, (C.D. Cal. 2001) (holding that the operator of a website that provided gateway and quality assurance services to adult websites could be held directly liable for trademark violations by its customers if a partnership relationship was found to exist between the operator and its customers); see generally supra § 6.10[1] (discussing the elements of a claim for contributory infringement).

In GEICO, Judge Leonie Brinkema of the Eastern District of Virginia held that plaintiff stated a claim for contributory infringement by alleging that Google encouraged advertisers to bid on trademarked words and monitored and controlled the allegedly infringing third-party advertisements. 330 F. Supp. 2d at 705. She likewise ruled that GEICO stated a claim for vicarious liability by alleging that both Overture and the advertisers controlled the appearance of the advertisements on Overture’s search results page, including the use of GEICO trademarks on that page. See id. Liability for sponsored links is separately addressed in section 9.11.
prevailed in contributory liability cases brought against legitimate Internet businesses such as domain name registrars and sales sites such as eBay and Amazon.com that did not turn a blind eye to infringement, where liability for user misconduct was premised on submission of a demand letter or other notice that afforded merely generalized knowledge that an otherwise legitimate business was or could be used for infringing purposes (or where specific information was provided and the site or service acted quickly to remove the allegedly offending listings). Vicarious liability likewise has not been imposed where there is no agency or equivalent relationship.\(^2\)

By contrast, even though the standards for imposing secondary liability for trademark infringement on Internet intermediaries is tough and only rarely results in an adverse judgment, in *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*,\(^3\) where at least 18 infringement notices went unanswered, a jury in 2009 in San Jose, California, awarded luxury goods manufacturer Louis Vuitton $31,500,000 in statutory damages for contributory trademark infringement (which was subsequently reduced to joint and several liability of an Internet hosting company and its individual owner in the amount of $10,500,000, following post-trial motions and an appeal\(^4\)).

The first two cases discussed in this section, *Playboy Enterprises, Inc. v. Frena*\(^5\) and *Sega Enterprises Ltd. v. MAPHIA*\(^6\) are early direct infringement cases brought against online sites that actively encouraged their users to upload infringing material, where liability was easily

\(^2\)See, e.g., *Fare Deals Ltd. v. WorldChoiceTravel.com, Inc.*, 180 F. Supp. 2d 678, 684, (D. Md. 2001) (dismissing plaintiff’s claim for vicarious liability against the operators of the faredeals.com travel website based on the conduct of one of its affiliates where the affiliate agreement provided that the parties were independent contractors and the degree of control exercised was minimal); *supra* \(\S\) 6.10[1] (discussing the elements of a claim).

\(^3\)*Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011).

\(^4\)*Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 947 (9th Cir. 2011).


established. Section 6.10[2][D] discusses other early direct liability cases brought by Playboy where liability for trademark infringement was not found, even though the defendants were held liable for contributory copyright infringement. Although not specifically addressed in these cases, they highlight the fact that secondary liability under the Lanham Act may be difficult to establish in some cases even against sites that tolerate infringement—both because the standards for imposing contributory and vicarious trademark infringement themselves are tough and because the underlying claims of direct liability (on which a claim of secondary liability must be premised) require a showing of likelihood of confusion,\(^7\) rather than merely unauthorized reproduction (as in the case of many copyright infringement suits). Simply because a mark is visible on a site does not automatically mean that its use is infringing—i.e., that it is likely to cause consumer confusion—or that, by extension, an Internet site or service necessarily will be deemed to have knowledge that specific uses on the site are infringing. At the same time, too much should not be read into these specific early cases, which are merely district court opinions that have no precedential value.

In *Lockheed Martin Corp. v. Network Solutions, Inc.*,\(^8\) the Ninth Circuit articulated a more extensive test to determine whether contributory trademark infringement should be imposed on an Internet site that provides a service, rather than selling goods. For liability to attach, a plaintiff must show that there was “direct control and monitoring of the instrumentality used by a third party to infringe plaintiff’s mark.”\(^9\)

*Lockheed Martin* and other cases brought against domain name registrars are discussed in section 6.10[2][E]. As a general proposition, secondary liability may be difficult to prove against a domain name registrar or registry in part because any use of a domain name—whether lawful or infringing—by definition only occurs after the act of registra-

\(^7\)Likelihood of confusion need not be shown to establish trademark dilution, although a claim for secondary liability may not be based on dilution. See infra § 6.11. Contributory or vicarious liability must be premised on trademark infringement, not dilution. See § 6.11.

\(^8\)*Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980 (9th Cir. 1999).

\(^9\)*Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999).
tion is complete. The same rationale may or may not apply to domain name auction sites, which are discussed in section 6.10[2][F], depending on the nature of the site, its practices and its targeted clientele. The secondary liability of registrars, registries and other domain name registration authorities (as well as statutory exemptions that apply to these entities) is separately analyzed in section 7.21.

*Lockheed Martin* is not limited to cases involving domain name registrar and registries and has been widely applied in Internet cases. It was relied on in part in *Fare Deals, Ltd. v. WorldChoiceTravel.com, Inc.*, a case in which a district court in Maryland declined to hold travel sites contributorily or vicariously liable for the conduct of their advertising affiliate in registering the plaintiff’s mark as a domain name. *Fare Deals* is analyzed in section 6.10[2][G].

*Perfect 10, Inc. v. VISA Int’l Service Ass’n.*, which is discussed in section 6.10[2][H], is another Ninth Circuit case applying *Lockheed Martin*. *Perfect 10* involved a claim by an adult magazine against VISA, MasterCard and various banks for providing payment processing services to websites that sold infringing images from plaintiff’s magazine, branded with its mark. As in *Lockheed Martin* itself, the Ninth Circuit found for the defendant on plaintiff’s claim for contributory infringement.

In *Stayart v. Yahoo! Inc.*, the court dismissed plaintiff’s claim against Yahoo! for contributory and vicarious liability for failing to block material accessible via its search engine. With respect to contributory infringement, the court wrote that “[e]ven after receiving Stayart’s complaints, Yahoo! cannot be held liable for failing to remove the offending search results. Yahoo! did not create the offending content and did not exert any control over the third-party websites where the alleged infringement occurred.” Similarly, the court held that Yahoo! could not be vicariously liable without “a finding that 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

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11 *Perfect 10, Inc. v. Visa Int’l Service Ass’n*, 494 F.3d 788 (9th Cir. 2007), cert. denied, 553 U.S. 1079 (2008).

12 *Stayart v. Yahoo! Inc.*, 651 F. Supp. 2d 873 (E.D. Wis. 2009), aff’d on other grounds, 623 F.3d 436 (7th Cir. 2010).
control over the infringing product.” The Seventh Circuit affirmed, but on different grounds, finding that the plaintiff lacked standing to bring a Lanham Act claim based on the use of her name.13

In Tiffany (NJ), Inc. v. eBay, Inc.,14 which is analyzed in section 6.10[2][I], the Second Circuit affirmed the entry of judgment for eBay following a bench trial, holding that contributory liability could not be imposed where eBay had only generalized knowledge that its site could be used to sell unauthorized products (in addition to legitimate products) and where it promptly discontinued listings in every single instance where it was given specific notice by Tiffany’s and terminated those users identified as repeat infringers. The court held that “[f]or contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.”15

Tiffany (NJ) Inc. v. eBay, Inc. underscores two important practical points for site owners and service providers. First, the safer approach for Internet sites and services is to simply remove a listing in response to a specific notice. Second, sites and services that implement extensive anti-piracy protections and do more than the law requires, such as eBay, are

13Stayart v. Yahoo! Inc., 623 F.3d 436 (7th Cir. 2010); see also Stayart v. Google Inc., 783 F. Supp. 2d 1055 (E.D. Wis. 2011) (dismissing claims against Google, in which the court observed that the plaintiff had alleged that Google had wrongfully used her name for advertising purposes to circumvent the CDA since section 230 [which is analyzed in section 37.05 of this treatise] “effectively immunizes search engines like Yahoo and Google from claims that they displayed information created by third parties which presents an individual in an unfavorable light.”), aff’d on other grounds, 710 F.3d 719 (7th Cir. 2013) (affirming dismissal of plaintiff’s misappropriation claims arising out of the alleged use of her name in conjunction with searches for an erectile dysfunction drug because plaintiff made the search request a matter of public interest by suing Yahoo! over it in 2010 and therefore Google was shielded from liability by the incidental use exception for claims that its algorithms generated the suggestion to search for the drug Levitra when plaintiff’s name was input into its search engine or displayed sponsored link advertisements for the drug).

14Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010).

15Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 107 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010).
less likely to be held liable.

