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Volume 19 | Issue 2

Article 9

March 2012

Passing the Virtual Buck: How the Ninth Circuit Used Contributory Trademark Law to Expand Liability for Web Hosts

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Alessandra Backus, *Passing the Virtual Buck: How the Ninth Circuit Used Contributory Trademark Law to Expand Liability for Web Hosts*, 19 J. INTELL. PROP. L. 427 (2012).

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NOTES

PASSING THE VIRTUAL BUCK: HOW THE NINTH CIRCUIT USED CONTRIBUTORY TRADEMARK LAW TO EXPAND LIABILITY FOR WEB HOSTS

*Alessandra Backus**

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* J.D. Candidate 2013, University of Georgia School of Law. The author would like to thank everyone on the *Journal* for their assistance in the editing process. She would also like to thank her family for their unending love and support. This Note is dedicated to Beau Backus, whose patience, love, and understanding guided me through these tough three years.

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I. INTRODUCTION

Imitation is the sincerest form of flattery, yet corporations whose trademark rights are infringed by the production and sale of counterfeit goods would likely disagree.¹ This sentiment is fueled by the fact that trademark infringement is not accidental. Counterfeit goods are generally produced with the specific purpose of infringing upon a company's trademark, as the product is intended to pass as that of the trademark holder.²

Years ago, the sale of counterfeit goods could be traced to pop-up vendors in localized markets, often infamous for selling cheap knock-off products. Places such as Canal Street in New York City, where vendors sell designer label products of dubious quality and origin, epitomized this localization and reflected the practical limitations a physical market imposed on counterfeiting.

Today, an internet search for "replica louis vuitton" reveals the prevalence and availability of counterfeit goods. The millions of search results illustrate how the internet and e-commerce have exacerbated the problems previously posed by counterfeiting.³ Now, counterfeit goods are everywhere due to factors such as increased international supply chains, the downturned global economy, the shift of manufacturing jobs to countries with poor intellectual property protection, and the growth of the online marketplace.⁴

Trademark law has struggled to keep up with the ever-changing technology of the internet-based marketplace. In the copyright context, the complexity of potential infringement in an interconnected society has been addressed both jurisprudentially and statutorily.⁵ The law is somewhat less instructive for a trademark owner concerned about online infringement.⁶ This legal uncertainty has been particularly troublesome for companies that find the web littered with counterfeit goods sold from locations that are often difficult to trace.

The complexity of seeking out online sellers of counterfeit goods complicates the process of a company bringing a direct infringement claim. Companies have thus turned to secondary trademark liability, predicated on the relationship between a third party and the alleged infringing activity, to protect

¹ *The Spread of Counterfeiting: Knock-offs Catch On*, ECONOMIST, Mar. 4, 2010, http://www.economist.com/node/15610089?story_id=E1_TVGTTDDRJ.

² See Julio O. De Castro, David B. Balkin & Dean A. Shepherd, *Can Entrepreneurial Firms Benefit from Product Piracy?*, 23 J. BUS. VENTURING 75, 78 n.3 (2008) (differentiating between counterfeit and pirated goods based on consumer knowledge, a distinction not used in this Note).

³ *The Spread of Counterfeiting: Knock-offs Catch On*, *supra* note 1.

⁴ *Id.*

⁵ See *infra* Part II.E.

⁶ Matthew Fornaro, *A Parallel Problem: Grey Market Goods and the Internet*, 8 J. TECH. L. & POL'Y 69, 71 (2003).

their marks from infringement. In the internet context, these claims have been brought against parties who assist or facilitate an infringing website including search engines, providers of payment services, hosts of online marketplaces, and registrars of domain names.⁷

An emerging category of defendants in these lawsuits is the internet service provider (ISP), a company that provides connectivity related services. One such provider, the web host, typically provides IP addresses and bandwidth to third parties, who in turn use the space to create websites.⁸

In September 2011, the Ninth Circuit delivered a potentially devastating blow to parties providing internet services, particularly web hosts.⁹ That court upheld a jury award of ten and one-half million dollars against a provider of web hosting services for contributory trademark infringement.¹⁰ The plaintiff, worldwide luxury goods producer Louis Vuitton, claimed that companies hosting specific websites were contributorily liable for any infringing content therein. Relying on an expansive interpretation of existing contributory trademark infringement case law, the court seemingly agreed.¹¹

The *Louis Vuitton* decision reflects the difficulty of assessing liability on the basis of internet content.¹² On the one hand, if the creator of a website is not accountable for its infringing content, then the party making it available should bear the burden of liability. On the other hand, it seems intuitively unjust to ask a provider of internet hosting services to make content-based determinations that are potentially detrimental to their business at the behest of a single corporation. The implications of such restrictions would certainly have chilling effects on the freedoms of speech and information.¹³

This Note argues that the *Louis Vuitton* decision impermissibly extended the scope of contributory trademark liability. While the defendants in this case may be less than sympathetic, the implications of the *Louis Vuitton* decision impose

⁷ See *infra* Part II.B.

⁸ See Complaint at 2, *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 2007 WL 2732579 (N.D. Cal. Aug. 1, 2007) (No. C 07 3952) (plaintiff Louis Vuitton brought suit alleging contributory and vicarious trademark infringement against multiple defendants who “operate servers hosting websites”).

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

¹⁰ *Id.* (affirming the finding of liability for contributory trademark infringement, but modifying the award, reducing it from \$31.5 million to \$10.5 million due to an error in jury instruction).

¹¹ *Id.* at 944–47.

¹² See Alfred C. Yen, *Internet Service Provider Liability for Subscriber Copyright Infringement, Enterprise Liability, and the First Amendment*, 88 GEO. L.J. 1833, 1836 n.11 (2000) (citing scholarly discussions of ISP liability for subscriber copyright infringement).

¹³ See Lisa P. Ramsey, *Increasing First Amendment Scrutiny of Trademark Law*, 61 SMU L. REV. 381, 384–85 (2008) (“Protected expression is frequently suppressed or chilled by trademark law. . .”).

an undue burden on web service providers. Further, the decision shifts the trademark owner's burden to pursue infringers to tangentially related third parties.