Following *Tiffany v. eBay*, the district court in *Sellify Inc. v. Amazon.com, Inc.*, granted summary judgment for Amazon.com on plaintiff’s claim for contributory infringement arising out of an associate’s placement of allegedly infringing sponsored link advertisements, holding that there was “no evidence that Amazon had particularized knowledge of, or direct control over,” the advertisements. In that case, Amazon.com allegedly ignored a telephone call made to an anonymous sales representative but sent a warning letter to its associate upon receipt of a demand letter from counsel for Sellify and terminated the associate’s account and withheld payments upon receipt of a second letter, which the court held evidenced that it was not continuing to supply its services to the associate, within the meaning of *Inwood*, after it knew that the associate was engaging in trademark infringement against Sellify. *Sellify* is discussed in greater detail in section 6.10[2][J].

In contrast to *Tiffany v. eBay*, in *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, a jury in San Jose, Calif., awarded luxury goods manufacturer Louis Vuitton $31,500,000 in statutory damages for contributory trademark infringement against two Internet hosting companies and the individual who owned them, finding by a preponderance of the evidence that each of the defendants knew or should have known that one or more of their customers were using their services to infringe or to facilitate others to directly infringe plaintiff’s marks and that the defendants had reasonable means to withdraw this service (and that each was liable for willful infringement). The court had earlier denied defendants’ motion for summary judgment on the issue of

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17 *Sellify Inc. v. Amazon.com, Inc.*, No. 09 Civ. 0268 (JSR), 2010 WL 4455830, at *4 (S.D.N.Y. Nov. 14, 2010). Sending only a warning notice was particularly appropriate in *Sellify* where the offending conduct involved third parties and could not have been controlled by Amazon.com.


19 The jury also awarded $900,000 in statutory damages for copyright infringement, which was subsequently reduced to $300,000 joint and several liability on appeal. *Louis Vuitton Malletier, S.A. v. Akanoc Solutions,*
contributory infringement, but granted it with respect to Louis Vuitton's claim for vicarious liability, in an opinion that sheds some light on the type of evidence presented to the jury.20

In Akanoc, the plaintiff had alleged that defendants allowed and encouraged their services to be used by numerous websites run by customers in the People's Republic of China that sold counterfeit Louis Vuitton products. Plaintiffs sent defendants several notices and reminders21 concerning multiple sites that they were hosting, but the sites either remained operative or were moved to different IP addresses that were also owned by the defendants. The court found a genuine issue of fact precluding summary judgment on the question of whether defendants had the requisite level of direct control under the test articulated in Lockheed Martin Corp. v. Network Solutions, Inc.,22 ruling that defendants' ISP service was more closely analogous to the flea market at issue in Fonovisa, Inc. v. Cherry Auction, Inc23 than the domain name registrar at issue in Lockheed Martin Corp.24 Accordingly, it considered whether defendants could be held liable based on knowledge, finding a genuine issue precluding summary judgment on the question of whether defendants had knowledge of underlying acts of infringement based on the many letters sent to them about infringing sites that they allegedly hosted. The case proceeded to trial on the issue of defendants' "ability to shut down known

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21The appellate court opinion refers to 18 "Notices of Infringement" that went unanswered.
22Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980 (9th Cir. 1999); see generally infra § 6.10[2][E] (discussing the case).
23Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996).
24Lockheed Martin Corp., 591 F. Supp. 2d at 1112. Judge Ware wrote: Defendants physically host websites on their servers and route internet traffic to and from those websites . . . . Defendants' services, combined with defendants' ability to remove infringing websites, entails a level of involvement and control that goes beyond "rote translation." As with the flea market operators in Fonovisa, defendants cannot remain willfully blind to infringement taking place on their servers. Lockheed Martin Corp., 591 F. Supp. 2d at 1112.
infringing websites.”\textsuperscript{25} The court granted summary judgment for defendants on plaintiff’s claim for vicarious infringement, however, ruling that no evidence was presented that defendants “might have a relationship with a direct infringer that is so close as to be an actual or apparent partnership.”\textsuperscript{26}

Following the jury’s verdict, the trial court set aside the judgment against one of the two ISPs, where the plaintiff had introduced no evidence at trial showing that it had operated the servers that hosted the direct infringers’ websites and no evidence that, even if they were the provider’s customers, it had reasonable means to withdraw services to the direct infringers. This post-trial ruling was affirmed on appeal.\textsuperscript{27}

The Ninth Circuit affirmed the jury’s finding of liability for the other ISP and its owner, but reduced the damage award from $31,500,000 in statutory damages ($10,500,000 per defendant) to a single award of $10,500,000 for which the two remaining defendants were held jointly and severally liable.\textsuperscript{28}

In so ruling, Circuit Judge Ronald M. Gould expansively defined the “means of infringement” to encompass defendants’ servers, rather than the websites that were the direct infringers. Under Ninth Circuit law, when a claim of contributory trademark infringement is based on a defendant’s operation of a server, the court must consider “the extent of control exercised by the defendant over the third party’s means of infringement.”\textsuperscript{29} In \textit{Akanoc}, the Ninth Circuit upheld the lower court’s analysis that because the defendants “physically host[ed] websites on their servers and route[d] internet traffic to and from those websites . . . [their] service is the Internet equivalent of leasing real estate.”\textsuperscript{30} However, the court’s focus on the presence of material on servers—

\textsuperscript{25}Lockheed Martin Corp., 591 F. Supp. 2d at 1113.
\textsuperscript{26}Lockheed Martin Corp., 591 F. Supp. 2d at 1112.
\textsuperscript{27}Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 658 F.3d 936 (9th Cir. 2011).
\textsuperscript{28}Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 658 F.3d 936, 947 (9th Cir. 2011). The court’s damages analysis is discussed in section 6.16[2][E].
\textsuperscript{29}Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980, 984 (9th Cir. 1999).
\textsuperscript{30}Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 658 F.3d 936, 942 (9th Cir. 2011).
which mirrors the Ninth Circuit’s server test for evaluating direct infringement in certain cases—represents an artificial distinction that is potentially both over-inclusive and under-inclusive. Perhaps a better way to describe the control exercised over the means of production in *Akanoc* is the district court’s characterization (cited with approval by the appellate court) that the defendants “had direct control over the ‘master switch’ that kept the websites online and available.”

In another counterfeiting case, *Gucci America, Inc. v. Frontline Processing Corp.*, Judge Harold Baer of the Southern District of New York allowed a luxury brand owner to proceed against payment processing firms that allegedly facilitated the sale of counterfeit bags from

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31 See *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1159 (9th Cir. 2007); see generally supra § 4.03[3].

32 The court’s emphasis on the physical location of a website server may be overinclusive because mere location does not necessarily imply that a service actually exercises control over the means of infringement. For example, a cloud service provider may not have the contractual right to access or modify individual pieces of content on a web page potentially posted by a user of one of the provider’s customers. The court’s approach may also be under-inclusive because it creates an incentive for hosting services to base their servers outside the United States to avoid liability. Presumably, in such case, a court would find exercise of control if the service in fact is able to control the overseas servers or based on willful blindness, regardless of the location of the servers.

The court’s emphasis on servers ultimately may prove to have little impact on trademark owners and service providers. The threshold bar for proving exercise over the means of infringement was set very low in both *Tiffany v. eBay* and *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.* The test for imposing liability for contributory infringement under Inwood, however, is not impacted by this threshold test for evaluating Inwood’s applicability to Internet services, and remains reasonably high. Liability for contributory infringement requires a showing of inducement or continuing to supply a service after acquiring knowledge or willful blindness or reason to know. Under this standard, sites that knowingly host businesses that sell counterfeit products or which turn a blind eye to infringement should be found secondarily liable, while legitimate service providers that cannot reasonably be expected to know what their customers are doing simply because a piece of hardware is under their control should avoid liability so long as they respond when they acquire knowledge or reason to know.

33 *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 942 (9th Cir. 2011).

TheBagAddiction.com website on claims for contributory infringement based on inducement and contributory infringement premised on one of the defendants having reason to know, but dismissed claims for direct and vicarious liability because Gucci could not plausibly allege likelihood of confusion or an actual or apparent partnership (beyond mere conclusions which were insufficient to state a claim).

The court held that Gucci had stated a claim for inducement against defendant Durango Merchant Services LLC where Durango marketed its services to “high risk merchant accounts” including those that sold “replica products” (alleged to be a code word for counterfeit goods) and where a Durango sales representative was alleged to have spoken to Laurette, the owner of TheBagAddiction.com, about its difficulties as a “replica” vendor finding a payment processor, and worked with Laurette to design a system to avoid chargebacks by requiring customers to check a box acknowledging that they knew they were purchasing “replica” products. Judge Baer wrote that these allegations suggested affirmative steps to foster infringement. He also noted that they were alleged to have advertised and broadcast messages designed to stimulate others to commit violations.