Part II of this Note examines the history of contributory trademark jurisprudence and the extension of its application. Additionally, Part II examines the *Louis Vuitton* case in closer detail. Part III of this Note explains how the web host does not fit cleanly into the contributory trademark jurisprudence and examines potential problems created by the *Louis Vuitton* decision. Further, Part III proposes a legislative solution to the current state of contributory trademark law. Part IV concludes that the *Louis Vuitton* case potentially expanded liability for internet service providers. In addition, this Note concludes that the murky state of the law should be addressed by legislative resolution.

II. BACKGROUND

A. COUNTERFEITING OVER THE INTERNET

"The Internet has transformed many aspects of life, but perhaps none more so than how we shop for goods and services."¹⁴ Even as the nation endures rough economic times, retail e-commerce sales have continued to rise.¹⁵ The expansion of the online market has provided consumers with greater choice in products and convenient methods to compare and efficiently purchase them.¹⁶ However this market can simultaneously provide sellers relative anonymity, allowing them to quickly unload items—an advantage when selling counterfeit goods.¹⁷

¹⁴ NIELSEN CO., GLOBAL TRENDS IN ONLINE SHOPPING: A NIELSEN GLOBAL CONSUMER REPORT 2 (June 2010), <http://www.hk.nielsen.com/documents/Q12010OnlineShoppingTrendsReport.pdf>.

¹⁵ See U.S. CENSUS BUREAU, E-STATS, *Retail Trade* 3 (May 26, 2011), <http://www.census.gov/econ/estats/2009/2009reportfinal.pdf> (noting that retail e-commerce sales reached \$145 billion in 2009, with an annual growth rate of 18.1% from 2002 to 2009).

¹⁶ See generally Karen Alboukrek, Note, *Adapting to a New World of E-Commerce: The Need for Uniform Consumer Protection in the International Electronic Marketplace*, 35 GEO. WASH. INT'L L. REV. 425, 429 (2003) (noting that e-commerce results in a global choice in products for consumers); Asheesh Agarwal, *Protectionism as a Rational Basis? The Impact on E-Commerce in the Funeral Industry*, 3 J.L. ECON. & POL'Y 189, 207 (2007) ("Online shopping allows consumers to conveniently compare several sellers' prices. . .").

¹⁷ See generally Sharon K. Sandeen, *In for a Calf is not Always in for a Cow: An Analysis of the Constitutional Right of Anonymity as Applied to Anonymous E-Commerce*, 29 HASTINGS CONST. L.Q. 527, 543–44 (2002) (arguing the interest of protecting consumers against fraud from anonymous sellers should outweigh seller privacy rights).

Counterfeit sales account for approximately 5% to 7% of the total global trade.¹⁸ Global counterfeiting accounts for an estimated six hundred billion dollars in revenue per year,¹⁹ with commercial losses by companies at an estimated five hundred billion.²⁰ These quick and faceless sales challenge companies to invent new ways to effectively monitor and enforce their trademark rights.

B. TRADEMARK INFRINGEMENT

A trademark “includes any word, name, symbol, or device, or any combination thereof” that is adopted or used by a manufacturer “to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.”²¹ A company can register a trademark federally²² so long as it is “used in commerce,”²³ requiring both proper trademark usage and the sale or transport of the trademarked good in commerce.²⁴ Federal trademark registration grants the owner a term of twenty years, which can be renewed by showing continued use.²⁵

“Trademarks encourage competition, promote economic growth and can raise the standard of living of an entire nation.”²⁶ Policies underlying the federal regulation of trademarks are aimed at the protection of both producers and consumers of goods and services.²⁷ Trademarks aid consumers by allowing them to associate a company’s service or product with its corresponding quality or reputation without confusion from similar marks.²⁸ Producers are protected from pirates and counterfeiters who would otherwise be able to free ride on the time and money a company invests in the products represented by its

¹⁸ Int’l AntiCounterfeiting Coal., *The Truth About Counterfeiting*, <http://www.iacc.org/about-counterfeiting/the-truth-about-counterfeiting.php>.

¹⁹ Brief for the Council of Fashion Designers of Am., Inc. as Amicus Curiae Supporting Appellants at 3, *Tiffany, Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010) (No. 08-3947-CV).

²⁰ *Id.* at 3 n.3.

²¹ 15 U.S.C. § 1127 (2006).

²² *Id.* § 1115.

²³ *See id.* § 1127 (defining “used in commerce” as it applies to trademarks).

²⁴ Lawrence E. Evans, Jr., *A Primer on Trademarks and Service Marks*, 18 ST. MARY’S L.J. 137, 142 (1986).

²⁵ *Id.* at 141.

²⁶ S. REP. NO. 100-515, at 4 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5580.

²⁷ *See id.*

²⁸ *See* H.R. REP. NO. 109-23, at 4 (2005), *reprinted in* 2006 U.S.C.C.A.N. 1091, 1092.

distinguished mark.²⁹ Trademark laws therefore prevent consumer confusion and unfair competition while promoting the goodwill of businesses.³⁰

The owner of a registered trademark can protect his rights under the Lanham Act through civil action.³¹ One infringes a trademark under the Lanham Act when, without consent, he uses another's trademark in commerce in a way that will likely confuse consumers.³² Once a trademark owner can show that the alleged infringer used the mark in commerce, a court will use a balancing test to evaluate the likelihood of consumer confusion.³³

Liability for trademark infringement is not limited to those who directly mislabel goods with another's trademark.³⁴ Courts have expanded the doctrinal limits of trademark liability to include two theories of secondary liability, vicarious and contributory liability.³⁵ Because the defendants in *Louis Vuitton* were held liable based on a theory of contributory liability, this Note will focus only on the theory of contributory liability.

C. CONTRIBUTORY TRADEMARK INFRINGEMENT

Contributory trademark infringement, a judicially created doctrine, has its roots in the common law of torts.³⁶ The test for finding liability for contributory trademark infringement was first articulated in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.* where the holder of a pharmaceutical trademark brought suit against a manufacturer of a generic drug.³⁷ There, plaintiffs brought suit against the manufacturer of a drug that looked almost identical to

²⁹ S. REP. NO. 100-515, at 4 (1988), reprinted in 1988 U.S.C.C.A.N. 5577, 5580.

³⁰ See Fara S. Sunderji, *Protecting Online Auction Sites from the Contributory Trademark Liability Storm: A Legislative Solution to the Tiffany Inc. v. eBay Inc. Problem*, 74 FORDHAM L. REV. 909, 917–19 (2005).

³¹ 15 U.S.C. § 1114(1) (2006).

³² *Id.*

³³ See, e.g., *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir. 1979); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 461–62 (7th Cir. 2000) (applying seven factor likelihood of confusion test).

³⁴ See *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 853 (1982) (“[L]iability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another.”).

³⁵ See Katja Weckström, *Liability for Trademark Infringement for Internet Service Providers*, 16 MARQ. INTELL. PROP. L. REV. 1, 35 (2012) (noting “[t]hat there is no federal legislation imposing liability for contributory or vicarious trademark infringement,” yet the Supreme Court recognized these causes of action).

³⁶ *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93, 103 (2d Cir. 2010).

³⁷ *Inwood*, 456 U.S. at 849.

their own product.³⁸ The suit was brought after pharmacies, relying on the similar appearance of the two products, supplied patients with the generic lookalike in place of the trademarked drug.³⁹ The Supreme Court articulated a two-prong test for contributory trademark liability holding that a defendant could be found liable where he either intentionally induced another party to infringe on another's trademark rights or continued to supply his product to a party whom he knew or should have known was infringing another's trademark rights.⁴⁰ The Court made it clear that parties would not be shielded from liability if they knowingly distributed an infringing product. Instead, the Court held that liability for infringing goods continues down the chain of distribution of the goods.⁴¹ In this sense, one can imagine liability passing to each party down the physical supply chain of the good from the manufacturer to the consumer. This chain becomes distorted, however, when the parties involved are online entities who may never physically come in contact with the infringing goods.

Until recently, claims of contributory trademark infringement were most commonly used in this manufacturer and distributor context.⁴² The expansion of this doctrine outside of the confines of the manufacturer and distributor model has largely been predicated on the second prong of the *Inwood* test.⁴³ This is likely because the first prong demands a higher burden of proof from the plaintiff, requiring proof of intent. Internet access and worldwide markets have given courts the opportunity to extend the *Inwood* test to third party infringers whose relationships to the direct infringers are more attenuated than the manufacturer to a distributor. The first such expansion of the *Inwood* test was the application of the test to cases involving common law landlord-tenant

³⁸ *Id.* at 847.

³⁹ *Id.* at 844, 854.

⁴⁰ *Id.* at 854.

⁴¹ *Id.*

⁴² Mark Bartholomew & John Tehranian, *The Secret Life of Legal Doctrine: The Divergent Evolution of Secondary Liability in Trademark and Copyright Law*, 21 BERKELEY TECH. L.J. 1363, 1389 (2006) ("[C]ontributory trademark liability has broadened in recent years to cover more than just manufacturers and distributors."). Compare *United States v. Articles of Drug*, 825 F.2d 1238, 1246 (8th Cir. 1987) (discussing liability in the context of a manufacturer and distributor), with *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93, 103 (2d Cir. 2010) (finding a website proprietor not liable for contributory trademark infringement as a distributor of goods that infringed plaintiff jewelry manufacturer's mark).

⁴³ See *Inwood*, 456 U.S. at 854 (differentiating between the international inducement and knowledge and control prongs). The prevalence of the second prong in case law is likely due to the plaintiff's lower burden of proof; it is likely easier to show knowledge of infringement than it is to show intent to infringe.

relationships as applicable to owners of swap meets or flea markets.⁴⁴ The second expansion of the test was in its application to third parties who provide services rather than products to direct infringers.⁴⁵

1. *The Landlord–Tenant Extension.* The first major expansion of the *Inwood* test was its application to the landlord-tenant relationship. In *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*,⁴⁶ the Seventh Circuit applied the *Inwood* test to the owner of a swap meet (also referred to as a flea market). Vendors at the defendant's market sold t-shirts that allegedly infringed on the registered trademarks of the Hard Rock Cafe. There, the court "treated trademark infringement as a species of tort" and compared the owner to a landlord, relying on the Restatement of Torts in treating the trademark violation as a common law tort.⁴⁷

The *Hard Rock* court drew heavily from the concepts of landlord-tenant relationships and premises liability in deciding that the *Inwood* test would apply to the flea market owner. The *Hard Rock* court determined that the owner of the flea market was responsible for the torts of those permitted on its premises so long as he had actual or constructive knowledge of the trademark violations.⁴⁸ Because of that defendant's limited supervision, there was no evidence to show knowledge of the allegedly infringing activity. However, the court noted that the defendant was more than a mere landlord because he advertised the flea market, sold tickets for admission, and supervised the market during hours of operation.⁴⁹ The court reasoned that the owner of a flea market is more akin to a manufacturer who intentionally mislabels a good rather than a "temporary help service" provider who helps or supplies the purveyor of the counterfeit goods.⁵⁰

The *Hard Rock* case not only extended the application of the *Inwood* test; it also increased the scrutiny with which a court would evaluate a defendant's knowledge. The court noted that the defendant in the case may have been willfully blind where he knew that the product had "cut labels," were being sold cheaply, and where he "did not ask vendors whether their goods were

⁴⁴ See, e.g., *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1148–49 (7th Cir. 1992); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264–65 (9th Cir. 1996).

⁴⁵ See, e.g., *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984–85 (9th Cir. 1999).

⁴⁶ 955 F.2d 1143 (7th Cir. 1992).

⁴⁷ *Hard Rock Cafe*, 955 F.2d at 1148–49 (citing RESTATEMENT (SECOND) OF TORTS § 877(c) & cmt. D (1979)).

⁴⁸ *Id.* at 1149.

⁴⁹ *Id.* at 1148–49.