Judge Baer also held that Gucci had stated contributory infringement claims based on control and reason to know against defendants Frontline Processing Corp. and Woodforest National Bank, which were alleged to have had some control over the directly infringing third-party. Gucci alleged that Frontline and Woodforest’s credit card processing services were a necessary element for the transaction of counterfeit goods online, processing over $500,000 in counterfeit sales through MasterCard, VISA and other credit card companies. Gucci had cited evidence presented in the earlier direct infringement case from one of the website operators who testified that he would not ship a customer's order unless and until he received approval for a credit card charge. Gucci also alleged that the sales representative actively solicited and directed business with replica merchants. The defendants also were alleged to have been actively involved in reviewing documentation in connection with chargeback reviews that showed that TheBagAddiction.com website was dealing in “replica” products, reflecting unreasonably low prices and specific customer complaints about bags being shipped that were not genuine leather.

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In so ruling, Judge Baer relied on Chief Judge Kozinski’s dissent in the Ninth Circuit’s decision in *Perfect 10, Inc. v. VISA Int’l Service Ass’n.*, 35 in which the majority had upheld a lower court order dismissing claims for contributory and vicarious trademark and copyright infringement against VISA, MasterCard and various payment processors, for providing payment processing services to sites that allegedly sold infringing works, where the connection to infringement was deemed too attenuated to be material (over objections by the plaintiff that merchant association rules permitted the payment processors to terminate customers for engaging in illegal activity). In that case, Judge Kozinski had dissented, writing that defendants “knowingly provide[d] a financial bridge between buyers and sellers of pirated works, enabling them to consummate infringing transactions, while making a profit on every sale. If such active participation in infringing conduct does not amount to indirect infringement, it is hard to image what would.” Materiality, he concluded, “turns on how significantly the activity helps infringement . . . .”

### 6.10[2][B] *Playboy Enterprises, Inc. v. Frena*

The first major online trademark infringement case was

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35 *Perfect 10, Inc. v. Visa Int’l Service Ass’n*, 494 F.3d 788 (9th Cir. 2007), cert. denied, 553 U.S. 1079 (2008).

36 494 F.3d at 810–11 (Kozinsky, J., dissenting); see generally supra § 4.11[4], 4.11[5] (discussing the court’s copyright holdings); infra § 6.10[2][F] (discussing the court’s ruling affirming dismissal of secondary trademark infringement claims).

While Gucci pled more specific facts than the plaintiff in *Perfect 10 v. Visa*—alleging that TheBagAddiction.com could not have been in business selling counterfeit products had it not been able to obtain payment processing services and prior credit card approval before shipping products—Judge Kozinski’s dissent in Visa is not necessarily strong authority. First, the portion of Judge Kozinski’s dissent cited by Judge Baer involved contributory copyright infringement—where the main issue in dispute was material contribution, a key element in a contributory copyright claim. *See supra* §§ 4.11[4], 4.11[5]. By contrast, in a contributory trademark infringement claim based on a defendant’s reason to know, a key element is the degree of control. Second, majority in *Perfect 10* actually affirmed dismissal of plaintiff’s secondary trademark infringement claims in that suit based on, among other things, inadequate allegations of control. Nevertheless, as an opinion from a court in another circuit, *Perfect 10* is not binding precedent. A court in New York could equally rely upon a dissenting opinion as the majority opinion in citing a case as merely persuasive authority.
Playboy Enterprises, Inc. v. Frena. In that case, the plaintiff sued the operator of a BBS on which its photographs had been posted for subscribers to download. On Frena's BBS, the original text had been removed from the plaintiff's photographs, and defendant's name, BBS name and telephone number had been placed on each photograph. In addition, the trademarks “PLAYBOY” and “PLAYMATE” were used as file descriptors for 170 of the images. The defendant BBS operator argued that the file names were provided by the subscribers who uploaded the images. Frena also argued that he was unaware of the infringements and had allowed subscribers to upload anything they wanted to his BBS.

The court granted partial summary judgment for plaintiff on its claim for trademark infringement based on evidence that the file descriptors on Frena’s BBS infringed plaintiff’s registered trademarks. In so holding, the court simply applied the balancing test for determining likelihood of confusion, noting that intent or bad faith need not be shown to establish trademark infringement under 15 U.S.C.A. § 1141(a). The court also granted partial summary judgment for plaintiff on its unfair competition claim under 15 U.S.C.A. § 1125(a), finding that the deletion of plaintiff’s text from the photographs, addition of Frena’s name and BBS information to some of the images and appropriation of Playboy’s photographs without attribution constituted acts of unfair competition. In addition, by falsely describing the origin of the photographs, Frena made it appear that Playboy Enterprises, Inc., authorized Frena’s product. Finally, the court held that Frena’s removal of Playboy’s trademarks from the photographs constituted reverse passing off.

[Section 6.10[2][B]]


4Playboy Enterprises, Inc. v. Frena, 839 F. Supp. 1552 (M.D. Fla. 1993). This part of the case might have been decided differently by courts in the Ninth Circuit or the Southern District of New York, which have held that a “reverse palming off” claim may not be maintained where an adequate remedy is available under the Copyright Act. E.g., Shaw v. Lindheim, 919 F.2d 1353, 1364–65 (9th Cir. 1990); Merchant v. Lymon,
6.10[2][C] Sega Enterprises Ltd. v. MAPHIA

In Sega Enterprises Ltd. v. MAPHIA,\(^1\) the defendants operated a BBS that actively encouraged subscribers to upload and download bootleg copies of Sega videogames, and even marketed special hardware and software to facilitate copying the games. Plaintiff’s “Sega” trademark appeared on the screen whenever a game that had been downloaded from the MAPHIA bulletin board was subsequently played. In addition, some of the pirated programs posted on the bulletin board did not function as smoothly as genuine, commercially available Sega games, either because they were pre-release versions of programs not yet commercially available, or because glitches had been introduced in the copying process.\(^2\)

The court entered a preliminary injunction in favor of plaintiff in part based on a finding of trademark infringement. Judge Claudia Wilken concluded that bulletin board users and/or third parties who could receive copies from the bulletin board “are likely to confuse the unauthorized copies downloaded and transferred from the MAPHIA bulletin board with genuine Sega videogame programs.”\(^3\) She reasoned that “confusion, if not on the part of bulletin board users, is inevitable on the part of third parties who may see the copied games after they enter the stream of commerce.”\(^4\) She also found Sega likely to prevail on its unfair competition claim under the Lanham Act based on its finding that the public is likely to be deceived or confused by the similarity of marks shown on both the genuine product

\(^1\) Sega Enterprises Ltd. v. MAPHIA, 857 F. Supp. 679 (N.D. Cal. 1994).


\(^3\) Sega Enterprises Ltd. v. MAPHIA, 857 F. Supp. 679 (N.D. Cal. 1994).

and the pirated versions uploaded to the MAPHIA BBS.\textsuperscript{5}

In a subsequent opinion granting summary judgment in favor of Sega, Judge Wilken emphasized that, like the defendant in \textit{Playboy Enterprises, Inc. v. Frena},\textsuperscript{6} defendant Sherman “adopted the use of the Sega name as file descriptors on his BBS and the SEGA logo within those games, because he knew about the [infringing] use, and tacitly authorized it. Additionally, Sherman used the mark when he created the file area that used the name Sega to identify the area where the game files would be located.”\textsuperscript{7}

By contrast, in a companion case, \textit{Sega Enterprises, Ltd. v. Sabella},\textsuperscript{8} Judge Wilken denied Sega’s motion for summary judgment against the owner of a BBS, because the owner submitted a declaration in which she stated that she did not know that Sega videogames were being uploaded and downloaded on her BBS and had never personally used the mark. Although Sega had argued that the defendant had had reason to know that the Sega mark was being used as a file descriptor on her BBS and that the mark was displayed when those files were played, the court found that a triable issue of fact existed because Sega was unable to show unrefuted evidence that Ms. Sabella authored subscriber rules posted on her BBS which solicited others to upload “playable” files or that she otherwise used the mark herself or knew that others were using it on her BBS.

\textbf{6.10[2][D] Other Early Cases Brought Against Online Sites and Services}

In \textit{Playboy Enterprises, Inc. v. Russ Hardenburgh, Inc.},\textsuperscript{1} Judge Sam Bell of federal court in Cleveland, denied plaintiff’s motion for summary judgment on its claim for

\begin{itemize}
  \item \textit{Sega Enterprises Ltd. v. MAPHIA}, 857 F. Supp. 679 (N.D. Cal. 1994).
  \item \textit{Sega Enterprises Ltd. v. MAPHIA}, 948 F. Supp. 923, 938 (N.D. Cal. 1996).
\end{itemize}

\textbf{[Section 6.10[2][D]]}

\begin{itemize}
\end{itemize}
unfair competition under the Lanham Act\(^2\) in the same order in which defendants—a BBS and its owner—were held directly and contributorily liable for copyright infringement based on the presence on their BBS of infringing photographs uploaded by BBS subscribers.\(^3\) In its analysis of plaintiff’s copyright claims, the court found defendants more actively involved in the acts of infringement than the defendant in *Playboy Enterprises, Inc. v. Frena* because, unlike in *Frena* (where subscribers directly posted material online), defendants in *Russ Hardenburgh, Inc.* actually screened uploaded files before making them generally available to subscribers.\(^4\) Judge Bell also found troubling defendants’ policy of encouraging subscribers to upload files, including adult photographs, onto the BBS.\(^5\) Nevertheless, he ruled that plaintiff failed to establish “that the deceptive or misleading portions of the copied photographs were material, that is, likely to influence the purchasing decision of BBS subscribers.”