⁵⁰ *Id.*

counterfeit because they were sure to lie to him.”⁵¹ The court noted that willful blindness is equivalent to actual knowledge for purposes of evaluating trademark infringement under the Lanham Act; however, failure to take actions to prevent infringement was not an adequate measure of willful blindness.⁵² Instead, the court looked to the party’s suspicion of infringing activity and failure to investigate.⁵³

The Seventh Circuit treatment of the flea market owner with regard to willful blindness is relevant to its explicit definition of the term: “To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate.”⁵⁴ In the context of contributory trademark infringement, knowledge and facilitation required by the *Inwood* test are thus satisfied with suspicion and deliberate inaction. The court emphasized that while proof of willful blindness would satisfy the requisite knowledge for a contributory claim, landlords would not be expected to patrol and prevent the sale of counterfeit goods on their premises.⁵⁵ As a result, though the court extended the scope of potential liability under the *Inwood* test, it expressly rejected a third party affirmative duty to seek out or prevent the trademark infringement of others. The Seventh Circuit’s application of the *Inwood* test to landlord–tenant relationships has been followed by other courts.⁵⁶ The Ninth Circuit has similarly applied the common law landlord analogy to an owner of a flea market.⁵⁷

2. *Extension to Services.* The second expansion of the *Inwood* test with regard to contributory trademark infringement was its application to defendants who provide services rather than physical items or space. While the *Hard Rock* case touched on the subject, the issue was first truly addressed in *Lockheed Martin Corp. v. Network Solutions, Inc.*, where an aircraft manufacturer brought an action against the registrar of Internet domain names.⁵⁸ The defendant was the sole registrar of domain-name combinations but did not provide any web hosting

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.*; see also *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93, 109 (2d Cir. 2010) (adopting the *Hard Rock* court’s application of willful blindness as sufficient to charge knowledge under the *Inwood* test).

⁵⁵ *Hard Rock*, 955 U.S. at 1149.

⁵⁶ See, e.g., *Gucci Am., Inc. v. Hall & Assoc.*, 135 F. Supp. 2d 409 (D. Utah 2001); *Coach, Inc. v. Gata Corp.*, No. ID-CV-141-LM, 2011 WL 2358671 (D.N.H. June 9, 2011).

⁵⁷ See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264–65 (9th Cir. 1996) (adopting the *Hard Rock* analysis in applying the *Inwood* test to a flea market owner).

⁵⁸ 194 F.3d 980 (9th Cir. 1999).

functions.⁵⁹ The plaintiff brought suit when third parties registered domain names that the plaintiff believed to be infringing on its trademark rights.⁶⁰

In denying the defendant's liability, the Ninth Circuit compared the services of the defendant, a domain name registrar and router, to that of the United States Postal Service.⁶¹ The court noted that once a domain name was registered, the defendant merely routed information to the Internet Protocol (IP) address just as the Postal Service routes mail.⁶² The court then noted that while the registrant of the domain name pays a fee to the defendant for its services, the defendant "does not supply the domain-name combination any more than the Postal Service supplies a street address"⁶³

The *Lockheed* court found the application of the *Inwood* test to flea market owners as landlord-like figures in *Hard Rock* and *Fonovisa* instructive for application of the test in cases where there is no physical product being supplied by the third party.⁶⁴ The *Lockheed* court used a similar analysis in finding the *Inwood* test applicable to service providers.⁶⁵ While pronouncing this extension valid, the court declined to hold that defendant liable, finding it lacked the "direct control and monitoring required to justify an extension of the 'supplies a product' requirement."⁶⁶

The *Lockheed* court placed new emphasis on the direct control and monitoring element of a contributory infringement claim.⁶⁷ Other circuits have incorporated this emphasis into their tests for contributory trademark infringement in cases that involve services rather than goods, focusing on the level of control a defendant has over the infringing activity.⁶⁸ In considering

⁵⁹ *Id.* at 982.

⁶⁰ *Id.* at 983.

⁶¹ *Id.* at 984–85.

⁶² *Id.*

⁶³ *Id.*

⁶⁴ See *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999) ("*Hard Rock* and *Fonovisa* teach us that when measuring and weighing a fact pattern in the contributory infringement context without the convenient 'product' mold dealt with in *Inwood Lab.*, we consider the extent of control exercised by the defendant over the third party's means of infringement.").

⁶⁵ *Id.* at 984.

⁶⁶ *Id.* at 985.

⁶⁷ Cf. Jason Kessler, Note, *Correcting the Standard for Contributory Trademark Liability Over the Internet*, 39 COLUM. J.L. & SOC. PROBS. 375, 387 (2006) (arguing that the direct control and monitoring element articulated by the *Lockheed* court was based on reliance on misstatements of the holdings of *Hard Rock* and *Fonovisa*).

⁶⁸ See, e.g., *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010); *Optimum Techs., Inc. v. Henkel Consumer Adhesives, Inc.*, 496 F.3d 1231 (11th Cir. 2007); *Procter & Gamble Co. v. Haugen*, 317 F.3d 1121 (10th Cir. 2003).

the defendant's level of control, the *Lockheed* court reasoned that while the landlord of a flea market could be reasonably expected to supervise the products sold on his premises, the domain name registrar *could not have been reasonably expected to monitor the Internet*.⁶⁹ It should be noted that this is the same circuit that decided the *Louis Vuitton* case twelve years later.

The *Lockheed* decision thus expanded contributory liability beyond the manufacturers and suppliers scope of the *Inwood* days. The application of the *Inwood* test in *Lockheed* opened the door to secondary liability for actors who were only indirectly involved in the sale of infringing goods.

D. THE GROWING USE OF CONTRIBUTORY LIABILITY FOR INTERNET-BASED CASES

Due to the difficulty of tracking potential infringers through internet addresses or data,⁷⁰ companies have begun to look to secondary liability to enforce their trademark rights. By proving knowledge and direct monitoring or control by a third party, these trademark owners shift the focus from the direct infringer to the service providers that may have aided the infringer.

Courts similarly have started to shift the analysis of contributory trademark infringement from the manufacture and supply of infringing items to the mechanisms that facilitate the infringement.⁷¹ In evaluating contributory liability, an increasing emphasis is placed on either the relationship between the direct infringer and the third party defendant or the relationship between the infringement itself and the third party defendant.⁷² After *Lockheed*, the inquiry for secondary liability as applied to service providers focuses on the degree of control and monitoring that the third party has over the infringing activity.⁷³

⁶⁹ *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 985 (9th Cir. 1999) (emphasis added) (quoting *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 962 (C.D. Cal. 1997)).

⁷⁰ See, e.g., *Recording Indus. Ass'n of Am., Inc. v. Verizon Internet Servs., Inc.*, 351 F.3d 1229, 1232 (D.C. Cir. 2003) (discussing the difficulty of obtaining information about an infringing user).

⁷¹ See, e.g., *Perfect 10, Inc. v. Visa Int'l Serv., Ass'n*, 494 F.3d 788, 819–20 (9th Cir. 2007) (evaluating the relationship between an infringing party and payment systems); *Gov't Emps. Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004) (evaluating the relationship between a search engine and infringing third party advertisers).