In *Playboy Enterprises, Inc. v. Webbworld, Inc.*,\(^7\) Judge Barefoot Sanders ruled, following a trial on the merits, that plaintiff had not proved its claims for trademark infringement, dilution or unfair competition under state and federal law by a preponderance of the evidence, in an opinion in which a company operating a website and two of its owners were held directly and (in the case of the individually named defendants) vicariously liable for copyright infringement. In that case, defendants operated a subscription-based website that offered visitors access to between 40,000 to 70,000 sexu-

\(^2\)Although merely an unfair competition case, *Russ Hardenburgh, Inc.* is relevant in its treatment of likelihood of confusion under the Lanham Act. Had plaintiff been able to assert a claim for trademark dilution, it would not have needed to show likelihood of confusion. See infra § 6.11.

\(^3\)For a full discussion of the court’s treatment of plaintiff’s copyright claims, see supra § 4.11[9].

\(^4\)982 F. Supp. at 511.

\(^5\)982 F. Supp. at 513.

\(^6\)982 F. Supp. at 515. Although Playboy alleged that, as in the *Frena* case, the BBS owner had added his own name and phone number to some of the infringing photographs (982 F. Supp. at 505) it appears from the opinion that this fact was disputed. In addition, unlike in *Frena*, the Playboy trademark was not used as a file descriptor (although this fact alone would not have been essential to a finding of liability).

ally oriented images automatically culled from postings to pre-set newsgroups, pursuant to a software program written by one of the defendants. Even though the court elsewhere in its opinion found that defendants’ copyright infringements were in part willful and that defendants knew that infringing copies of some Playboy images were likely to be found in the “alt.binaries.erotica.centerfolds” newsgroup from which a number of the images on the BBS had been culled, Judge Sanders concluded that there was “no significant likelihood of confusion.”

The court’s decision was influenced in large part by evidence that at any given moment images infringing plaintiff’s copyrights comprised less than 1% of the 50,000 to 80,000 images accessible on the website and the percentage of those images bearing a Playboy trademark or servicemark was even smaller. The court therefore concluded that “the effect of PEI’s marks on the overall tenor of the Webbwworld website is . . . de minimis.”

Judge Sanders also was influenced by evidence that Webbwworld and Playboy catered to different audiences. Playboy had presented testimony (presumably in support of its dilution claim, to show tarnishment) that defendants’ website offered “hard-core pornography,” whereas purchasers of Playboy magazine were not consumers of pornography. The court found that this evidence bolstered its conclusion that confusion was unlikely. Judge Sanders also concluded that “any confusion would be unreasonable.”

The court distinguished *Playboy Enterprises, Inc. v. Frena* because in that case plaintiff’s trademarks were used to des-

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10 See infra § 6.11[3].

11 For the same reasons, Judge Sanders ruled for defendants on plaintiff’s claim for unfair competition under the Lanham Act. He also entered judgment for defendants on plaintiff’s claim for unfair competition under Texas common law based on the absence of any evidence of commercial damage to Playboy. Judge Sanders further ruled for defendants on plaintiff’s dilution claim, finding that plaintiff had failed to show either blurring or tarnishment and that “the PEI marks and images had only a de minimis presence on the . . . site.” *Playboy Enterprises, Inc. v. Webbworld, Inc.*, 991 F. Supp. 543, 561–62 (N.D. Tex. 1997), aff’d mem., 168 F.3d 486 (5th Cir. 1999).
ignite files containing infringing photographs and plaintiff's text was removed from a number of images and replaced by Frena's BBS name and telephone number. Webbworld, by contrast, did not attempt "to generate confusion by superimposing its own name on the PEI images" and did not use plaintiff's marks as file names.12

6.10[2][E] Lockheed Martin Corp. v. Network Solutions, Inc., and Other Cases Against Domain Name Registrars

In Lockheed Martin Corp. v. Network Solutions, Inc., the Ninth Circuit ruled that a domain name registrar could not be held contributorily liable for registering infringing domain names after receiving two cease and desist letters because a registrar supplies a service—not a product—to third parties and cannot actually control how registrants use domain names once they are registered.

Based on this finding, the Ninth Circuit did not reach the separate question of whether a domain name registrar could be deemed to have had actual or constructive knowledge based on its receipt of two demand letters. The trial judge in Lockheed Martin Corp., however, had ruled that it could not—as did another judge from the Central District of California.

In the Lockheed Martin Corp. case, District Court Judge Dean Pregerson ruled that "NSI's limited role as a registrar of domain names coupled with the inherent uncertainty in defining the scope of intellectual property rights in a trademark militates against a finding that NSI knew or had reason to know of potentially infringing uses by others."2 In so ruling, Judge Pregerson rejected as misplaced the comparison advanced by plaintiff between a domain name and a product.1

12Playboy Enterprises, Inc. v. Webbworld, Inc., 991 F. Supp. 543, 557 (N.D. Tex. 1997), aff'd mem., 168 F.3d 486 (5th Cir. 1999). Judge Sanders conceded that defendants used the names of two of plaintiff's publications—"covers" and "centerfolds"—as filenames (which matched the names of two of the newsgroups from which images were collected), but emphasized that neither name corresponded to the registered marks on which plaintiff had sued.

[Section 6.10[2][E]]

1Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980 (9th Cir. 1999).

registrar and a flea market owner because "NSI's involvement with the Internet is remote from domain name uses that are capable of infringement." In particular, he noted that:

After a domain name is registered, NSI's involvement is over. NSI is not part of the process of linking domain names with potentially infringing resources such as websites. NSI does not require holders to use domain names for websites or any other form of Internet communications. Nor do domain name holders need NSI's permission to do so.

In contrast to the Ninth Circuit's decision in Fonovisa, Judge Pregerson explained that:

The flea market operators directly controlled and monitored their premises. NSI neither controls nor monitors the Internet. A domain name, once registered, can be used in connection with thousands of pages of constantly changing information. While the landlord of a flea market might reasonably be expected to monitor the merchandise sold on his premises, NSI cannot reasonably be expected to monitor the Internet.

Judge Pregerson also rejected the argument that contributory infringement potentially could be established—as under copyright law—merely because a service provider is sent notice of an alleged act of infringement and fails to take action. He held that knowledge of trademark infringement may not be imputed based solely on a mark owner's assertion of this fact in a cease and desist letter because of the difficulty of evaluating potential trademark claims and the fact that an owner's rights do not remain stable over time. In fact, he

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4. 985 F. Supp. at 961–62. A registrar that also provided connectivity, by contrast, might stand in a different position under this analysis.
5. 985 F. Supp. at 962; see generally Ian C. Ballon, Pinning the Blame in Cyberspace: Towards a Coherent Theory for Imposing Vicarious Copyright, Trademark and Tort Liability for Conduct Occurring Over the Internet, 18 Hastings Comm. & Ent. L.J. 731 (1996) (making the same argument in connection with service providers in an earlier law review article).
6. Cf. Religious Technology Center v. Netcom On-Line Communication Services, Inc., 907 F. Supp. 1361, 1374 (N.D. Cal. 1995) (holding that a service provider's acknowledged receipt of a letter demanding that certain content be removed created a material factual dispute precluding summary judgment on the issue of whether it could be held contributorily liable under the Copyright Act, while also expressing skepticism in dicta that liability could be imposed on such grounds); see generally supra § 4.11 (analyzing the case and the standards for imposing indirect copyright liability).
wrote that a “reasonable person in NSI’s position could not presume infringement even where the domain name is identical to a mark and registered for use in connection with a similar or identical purpose.”

The difficulties associated with evaluating third-party trademark claims are more acute, he wrote, because the “dynamic nature of trademark rights increases their inherent uncertainty.” Specifically, he noted that “[t]he scope of the owner’s rights is subject to contraction if the trademark is abandoned or becomes generic for all or part of the goods or services identified.” Similarly, “trademark law permits multiple parties to use and register the same mark for different classes of goods and services.” In the context of the case before it—which involved the SKUNK WORKS mark—the court rejected the notion that an attorney’s demand letter should be sufficient to impute knowledge, which would require the court to impute knowledge of infringement to NSI in circumstances where the use of the term “skunk works” in a domain name may or may not be infringing. Such an expansion of contributory liability would give


The use of an identical or similar mark does not necessarily constitute infringement. In order to be infringing, such use must be in connection with goods or services that are competitive with, or at least related to, the goods or services for which the trademark has been registered or used in commerce . . . . The use must also cause a likelihood of confusion as to origin or sponsorship . . . . Whether a use is likely to cause confusion depends on numerous variables including the strength of the mark, the proximity of the goods, the similarity of the marks, evidence of actual confusion, marketing channels used, the type of goods and degree of care used by purchasers, the defendant’s intent in selecting the mark, and the likelihood of expansion of product lines.