⁷² See Mark Bartholomew & Patrick F. McArdle, *Causing Infringement*, 64 VAND. L. REV. 675, 691 (2011) (arguing that by shifting the focus away from the supply of infringing items, the courts have replaced a brightline rule with a hazy standard).

⁷³ See Mark Bartholomew & John Tehranian, *The Secret Life of Legal Doctrine: The Divergent Evolution of Secondary Liability in Trademark and Copyright Law*, 21 BERKELEY TECH. L.J. 1363, 1391 (2006) (noting that the *Lockheed* standard has been widely adopted by other courts to the extent that a lack of control and monitoring of the means of infringement may preclude contributory

1. *Cybersquatting and the Domain Name Trademarks.* In order to fully understand the severe implications of the *Louis Vuitton* case, it is important to understand another source of recent contributory trademark infringement litigation—cybersquatting domain name cases. While the *Lockheed* case was a domain name case, it predated the competitive market for domain name registry and sale.⁷⁴ After the introduction of a viable market for domain name registry, there was a race to register popular names in hopes that the owner could sell the name to an interested party.⁷⁵ This led to a battle between companies who had yet to register their trademarked name for an internet domain name and the individuals who capitalized on this failure by registering domains that included the names of companies protected by trademark law.⁷⁶

In 1999, Congress responded to this growing problem by enacting the Anticybersquatting Consumer Protection Act (ACPA).⁷⁷ The statute imposes liability on anyone who registers, traffics in, or uses a domain name that is dilutive of or confusingly similar to a registered trademark with a bad faith intent to profit from the use.⁷⁸ Thus, to bring a claim for trademark infringement by cybersquatting a plaintiff needs to prove three elements: (1) the defendant registered, trafficked in, or used a domain name; (2) the domain name was confusingly similar or dilutive of a distinctive or famous trademark; and (3) the defendant had bad faith intent to profit from the mark.⁷⁹

In 2001, three of the country's biggest automobile makers sued a domain name auction site for infringement of their trademarked names.⁸⁰ The defendant company operated an auction website that appraised domain names and provided a marketplace for buyers and sellers of domain names.⁸¹ The sites at issue in the case included names such as "lincolntrucks.com" and "jaguarcenter.com."⁸²

liability).

⁷⁴ See *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 982 (9th Cir. 1999) (explaining that at the time the case was initiated, Network Solutions, Inc. was the exclusive registrar for internet domain names; but during the course of the case, a competitive scheme was introduced).

⁷⁵ See Luke A. Walker, *ICANN's Uniform Domain Name Dispute Resolution Policy*, 15 BERKELEY TECH. L.J. 289, 295–96 (2000) (discussing the rise of domain name disputes).

⁷⁶ *Id.*

⁷⁷ 15 U.S.C. § 1125(d) (2006).

⁷⁸ *Id.*

⁷⁹ *Ford Motor Co. v. GreatDomains.com, Inc.*, 177 F. Supp. 2d 635, 641 (E.D. Mich. 2001).

⁸⁰ See *id.* at 640.

⁸¹ *Id.* at 639–40.

⁸² *Id.* at 641.

In their argument for contributory liability, the automobile companies argued for the landlord application of the *Inwood* test, arguing that the defendant website provided the “necessary marketplace” for the alleged cybersquatting.⁸³ The court denied this application of the rule noting that the ACPA specifically required a bad faith intent for liability.⁸⁴ The court reasoned that Congress intentionally made the threshold for proving infringement through cybersquatting higher than that for a traditional infringement case.⁸⁵ In so holding, the court noted that liability for contributory trademark infringement would apply only in exceptional circumstances.⁸⁶ This heightened burden of proof may reflect an implicit understanding of both the difficulties of showing willful infringement by an ISP and the slippery slope it might create.

2. *The Online Marketplace and Contributory Trademark Infringement.* Recent cases alleging contributory trademark infringement involve the use of online marketplaces for the sale of goods.⁸⁷ The most recognizable example of such an online marketplace is eBay, an “eponymous online marketplace [that] has revolutionized the online sale of goods.”⁸⁸ eBay and similar companies facilitate the buying and selling of goods by hundreds of millions of people.⁸⁹ Customers are able to find goods that they might not otherwise find from the comfort of their homes; and eBay profits from charging its sellers for use of its listing services.⁹⁰ Unfortunately, eBay has also become a way for users to quickly and anonymously engage in fraudulent activities by marketing and selling counterfeit goods.⁹¹

In *Tiffany Inc. v. eBay Inc.*, the Second Circuit addressed whether eBay could be held liable for contributory trademark infringement where its sellers sold items that violated the trademark rights of third party manufacturers.⁹² Tiffany, an international jewelry company, estimated that of all of the Tiffany products sold over eBay, 75% were counterfeit.⁹³ Tiffany sent Notices of Infringement (NOIs) to eBay asking that the infringing content be removed.⁹⁴ eBay in turn,

⁸³ *Id.* at 646.

⁸⁴ *Id.* at 647.

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ See, e.g., *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).

⁸⁸ *Id.* at 96.

⁸⁹ *Id.*

⁹⁰ *Id.* at 97.

⁹¹ See *id.* at 96 (noting that eBay gave counterfeiters the opportunity to “perpetrate fraud by selling counterfeit goods”).

⁹² *Id.* at 93.

⁹³ *Id.* at 97.

⁹⁴ *Id.* at 106.

gradually improved its technology and promised to implement anti-fraud measures as soon “as such measures became technologically feasible and reasonably available.”⁹⁵ Dissatisfied, Tiffany filed suit against eBay, arguing that the receipt of the NOIs established the requisite knowledge of infringement to establish contributory liability through application of the *Inwood* test.⁹⁶

The Second Circuit’s analysis of the *Inwood* test in the *Tiffany* case elaborated on the level of knowledge required to impose liability for contributory infringement. The court held that for a service provider to be held liable, it must have “more than a general knowledge or reason to know that its service is being used to sell counterfeit goods.”⁹⁷ The court reasoned that the *Inwood* court refused to apply a more generalized, broad test of “knows or has reason to know” to the facts before it.⁹⁸ The court then reaffirmed what was suggested in *Hard Rock* by noting that a service provider will not be shielded from liability if it is willfully blind to the alleged infringement.⁹⁹

The *eBay* decision added uncertainty to the realm of contributory trademark infringement. EBay was not held liable primarily due to its lack of specific knowledge of individual infringements, but also because the court found that its prevention programs adequately protected others from potentially infringing uses of protected marks.¹⁰⁰ Whether one of these factors on its own would suffice to preclude liability remains to be seen. eBay’s use of a prevention program may only be relevant in the context of an online auction site, where the service provider is an active participant in the sale, profiting from each transaction. Courts may find protection programs less significant for service providers who do not directly profit from the sale of allegedly infringing goods.

E. THE COPYRIGHT COROLLARY

The scope of copyright law varies from that of trademark law, in part because of the different justifications for each area of law.¹⁰¹ Copyright law has its roots in the Constitution and exists to encourage invention and creativity by protecting the rights of inventors and creators.¹⁰² Trademark law addresses

⁹⁵ *Id.* at 100.

⁹⁶ *Id.* at 106.

⁹⁷ *Id.* at 107.

⁹⁸ *Id.* at 107–08.

⁹⁹ *Id.* at 110.

¹⁰⁰ *Id.* at 109.

¹⁰¹ 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 6.3 (4th ed. 2011) (discussing the distinct policies of patents, trademarks and copyrights).

¹⁰² See U.S. CONST. art. I, § 8, cl. 8 (granting Congress the authority to “secur[e] for limited Times to Authors and Inventors the exclusive Right to their respective Writings and

policy concerns rooted in business regulation, such as unfair competition and consumer protection.¹⁰³ Secondary liability in the copyright context has its roots in both common law tort doctrines and in the 1976 Copyright Act, which twice references indirect liability standards.¹⁰⁴

Contributory copyright law is broader in nature than its corollary in trademark.¹⁰⁵ To be liable for contributory copyright infringement, one must have knowledge of the infringing activity and induce, cause, or materially contribute to the infringing conduct of another party.¹⁰⁶ Copyrights prohibit the unauthorized display of any copyrighted work or performance.¹⁰⁷ A person can be liable for contributory copyright infringement if he has the ability or right to supervise the infringing activity, or if he benefits financially from the display of the copyright work, regardless of his knowledge of the infringing activity.¹⁰⁸

The internet, as an outlet capable of quickly and frequently replaying or displaying copyright works, created a new market for potential copyright infringers. Several cases in the late 1990s raised the question of potential liability for secondary copyright infringement for ISPs.¹⁰⁹ In response, Congress enacted the Digital Millennium Copyright Act (DMCA) in 1998.¹¹⁰ The statute creates safe-harbor provisions that insulate qualifying ISPs from secondary liability for copyright infringement so long as they adopt a policy reasonably aimed at stopping repeat infringers.¹¹¹ The statute essentially creates a statutory notification and takedown system that balances the right of the

Discoveries”).

¹⁰³ See *supra* Part II.B.

¹⁰⁴ H.R. REP. NO. 94-1476, at 61, 159–60 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5674, 5774–75.

¹⁰⁵ See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984) (“Given the fundamental differences between copyright law and trademark law, in this copyright case we do not look to the standard for contributory infringement set forth in *Inwood* [. . .], which was crafted for application in trademark cases.” (internal citation omitted)); see also *Perfect 10, Inc. v. Visa Int’l Serv., Ass’n*, 494 F.3d 788, 806 (9th Cir. 2006) (“The tests for secondary trademark infringement are even more difficult to satisfy than those required to find secondary copyright infringement.”).

¹⁰⁶ *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

¹⁰⁷ 17 U.S.C. §§ 101–106.

¹⁰⁸ Herbert J. Hammond, *Intellectual Property Issues in E-Commerce*, UNDERSTANDING THE LEGAL ASPECTS OF E-COMMERCE, 2011 WL 4450808, at 5 (2011).

¹⁰⁹ See, e.g., *Religious Tech. Ctr. v. Netcom On-line Comm’n Servs.*, 907 F. Supp. 1361 (N.D. Cal. 1995); *Playboy Enters., Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993); *Marobie-FL, Inc. v. Nat’l Ass’n of Fire Equip. Distribs.*, 983 F. Supp. 1167 (N.D. Ill. 1997). See also S. REP. NO. 105-190, at 17 (1998).

¹¹⁰ 17 U.S.C. § 512 (2006).

¹¹¹ See S. REP. NO. 105-190, at 19 (1998); 17 U.S.C. § 512(c)(1) (2006).

copyright holder with that of the website owner.¹¹² Each is held to a standard of good faith in asserting that website content does or does not violate the statute.¹¹³ Utilizing the DMCA, a copyright holder's claim results in a judicial determination as to the rights of the respective parties concerning their use of the protected copyright.¹¹⁴

The notification system requires the copyright holder to notify an ISP of potentially infringing material found on a website hosted by the ISP.¹¹⁵ The copyright holder must identify the copyrighted work, the allegedly infringing material, and where it can be located on the website.¹¹⁶ Further, the holder must assert a good faith belief that the material is infringing.¹¹⁷ Finally, the holder must certify that everything included in the notification is true and accurate, subject to penalty of perjury.¹¹⁸

Under the DMCA, the ISP is not required to make any judgments or determinations about the validity of the copyright holder's claim.¹¹⁹ So long as the holder makes a good faith allegation of infringement, the statute requires the ISP to take reasonable steps to remove the material.¹²⁰ This insulates the ISP from liability without requiring it to evaluate the merits of a contributory copyright infringement claim.¹²¹ The alleged infringer can submit a "counter-notification" to the ISP asserting a good faith belief that the material removed was done so by mistake or misidentification.¹²² The ISP then, in turn notifies the original claimant that the material will be replaced or reinstated unless it receives notice of a pending legal action within fourteen days.¹²³ In effect, a copyright claim brought in this manner is analogous to a preliminary injunction.

The DMCA addresses the requisite knowledge for secondary liability by separating ISPs who have actual knowledge of infringement and those who are "aware of facts or circumstances from which infringing activity is apparent."¹²⁴ The history of the statute indicates that the "awareness of facts or

¹¹² See 17 U.S.C. § 512(c)(3)(A) (2006).