985 F. Supp. at 963.

8 985 F. Supp. at 963.

9 985 F. Supp. at 963.

10 985 F. Supp. at 964.
Lockheed a right in gross to control all uses of “skunk works” in domain names.\(^\text{11}\)

Contrasting copyright law, Judge Pregerson noted that “unlike trademark law, copyright law gives owners a generalized right to prohibit all copying, provided that the owner's rights are valid and the material copied is original. Trademark law, on the other hand, tolerates a broad range of non-infringing uses of words that are identical or similar to trademarks.”\(^\text{12}\)

On appeal, the Ninth Circuit ruled more narrowly that when a service, rather than a product, is involved, a court must evaluate the extent of control exercised by the defendant over the third-party's means of infringement. According to Judge Stephen Trott, writing on behalf of himself and Judges Dorothy W. Nelson and Stephen Reinhardt, only “[d]irect control and monitoring of the instrumentality used by a third-party to infringe the plaintiff's mark permits the expansion of Inwood Lab's 'supplies a product' requirement for contributory infringement.” In concluding that NSI did not meet this test, the panel quoted Judge Pregerson's conclusion that “NSI's involvement with the use of domain names does not extend beyond registration” and wrote that:

Although NSI's routing service is only available to a registrant who has paid NSI's fee, NSI does not supply the domain-name combination any more than the Postal Service supplies a street address by performing the . . . service of routing mail . . . . Where domain names are used to infringe, the infringement does not result from NSI's publication of the domain name list, but from the registrant's use of the name on a web site or other Internet form of communication in connection with goods and services . . . .\(^\text{13}\)

Again relying on Judge Pregerson's opinion, the panel concluded that “NSI's rote translation service [from registered domain names to alphanumeric IP addresses] does not entail the kind of direct control and monitoring required to

\(^{11}\)985 F. Supp. at 965; see also Gucci America, Inc. v. Hall & Associates, 135 F. Supp. 2d 409, 420 (S.D.N.Y. 2001) (citing Lockheed Martin for the proposition that “a trademark owner's mere assertion that its domain name is infringed is insufficient to impute knowledge of infringement.”).

\(^{12}\)985 F. Supp. 2d at 965.

\(^{13}\)194 F.3d at 130 (quoting in part Judge Pregerson’s district court decision).
justify an extension of the 'supplies a product' requirement.”

Other courts have followed *Lockheed Martin* in declining to impose contributory infringement on a domain name registrar. In *Academy of Motion Picture Arts & Sci. v. Network Solutions, Inc.*, a different judge in the same district court as Judge Pregerson, Judge Laughlin E. Waters, ruled that the plaintiff was unlikely to prevail on its claim of contributory infringement because it could not show that NSI had “the requisite level of knowledge or control to be held liable under this theory.” Judge Waters distinguished the flea market owner in *Fonovisa*—which she characterized as “one of the only cases to extend this theory beyond application to manufacturers and distributors of products”—because in that case the owner was aware that infringing products were being sold on his property and took no action even after a police raid where infringing items were confiscated. By contrast, at the time a name is registered, there has not yet been a determination made whether a name will be used for infringing purposes and a registrar cannot be expected to know how it will be used in the future. Judge Waters also wrote that a registrar (or for that matter any service provider):

Has much less reason to be aware of the activities of its registrants than has a swapmeet owner. The swapmeet owner and vendors share the same physical space. Network Solutions and its registrants have no physical contact and no contact even in “cyberspace” following the initial registration. Thus, the knowledge of infringement requirement which is a

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14 194 F.3d at 130, citing 985 F. Supp. at 962 (“While the landlord of a flea market might reasonably be expected to monitor the merchandise sold on his premises, NSI cannot reasonably be expected to monitor the Internet”). The Ninth Circuit noted that at the time of oral argument, NSI was receiving approximately 130,000 registrations per month, 90% of which were processed electronically in a process that took between a few minutes to a few hours to complete.


prerequisite to a finding of contributory infringement has not been proven adequately.\textsuperscript{18}

In \textit{Size, Inc. v. Network Solutions, Inc.},\textsuperscript{19} a court ruled that NSI was not liable for contributory infringement after transferring a domain name to a third party when the original registrant failed to renew its registration. In that case, Judge Leonie Brinkema of the Eastern District of Virginia emphasized that NSI was a “passive” “neutral stakeholder” with no involvement in the third party’s activities. She wrote that “NSI is simply a routing service, and does not supply domain name combinations any more than the Postal Service supplies street addresses to its customers.”\textsuperscript{20}

Although the \textit{Lockheed Martin Corp., Academy of Motion Picture Arts and Sciences} and \textit{Size, Inc.}, cases involved domain name registrars, their holdings have broader application to service providers, blogs, social networks and other interactive sites and services that offer legitimate, essentially noninfringing services. E-commerce sites and services that do not turn a blind eye to infringement will not be subject to third-party liability under the \textit{Lockheed Martin Corp.} standard when their services in fact are used by others for infringing purposes that they cannot effectively control where they do not have knowledge of specific acts of (infringement (or if they do they act to end the) infringement).\textsuperscript{21}

\textsuperscript{18}\textit{Academy of Motion Picture Arts and Sciences v. Network Solutions Inc.}, 989 F. Supp. 1276 (C.D. Cal. 1997); see also \textit{Watts v. Network Solutions, Inc.}, 202 F.3d 276 (7th Cir. 1999) (affirming the dismissal of plaintiff’s claim of contributory trademark infringement based on his failure to present evidence of NSI’s actual knowledge of an alleged act of infringement and dismissal of his claim of contributory unfair competition because no such tort was recognized under Indiana law).


\textsuperscript{21}For further discussion of the scope of third-party liability under the Lanham Act, see infra §§ 49.06, 50.01 et seq.
6.10[2][F] Domain Name Auction Sites

In *Ford Motor Co. v. Great Domains.com, Inc.*, the court ruled that a domain name auction site could not be held contributorily liable for the conduct of users of its site because, like a registrar, the site “generally could not be expected to ascertain the good or bad faith intent of its vendors, contributory liability would apply, if at all, in only exceptional circumstances.” In that case, the defendant allowed sellers to list domain names for sale and received a percentage of the revenue when the domain name registrations were transferred. In ruling that the plaintiff had not stated a claim for contributory infringement, the court concluded that a domain name auction site “could not be expected to ascertain the good or bad faith intents of its vendors.”

The court also ruled that the plaintiff could not state a claim against the auction site under the Anticybersquatting Consumer Protection Act (ACPA). That aspect of the decision and other ACPA cases brought against domain name auction sites are analyzed in section 7.21.

6.10[2][G] Liability for Affiliate Advertisers: *Fare Deals, Ltd. v. WorldChoiceTravel.com, Inc.*

In *Fare Deals, Ltd. v. WorldChoiceTravel.com, Inc.*, a court in Maryland ruled that “sixteen or fewer days of inchoate suspicion—engendered solely by the allegations in Fare Deals’ demand letter”—could not as a matter of law amount to willful blindness to the infringement of its marks. In that case, defendants Hotwire and HRN operated travel-related websites that they marketed through an affiliate program.

[Section 6.10[2][F]]

2 See supra § 6.10[2][E].
3 177 F. Supp. 2d at 647.
4 177 F. Supp. 2d at 647.

[Section 6.10[2][G]]

Their affiliates, who entered into affiliate agreements with the defendants, were paid a percentage of revenue generated from traffic driven to the defendants’ sites via links and banner ads placed by the affiliates. Kaplan, an affiliate of both Hotwire and HRN, operated the faredeals.com website, which included links to both Hotwire and HRN’s travel sites. Plaintiff, the owner of the Fare Deals trademark, sued Hotwire and HRN for contributory and vicarious trademark infringement, alleging that they should be held liable for Kaplan’s allegedly infringing use of faredeals.com.

In granting summary judgment for Hotwire on plaintiff’s claim for contributory infringement and dismissing that same claim against HRN, Judge Frederic N. Smalkin ruled that Fare Deals could not show notice of any kind prior to receipt of a June 13, 2001, demand letter, meaning that the defendants at most could be liable for contributory infringement during the sixteen-day period between June 13, 2001 and June 29, 2001, when the court granted a temporary restraining order shutting down the disputed website. HRN had notified Fare Deals by letter of June 18, 2001, that it did not control affiliate sites but indicated that it would forward Fare Deals’ complaint to the operators of faredeals.com.

The court concluded that the demand letter “certainly gave HRN knowledge of Fare Deals’ own position with respect to infringement by the faredeals.com site; it may also have given HRN reason to suspect it might be linked to a site infringing Fare Deals’ mark and so have given rise to an obligation on the part of HRN to investigate the matter.”3 However, the court ruled that the letter did not obligate HRN to immediately terminate the link from the disputed site. In addition, the court concluded that it was not clear what an investigation HRN could have uncovered.