¹¹³ *Id.* § 512(c)(3)(A)(v); see also *Rossi v. Motion Picture Ass'n of Am., Inc.*, 391 F.3d 1000, 1003 (9th Cir. 2004) (discussing the good faith requirement).

¹¹⁴ See H.R. REP. NO. 105-551, pt. 2, at 8 (1998).

¹¹⁵ 17 U.S.C. § 512(c)(1)(A)(iii) (2006).

¹¹⁶ *Id.*

¹¹⁷ *Id.* § 512(c)(3)(v).

¹¹⁸ *Id.* § 512(c)(3)(vi).

¹¹⁹ *Id.* § 512(c)(1).

¹²⁰ *Id.*

¹²¹ *Id.*

¹²² *Id.* § 512(g)(3).

¹²³ *Id.* § 512(g)(2)(B)-(C).

¹²⁴ *Id.* § 512(c)(1)(A)(2).

circumstances” was meant to describe “red flags” that would lead an ISP to believe infringing activity was occurring on its site.¹²⁵ Much like the description of the knowledge requirement by the *Hard Rock* court, the DMCA does not impose an affirmative duty on the ISP or web host to actively seek out or punish potential infringers.¹²⁶ Rather, it implements a formal notice procedure that allows protection for copyright holders and essentially directs the resolution of the underlying dispute to the courts.

F. THE LOUIS VUITTON CASE

Louis Vuitton produces and distributes high-quality luxury goods including handbags, luggage, and accessories, all of which bear one or more of the company’s trademarks.¹²⁷ The company actively polices the use of its intellectual property to protect its products’ exclusivity and its brand’s reputation.¹²⁸ Louis Vuitton’s complaints led to the seizure of nearly 9,500 knock-off items in 2009, an increase of 31% from the previous year.¹²⁹ In addition to these seizures, Louis Vuitton pursues its legal remedies by bringing civil actions against individual infringers to protect its brand. Company-driven lawsuits against manufacturers and distributors of counterfeit goods are at “an all-time high.”¹³⁰

Through its protection programs, Louis Vuitton discovered websites offering the sale of merchandise that infringed on many of its protected marks. The counterfeit products were not actually sold on the website, but were available through email contact with the seller.¹³¹ The websites were supported by servers operated by Akanoc Solutions, Inc. (Akanoc), owned by Managed Solutions Group, Inc. (MSG), and managed by Steven Chen.¹³² Louis Vuitton sent numerous NOIs to the three parties involved, detailing instances of copyright and trademark infringement on numerous websites hosted by the

¹²⁵ See H.R. REP. NO. 105-551, at 53 (1998).

¹²⁶ See Christian C.M. Beams, *The Copyright Dilemma Involving Online Service Providers: Problem Solved . . . for Now*, 51 FED. COMM. L.J. 823, 834 (1999) (“[W]hile there was no affirmative duty to constantly police one’s customers, an [ISP], under the provisions of this bill, could not ignore suspicious activity when it became aware of such activity.”).

¹²⁷ *Complaint*, *supra* note 8, at 3.

¹²⁸ *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 940 (9th Cir. 2011).

¹²⁹ *The Spread of Counterfeiting: Knock-offs Catch On*, *supra* note 1.

¹³⁰ *Id.*

¹³¹ *Louis Vuitton*, 658 F.3d at 940.

¹³² *Complaint*, *supra* note 8, at 2.

defendants.¹³³ The notices demanded removal of the allegedly infringing content.¹³⁴

Akanoc, MSG, and Chen did not respond to Louis Vuitton's notices and later denied receiving any notice from Louis Vuitton or its agents.¹³⁵ With no direct response from the defendant parties, and the infringing websites still up and running, Louis Vuitton prepared for legal action against the infringers. The company alleged that the individuals responsible for the content of the infringing websites were based in China.¹³⁶ While the Lanham Act can be applied to trademark infringers outside of the United States,¹³⁷ plaintiffs bringing a claim against a foreign infringer are held to a higher evidentiary standard than those pursuing a claim against a domestic company.¹³⁸ Rather than filing suit against unknown infringers with unknown assets in a foreign country, Louis Vuitton pursued its next viable target—the company that hosted the allegedly infringing websites.

Louis Vuitton filed suit against Akanoc, MSG, and Chen alleging that the defendants hosted websites that “offer[ed], promote[d], advertise[d], and facilitate[d] the offer and sale of counterfeit merchandise which infringe[d]” on the trademark rights of Louis Vuitton.¹³⁹ It appeared Louis Vuitton finally had the web host's attention. The defendants responded to the complaint against them by denying twenty-two allegations, claiming insufficient knowledge for twenty-two allegations, and admitting only seven allegations (four of which related to jurisdiction and venue).¹⁴⁰ However, discovery later revealed damning evidence that the defendants were well aware of the activity, including

¹³³ *Louis Vuitton*, 658 F.3d at 940.

¹³⁴ *Id.*

¹³⁵ Though, it appears that the companies did take minimal remedial action by emailing their customers. See Defendants' Motion in Limine #5 to Exclude Emails Sent Between Defendants and their Customers Discussing Subsequent Remedial Measures at 1, *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 2009 WL 1240903 (N.D. Cal. Feb. 23, 2009) (No. 507CV03952) (showing that the defendants sent their customers takedown e-mails); Answer to Complaint and Demand for Jury Trial at 3, *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 2007 WL 3161456 (N.D. Cal. Sept. 10, 2007) (No. C 07-3952 JW) (denying receipt of notices).

¹³⁶ *Louis Vuitton*, 658 F.3d at 940.

¹³⁷ See, e.g., *Ocean Garden, Inc. v. Marktrade Co.*, 953 F.2d 500, 503 (9th Cir. 1991) (holding the Lanham Act provides a “‘broad jurisdictional grant’ . . . to ‘all commerce which may lawfully be regulated by Congress’”) (citing *Steele v. Bulova Watch Co.*, 344 U.S. 280, 283, 286 (1952)).

¹³⁸ Order Granting in Part and Denying in Part Defendants' Post-Trial Motions; Granting Plaintiff's Motion for a Permanent Injunction, at 8, *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 2010 WL 5598337 (N.D. Cal. Mar. 19, 2010) (No. C 07-03952 JW).

¹³⁹ *Complaint*, *supra* note 8, at 10.