The court also granted summary judgment for Hotwire on plaintiff’s claim for vicarious liability and dismissed the same claim against HRN. The court noted that, while not determinative, the HRN’s affiliate agreement made clear that affiliates were independent contractors, not agents, and that the agreement gave HRN only minimal control over its affiliates. Affiliates also had no power to alter HRN’s legal relations.

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6.10[2][H] Perfect 10, Inc. v. VISA Int’l Service Ass’n.

In Perfect 10, Inc. v. VISA Int’l Service Ass’n.,¹ the Ninth Circuit rejected claims of contributory and vicarious liability asserted against VISA, MasterCard and various merchant banks that provided payment processing services to websites where infringing copies of Perfect 10 photos were sold or where access was provided on a subscription basis. The court ruled that Perfect 10 had failed to plead a viable claim under either prong of the Inwood Labs test or under Lockheed Martin. Specifically, it did not plead facts to show that the defendants induced infringement—it merely alleged that they provided critical support to websites that were using Perfect 10’s mark in a manner likely to cause confusion, which was insufficient. It cited “no affirmative acts by Defendants suggesting that third parties infringe Perfect 10’s mark, much less induce them to do so.”² In addition, the court found that Perfect 10 had failed to allege facts sufficient to show direct control and monitoring of the instrumentality used by a third party to infringe its mark. The court explained that while Perfect 10 alleged that the “product” or “instrumentality” at issue was the credit card payment network through which the defendants processed payments for infringing material, in fact the network was “not the instrument used to infringe Perfect 10’s trademarks; that infringement occurs without any involvement of Defendants and their payment systems.”³ The court emphasized that the Perfect 10 did not allege that the defendants had the power to remove infringing material from the websites or stop their distribution over the website, only that they could stop processing payments from those sites. Without more, these allegations did not amount to “direct control” under Lockheed Martin.

The court also ruled that Perfect 10 had not alleged facts sufficient to establish vicarious liability for the same reasons that Perfect 10 had been unable to show a “right and ability

¹Perfect 10, Inc. v. Visa Int’l Service Ass’n, 494 F.3d 788 (9th Cir. 2007), cert. denied, 553 U.S. 1079 (2008).
²494 F.3d at 807.
³494 F.3d at 807
to control” for purposes of vicarious copyright infringement. Specifically, the Ninth Circuit wrote that defendants “process payments to these websites and collect their usual processing fees, nothing more.”

Chief Judge Kozinski dissented, arguing that “[w]ithout defendants’ payment systems, the infringers would find it much harder to peddle their infringing goods. Plaintiff thus pled facts sufficient to state a claim for contributory trademark infringement.”

With respect to vicarious liability, Judge Kozinski wrote that the plaintiff had alleged a symbiotic relationship by asserting that “the Stolen Content Websites cannot operate without the use of credit cards, . . . while defendants make huge profits by processing these illegal transactions . . . . [W]hile ‘the websites’ contracts with the consumers . . . bind the websites to provide the infringing images,’ maj. op. at 808 (emphasis removed), it is defendants’ actions that bind the websites to that contract. Only after the credit cards approve and process the payment does the obligation to deliver the stolen content come into existence.”


6.10[2][I][i] Overview

In Tiffany (NJ) Inc. v. eBay, Inc., the Second Circuit affirmed the entry of judgment for eBay, following a bench trial, on claims for direct and contributory trademark infringement, unfair competition, and dilution and ruled that eBay’s use of Tiffany’s trademarks in its advertising, on its homepage, and in sponsored links purchased through Yahoo! and Google constituted permissible non-trade use of

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4 For a discussion of the court’s rejection of Perfect 10’s claims of contributory and vicarious copyright infringement, see supra § 4.11[5].

5 494 F.3d at 808.

6 494 F.3d at 822 (Kozinski, J., dissenting).

7 494 F.3d at 822–23 (Kozinski, J., dissenting).

[Section 6.10[2][II][i]]

1 Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010).

2 See infra § 6.11.

3 See infra § 9.11 (analyzing this aspect of the case in connection with sponsored links and key word Internet advertising cases).

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the mark, but remanded plaintiff’s false advertising claim on a narrow evidentiary issue (although the district court, on remand, ultimately entered judgment for eBay on that claim as well.).

The Second Circuit’s opinion—written by Judge Robert Sack, on behalf of himself, Judge B.D. Parker and Court of International Trade Judge Richard W. Goldberg, sitting by designation—is both narrower and less specific than the district court opinion written by Southern District of New York Judge Richard Sullivan. The appellate panel plainly was concerned about deciding more than necessary and therefore focused narrowly on the facts presented, leaving for later consideration the specific questions of whether and under what circumstances the nominative fair use defense may be applied in the Second Circuit and what test in fact should be applied when contributory infringement is sought to be imposed on the operator of a venue such as a website under Inwood Laboratories, Inc. v. Ives Laboratories, Inc. The panel quoted from and approved specific aspects of the lower court’s opinion, making it helpful to reference that opinion in understanding the Second Circuit’s decision.

6.10[2][I][ii] Applicability of Inwood to Service Providers and Venues

With respect to Tiffany’s claim for contributory infringement, District Judge Sullivan had followed the Ninth Circuit’s ruling in Lockheed Martin Corp. v. Network Solutions, Inc., in holding that where liability is premised on the conduct of a user of a venue, an initial threshold showing—direct control and monitoring over the means of infringement—must be made before applying the traditional test for

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4See infra § 6.14.

[Section 6.10[2][I][iii]]

1Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980, 984 (9th Cir. 1999); supra § 6.10[2][E].
contributory infringement articulated in *Inwood Laboratories, Inc.* pursuant to which liability may be imposed where a defendant (1) intentionally induces another to infringe a trademark, or (2) continues to supply its product “to one whom it knows or has reason to know is engaging in trademark infringement.”

Over eBay’s objection that the contributory infringement doctrine did not apply to services, District Judge Sullivan concluded that “whether the venue is online or in brick and mortar is immaterial . . . . The relevant inquiry is . . . ‘the extent of control exercised by the defendant over the third party’s means of infringement.’”

Rejecting eBay’s argument that it was more like a classified advertising service than an online flea market, Judge Sullivan held that eBay exercised sufficient direct control and monitoring over the means of infringement for liability potentially to be imposed based on five specific findings. First, although eBay did not sell or possess the items available on its site, Judge Sullivan concluded that by providing the software to set up the listings and storing listing information on its servers, eBay supplied the necessary marketplace for the sale of counterfeit goods. Second, eBay “actively promoted” the sale of legitimate Tiffany jewelry. Specifically, eBay advertised Tiffany jewelry on its own website and had done so in the past on Google and Yahoo! Third, eBay profited from the listing of items and successful completion of sales through insertion fees and final value fees (as well as through transactions consummated through its subsidiary, PayPal). Fourth, eBay maintained control over the listings on its site by barring certain listings entirely (such as drugs, firearms, and alcohol), using software to remove listings that included certain descriptions, such as “counterfeit” or “fake,” requiring users through eBay User Agreements to abide by the terms of use and retaining the right to suspend those who did not do so. Fifth, the fact that eBay also maintained a classified ad service was viewed as evidencing that the user listings at issue in the case were more like flea

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3 *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 505 (S.D.N.Y. 2008), aff’d in part on different grounds, 600 F.3d 93 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010), citing among others *Lockheed Martin*, supra (domain name registrar); *Hard Rock Cafe Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992) (flea market); and *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261–62 (9th Cir. 1996) (flea market).
market offerings than classified ads.

On appeal, eBay did not challenge these findings or the applicability of the contributory liability doctrine to services so the Second Circuit assumed, without deciding, that Inwood’s test for contributory liability was controlling.

6.10[2][I][iii] Generalized Knowledge and Reason to Know

Under Inwood, liability may be imposed for inducing infringement or continuing to supply a product to someone knowing or having reason to know that the person is engaging in trademark infringement.1 Tiffany had not alleged that eBay was liable for inducement. Rather, it argued that eBay continued to supply its service “to one whom it knows or has reason to know is engaging in trademark infringement”2—or sellers of counterfeit Tiffany goods which it allegedly knew or had reason to know were infringing Tiffany’s mark.3 The district court had held that eBay could not be held liable for infringement for any sellers whose listings were removed, which Tiffany did not challenge on appeal. The lower court had found that in each instance where Tiffany had submitted a Notice of Claimed Infringement (NOCI) form, eBay promptly terminated the listing, warned sellers and buyers, canceled fees it had earned from the listing and directed buyers not to consummate the sale of any disputed items.4 eBay also terminated users identified as “repeat infringers” based on a three-strikes policy.

The district court further clarified that the standard for imposing contributory liability was based on knowledge or “reason to know” of specific infringing activity; not reasonable anticipation of what might happen in the future.

Tiffany, on appeal, challenged the district court’s finding that eBay lacked sufficient knowledge of trademark infringement by sellers of other, non-terminated listings. Tiffany had conducted a survey showing that 73.1% and 75.5% of the purported Tiffany products purchased from eBay in 2004 and 2005, respectively, were counterfeit. While the district

[Section 6.10[2][I][iii]]

1See supra § 6.10[2][I][iii].
2Inwood, 456 U.S. at 854.
3600 F.3d at 106.
4600 F.3d at 106.
court found Tiffany’s survey methodologically flawed and of questionable value, it did hold that eBay had general knowledge that infringing activity was occurring on its site, although not specific knowledge of any particular listing since eBay promptly discontinued listings when it was given notice of them.

The Second Circuit agreed with the district court that generalized knowledge of infringing activity was insufficient to impose liability for contributory infringement under Inwood. The court held that “[f]or contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporaneous knowledge of which particular listings are infringing or will infringe in the future is necessary.”

Taken out of context, the court’s holding appears to contradict the Inwood test, which holds that liability may be imposed where a defendant knows or has reason to know of a person engaged in infringing activity. In context, however, the court made clear that the reason to know prong applies to cases of willful blindness involving specific instances of infringement, not more generalized knowledge.

District Court Judge Sullivan had ruled that “generalized knowledge that some portion of the Tiffany goods sold on its website might be counterfeit” was not sufficient to impose liability on eBay under Inwood. He wrote that neither precedent nor policy supported Tiffany’s contention that generalized allegations of infringement provided defendants with knowledge or reason to know of the infringement. Among other things, Judge Sullivan pointed out that the Supreme Court in Inwood used singular language, which is consistent with a requirement of specific, rather than general knowledge. He also found persuasive Judge Pregerson’s analysis in Lockheed Martin in concluding that Tiffany’s demand letters alone did not put eBay on notice of infringement because they also covered offers to sell legitimate, noninfringing Tiffany products on eBay and therefore extended beyond the actual scope of trademark protection. In addition, Judge Sullivan found that in those cases where courts determined that defendants had “reason to know” of infringement the courts relied on far more than merely notice from a plaintiff to a defendant. By contrast, he wrote that reason to know

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600 F.3d at 107.
may be premised on evidence that the defendant was will-fully blind to evidence of infringement on its website, among other things.

Judge Sullivan had found that eBay had generalized knowledge that some items offered on its site were counter-
feit, based on demand letters sent by Tiffany, notice of a survey done by Tiffany and the fact that Tiffany filed thousands of Notices of Claimed Infringement (NOCI) alleging a good faith belief that certain listings were counterfeit. However, he found that a substantial number of authentic Tiffany goods were sold on eBay, including both new and vintage jewelry as well as items sold in lots of five or more.6 Citing Justice White’s concurrence in Inwood, Judge Sul-
villan wrote that “the doctrine of contributory trademark in-
fringement should not be used to require defendants to re-
fuse to provide a product or service to those who merely might infringe the trademark. He continued: “Were Tiffany to prevail on its argument that generalized statements of in-
fringement were sufficient to impute knowledge to eBay of any and all infringing acts, Tiffany’s rights in its mark would dramatically expand, potentially stifling legitimate sales of Tiffany goods on eBay.”7

In reaching this conclusion, Judge Sullivan cited cases for the proposition that “mere assertions and demand letters are insufficient to impute knowledge as to instances not specifically identified in such notices, particularly in cases where the activity at issue is not always infringing.”8 He emphasized that “[t]he doctrine of contributory trademark

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6 Tiffany had argued that any listing of five items or more could be assumed to be counterfeit. Both the district court and Second Circuit rejected this assertion as factually unfounded. See 600 F.3d at 109 n.13.
7 Judge Sullivan noted that prior to initiating litigation, Tiffany had demanded that eBay ban the sale of Tiffany jewelry altogether.
8 Inwood (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463, 511 (S.D.N.Y. 2008), citing Gucci America, Inc. v. Hall & Associates, 135 F. Supp. 2d 409, 420 (S.D.N.Y. 2001) (holding that a “trademark owner’s mere assertion that its domain name is infringed is insufficient to impute knowledge of infringement,” and a demand letter is also insufficient); Fare Deals Ltd. v. WorldChoiceTravel.com, Inc., 180 F. Supp. 2d 678, 690 (D. Md. 2001) (finding insufficient a demand letter notifying the defendant of plaintiff’s position); Lockheed Martin Corp., 985 F. Supp. at 964 (holding that “trademark owner’s demand letter is insufficient to resolve . . . uncertainty” of infringement); Coca-Cola Co. v. Snow Crest Beverages, 64 F. Supp. 980, 987 (D. Mass. 1946) (holding, in a case cited by the U.S. Supreme Court in Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456
infringement cannot be used as a sword to cut off resale of authentic Tiffany items.”

The Second Circuit agreed with the lower court’s analysis of Inwood, although it did not address the question of whether demand letters were sufficient to provide knowledge. Judge Sack pointed out that the U.S. Supreme Court, in Sony Corp. v. Universal City Studios, Inc., a later copyright infringement case, contrasted the standard for imposing contributory copyright infringement with Inwood’s “narrow standard” for contributory trademark infringement, which focused on whether a defendant continued to “supply its products to identified individuals known by it to be engaging in continuing infringement . . . .” Judge Sack found this dicta persuasive as the only guidance provided by the Supreme Court on the meaning of Inwood’s reason to know prong. The Second Circuit court therefore rejected Tiffany’s argument that liability could be imposed based on eBay’s generalized knowledge that its site was being used for infringement.

The appellate court acknowledged that NOCIs and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeit items, but agreed with the district court that liability could not attach because “those sellers’ listings were removed and repeat offenders were suspended from the eBay site.”

6.10[2][I][iv] Willful Blindness

The lower court had found that eBay was not willfully blind to evidence of infringement on its website. Willful blindness “means a person must suspect wrongdoing and deliberately fail to investigate.” Judge Sullivan found that while eBay was generally aware that counterfeit Tiffany

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U.S. 844 (1982) that generalized complaints about counterfeiting is insufficient to establish knowledge).


**600 F.3d at 109.

[Section 6.10[2][I][iv]]

jewelry was being sold on eBay, eBay was also continually taking steps to further refine its anti-fraud measures. The court concluded that while Tiffany may have been dissatisfied with the steps taken, “it cannot be said that eBay failed to make reasonable inquiries or to take further steps to pursue counterfeiters.” The court rejected arguments that eBay could have done more, writing that “the fact that eBay did not take . . . additional steps is immaterial, because without specific knowledge or reason to know, eBay is under no affirmative duty to ferret out potential infringement. Willful blindness requires ‘more than mere negligence or mistake’ and does not lie unless the defendant knew of a high probability of illegal conduct and purposefully contrived to avoid learning of it, for example, by failing to inquire further out of fear of the result of the inquiry.”

Judge Sullivan concluded:

Put simply, it cannot be said that eBay purposefully contrived to avoid learning of counterfeiting on its website, or that eBay failed to investigate once it learned of such counterfeiting. To the contrary, in the face of such general awareness, eBay took significant steps to prevent counterfeiting by developing the VeRO Program, which seeks to remove individually infringing listings. Moreover, . . . when eBay became aware, through its VeRO Program, of Tiffany’s good faith belief that a listing was infringing, it investigated and removed the listing from its website.

Finally, where eBay was provided with knowledge of specific listings, it took appropriate steps to shut it down. Once Tiffany sent a NOCI, eBay promptly removed a listing.

The Second Circuit was more circumspect in its discussion, but “agree[d] with the district court that if eBay had reason to suspect that counterfeit Tiffany goods were being sold through its website, and intentionally shielded itself from discovering the offending listings or the identity of the sellers behind them, eBay might very well have been charged

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6.10[2][I][iv] Context for Developing the Law of the Internet 6-151

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Services, Inc., 955 F.2d 1143, 1149 (7th Cir. 1992), aff’d, 600 F.3d 93 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010); Louis Vuitton S.A. v. Lee, 875 F.2d 584, 590 (7th Cir. 1989) (finding that willful blindness occurs when a defendant fails to inquire further because he is afraid of what the inquiry might yield); Monsanto Co. v. Campuzano, 206 F. Supp. 2d 1271, 1275 (S.D. Fla. 2002) (holding that willful blindness occurs when a person suspects unlawful activity and purposefully fails to investigate).

with knowledge of those sales sufficient to satisfy Inwood’s ‘knows of has reason to know’ prong.”3 The appellate panel wrote that “willful blindness is equivalent to actual knowledge for purposes of the Lanham Act.”4 It cautioned, however: “To be clear, a service provider is not contributorily liable under Inwood merely for failing to anticipate that others would use its service to infringe a protected mark.”5

Summarizing its analysis of willful blindness, the panel wrote that even though eBay appeared “to concede that it knew as a general matter that counterfeit Tiffany products were listed and sold through its website . . . , [w]ithout more, . . . this knowledge is insufficient to trigger liability under Inwood.”6 The Second Circuit held that the district court’s finding that eBay was not willfully blind to counterfeit sales was not clearly erroneous in view of the evidence that “eBay did not ignore the information it was given about counterfeit sales on its website.”7

6.10[2][I][iv] Repeat Infringers and A Rights Owner’s Obligation to Monitor for Infringement

Tiffany also argued before the district court that eBay continued to serve individual infringers by allowing repeat offenders to sell counterfeit goods even after the filing of a NOCI. Tiffany alleged that it had identified 178 individuals operating under different eBay user names who Tiffany had previously identified in NOCIs. The district court, however, was critical of the fact that Tiffany equated the filing of a NOCI with proof of counterfeiting. Judge Sullivan wrote that “a NOCI is not a determination of counterfeiting, but instead is a good-faith assertion on the part of a rights holder that an item is counterfeit or is otherwise infringing. This distinction is material because without knowledge or actual counterfeiting, Tiffany cannot demonstrate that eBay should

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3 600 F.3d at 109.
4 600 F.3d at 110, quoting Hard Rock Cafe Licensing Corp. v. Concession Services, Inc., 955 F.2d 1143, 1149 (7th Cir. 1992).
5 Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 110 n.15 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010).
6 Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 110 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010).
7 Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 110 n.15 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010).
have permanently suspended a seller.” The district court noted that Tiffany identified close to 200 “repeat offenders” but observed that “Tiffany does not contest that once Tiffany sent in a NOCI for these users, eBay pulled the listing.” Judge Sullivan also deemed it significant that with only a few exceptions the users who reappeared on the eBay website appeared three or fewer times, frequently within a very short time span. Accordingly, Judge Sullivan found that Tiffany had failed to establish by a preponderance of the evidence that eBay failed to take appropriate action against those sellers upon receiving a notice of infringement.

The district court wrote that while it was “sympathetic to Tiffany’s frustrations . . . , the fact remains that rights holders bear the principal responsibility to police their trademarks.” In summary, Judge Sullivan found that eBay could not be held liable because even though it exerted sufficient control over its website such that the Inwood test was applicable, under that test the appropriate measure was whether eBay knew or had reason to know of—not whether eBay could reasonably anticipate—the infringement, where generalized knowledge is insufficient to impute knowledge of any and all instances of infringing activity to eBay, and where Tiffany’s demand letters, the Buying Programs, and the volume of NOCI reporting merely provided generalized knowledge. The district court further found that eBay was not willfully blind to infringement and when it obtained knowledge of specific infringing listings it promptly terminated them. Further, when eBay had knowledge that a seller was repeatedly engaging in counterfeit activity, eBay’s pattern was to suspend the seller and then take further corrective action. Finally, to the extent Tiffany’s challenged the VeRO program on the grounds that it was too time consuming, the district court reiterated that the burden of policing the Tiffany mark appropriately rested with Tiffany’s.

The Second Circuit did not address these points beyond noting that eBay had removed all listings and terminated repeat infringers identified in NOCIs and user complaints.

6.10[2][I][vi] Other Rulings

In addition to ruling on Tiffany’s claims for secondary liability, the Second Circuit affirmed the entry of judgment for eBay on Tiffany’s trademark infringement and dilution claims based on its use of “Tiffany” in sponsored links, which the court held was not used in a trademark sense and,
because eBay never used Tiffany’s marks in an effort to create an association with its product, but merely to advertise the availability of authentic Tiffany merchandise on eBay’s website, could not be the subject of a dilution claim. The court also remanded Tiffany’s false advertising claim on a narrow evidentiary issue (although the district court ultimately entered judgment for eBay on that claim as well).

**6.10[2][J] Sellify Inc. v. Amazon.com, Inc.**

In *Sellify Inc. v. Amazon.com, Inc.*, Judge Jed Rakoff of the Southern District of New York granted summary judgment in favor of Amazon.com on claims of contributory and vicarious trademark infringement (and a state law claim under the Connecticut Unfair Trade Practices Act) arising out of allegedly infringing sponsored link advertisements placed by an Amazon.com associate advertising sales on the Amazon.com website. Although there was no indication on the face of the advertisements that they originated from an entity other than Amazon.com, in fact the sponsored links had been purchased from Google by an Amazon.com associate, Cutting Edge Designs, without Amazon.com’s knowledge or consent.

At the time of the suit, Amazon.com had more than three million associates, each of which created links to the Amazon.com website and earned a percentage of the revenue from sales generated by their links. Amazon.com provided associates with detailed training and assistance and allowed them to use its trademark and logo in its advertisements, but did not monitor or control the contents of their advertisements.

Amazon.com’s Associates Program Operating Agreement made clear that associates were not agents of Amazon.com and were responsible for the content of their own advertisements (and prior to May 1, 2009 were permitted to purchase

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1. See infra §§ 6.11[3], 6.14[3], 9.11.

[Section 6.10[2][I][vi]]

[Section 6.10[2][J]]

sponsored link advertisements). If Amazon.com learned that an associate was violating the terms of its Agreement, it would issue a warning letter threatening to terminate the associate’s account and withhold accrued advertising fees, and in fact did so if the associate failed to comply with the terms of the Agreement after receiving a warning letter.

After the plaintiff saw the allegedly infringing sponsored link advertisement, it called Amazon.com’s “Seller Central” department to complain and allegedly was told there was nothing Amazon.com could do. Thereafter, counsel for the plaintiff sent a demand letter to Amazon.com threatening suit and demanding a settlement proposal. Amazon.com allegedly did not respond to that letter, but sent Cutting Edge a warning letter. Sellify’s counsel sent a second letter to Amazon.com three months after the first one, at which time Amazon terminated Cutting Edge’s account and withheld unpaid fees. The advertisements apparently ceased appearing thereafter. Amazon.com, however, did not have the ability itself to remove the advertisements from the Internet since they had been placed by Cutting Edge with Google, neither of which apparently had been contacted by Sellify.

Judge Rakoff granted Amazon.com’s summary judgment motion, ruling that Amazon.com could not be held vicariously liable because Cutting Edge was not an agent of Amazon.com under the terms of their Agreement and did not have apparent authority to bind it.

Applying *Tiffany v. eBay*, the court similarly held that Amazon.com was not liable for contributory infringement because there was no evidence that Amazon.com had particularized knowledge of, or direct control over, Cutting Edge’s advertisements. While the court noted that Sellify alleged that an unnamed sales representative allegedly told it that Amazon.com could do nothing to help, the court noted that upon receipt of Sellify’s first letter from counsel Amazon.com sent Cutting Edge a warning letter and it in fact terminated Cutting Edge’s account upon receipt of the second letter. As such, Judge Rakoff held that Amazon.com did not continue to supply its services to Cutting Edge, within the meaning of *Inwood*, after it knew that Cutting

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2. In ruling on Amazon.com’s motion for summary judgment, the court assumed as true all evidence favorable to the non-movant.


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Edge was engaging in trademark infringement against Sellify.\footnote{Sellify Inc. v. Amazon.com, Inc., No. 09 Civ. 0268 (JSR), 2010 WL 4455830, at *4 (S.D.N.Y. Nov. 14, 2010).}

The court also granted summary judgment in favor of Amazon.com on Sellify's state unfair trade claim.


Service providers and e-commerce sites may be able to mitigate the risk of being held liable for contributory infringement by disclosing their business practices (and prohibiting infringing uses) in website contracts such as click-through licenses or Terms and Conditions.\footnote{For an analysis of website terms and conditions, see infra chapter 22.} For example, in *Rolex Watch, U.S.A., Inc. v. Michel Co.*, the Ninth Circuit affirmed a district court finding that a wholesale jewelry dealer was not liable for contributory infringement based on his sale of generic replacement parts that fit only Rolex watches where the defendant (1) testified that he disclosed to customers the nature of the parts they were purchasing; and (2) presented testimony from one of his customers—a jewelry retailer—that the defendant never misrepresented the nature of the products and that the retail jeweler himself always disclosed to his customers the source of replacement parts.\footnote{Rolex Watch, U.S.A., Inc. v. Michel Co., 179 F.3d 704 (9th Cir. 1999).} In affirming the district court's decision under the clearly erroneous standard, the Ninth Circuit concluded that the district court did not err in concluding that Rolex failed to prove that the defendant either intentionally induced infringement or had knowledge of others' infringing uses. The Fifth Circuit earlier rejected a comparable contributory infringement claim asserted by Rolex against a jeweler.\footnote{See Rolex Watch USA, Inc. v. Meece, 158 F.3d 816, 828–29 (5th Cir. 1998) (rejecting Rolex's argument that because generic replacement parts are difficult to distinguish from genuine parts, and the parts fit only Rolex watches, the jeweler had reason to know that they would end up in infringing watches, where there was no evidence that the defendant sold large quantities of generic replacement parts).}
E-COMMERCE & INTERNET LAW: TREATISE WITH FORMS, 2D 2014
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