¹⁴⁰ See Answer to First Amended Complaint, *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 2008 WL 6859064 (N.D. Cal. July 29, 2008) (No. C 07-3952 JW).

an email to an infringing website owner writing, "Stupid LV, they sue us instead of APE168."¹⁴¹

The defendants in the *Louis Vuitton* case may not evince sympathy as passive participants unknowingly held responsible for the infringing activity of others. However, it was later revealed through discovery that they specifically targeted foreign customers who were trying to expand business into the U.S. market.¹⁴² The defendants knew that there was potentially infringing activity on its sites and their inaction was predicated on a "not-my-problem" mentality. The troublesome nature of this evidence was exacerbated by the plaintiff's request for a jury trial, rather than the more typical bench trial for trademark infringement cases. These factors may very well explain the multi-million dollar jury award in this particular case. Nonetheless, the decision marks an expansion of existing contributory trademark law that may be problematic for web hosts.

The *Louis Vuitton* court extended liability to a third party for hosting an allegedly infringing website.¹⁴³ In doing so, the court relied on the landlord-tenant relationship by emphasizing the physical space the infringing websites occupied on the defendant's servers.¹⁴⁴ The court further relied on its interpretations of *Inwood* and the contributory trademark jurisprudence to affirm the defendant's liability and adjust the damages award.¹⁴⁵ The *Lockheed* "direct control and monitoring" test was the final tool used by the court to reach its decision.¹⁴⁶

III. ANALYSIS

This Note proposes that the *Louis Vuitton* court impermissibly expanded the scope of liability for contributory trademark infringement. The proposed solutions include a model legislative solution that could have equal application in the judicial realm.

¹⁴¹ Tresa Baldas, *Add Knockoff Handbags to Web Hosts' Woes*, FL BUS. REV., Sept. 30, 2009.

¹⁴² Opposition of Plaintiff to Defendants Rule 50(a) Motion for Judgment as a Matter of Law Regarding: Contributory Trademark Infringement Claim at 4, *Louis Vuitton Malletier S.A. v. Akanoc Solutions, Inc.*, 2010 WL 5598337 (N.D. Cal. 2010) (No. C 07-03952 JW), 2009 WL 3462254 (noting that this evidence was revealed both through the defendant's webpage and through testimony of Defendant Chen).

¹⁴³ *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 942 (9th Cir. 2011).

¹⁴⁴ *Id.*

¹⁴⁵ *Id.* at 942, 947.

¹⁴⁶ *Id.* at 942.

A. WHY WEB HOSTS ARE NOT COVERED BY PREVIOUS JURISPRUDENCE

The relationship between a web host and a website owner does not easily comport with the established extensions of contributory trademark liability. The defendants in the *Louis Vuitton* case provided a bundled service to their customers, including IP addresses and bandwidth.¹⁴⁷ This relationship may share similarities with those cases previously finding contributory trademark liability, but it is not directly on point with such jurisprudence.

1. *The Landlord–Tenant Analogy.* The application of the landlord–tenant extension of contributory trademark jurisprudence to the role of web hosts is superficially the most analogous. A web host, like the owner of a flea market, leases space on its server to a customer “tenant” who can then use that space to sell goods. The *Louis Vuitton* court relied on the physical space the website occupied on the defendant’s servers to extend the *Inwood* test under a theory of premises liability.¹⁴⁸ A look at the role of a web host, however, reveals that it does not properly fit into the landlord–tenant extension.

Relevant to the application of premises liability to trademark law is the “use in commerce” requirement for an enforceable trademark right. In the *Hard Rock* opinion, the court specifically points to the ways in which one of the defendants derived income from the ownership of the flea market that housed the infringing activity.¹⁴⁹ The court used this initially to demonstrate the landlord’s knowledge of the sale of goods.¹⁵⁰ Fundamentally, the analysis shifts from any landlord–tenant relationship to those involving leased space to tenants primarily engaged in the sale of goods.¹⁵¹ This logically follows from the *Inwood* test because facilitating an infringing activity would require the direct infringer to use the trademark in commerce. The focus on the landlord–tenant relationship in the Seventh Circuit’s analysis is therefore predicated on the leased space being used for the sale of goods.

In an attempt to couch the web host’s liability in the landlord–tenant extension, the *Louis Vuitton* court focused on the fact that a web host “‘physically host[s] websites on their servers.’”¹⁵² This analysis ignores the

¹⁴⁷ *Id.* at 940.

¹⁴⁸ *Id.* at 942 (“But websites are not ethereal; while they exist, virtually, in cyberspace, they would not exist at all without physical roots in servers and internet services.”).

¹⁴⁹ See *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1146 (7th Cir. 1992) (noting that the flea market owner profited in commerce by renting space to vendors, charging reservation and storage fees to vendors, charging shoppers a nominal admission charge, and operating concessions inside the actual market).

¹⁵⁰ *Id.* at 1148–49.

¹⁵¹ *Id.*

¹⁵² *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 942–43 (quoting *Louis*

practical difficulties that the analogy between web hosts and landlords creates. While an internet server technically occupies a physical space, the sale of the goods does not occur in that space in the way it would at a flea market. Rather than the owner having the ability to walk around the market and simultaneously observe the sale of goods by various vendors, a glance at the physical server that hosts an infringing website would likely only reveal wires and circuitry. In this regard, the landlord analogy would only be appropriate if web hosts regularly checked the content of the websites using their server space just as a flea market owner walks around his market. Given the vast number of websites that can be stored on a single server, this seems impractical and unlikely.

A second difficulty stemming from extending the landlord–tenant approach to the *Louis Vuitton* case relates to the potential non-infringing uses of web-hosting services. While a web host leases physical space on its servers, it does not necessarily follow that the space will be used to operate a website that sells goods. Websites can be used for purposes that are completely void of commercial activity. This factually distinguishes cases involving web hosts from those previously recognized under the landlord–tenant extension of the *Inwood* test. Even on websites that do sell goods, the web host would not be required to check the content under the landlord–tenant extension because, as the *Hard Rock* court stressed, there is no affirmative duty to prevent counterfeiting.¹⁵³

Because a web host cannot physically observe the sale of potentially infringing goods and should not be expected to police the content of the websites it hosts, its role is not congruent with the landlord–tenant relationship. The *Louis Vuitton* court thus applied the rationale from the Seventh Circuit *Hard Rock* decision to a factually inapposite case.

The defendants in the *Louis Vuitton* case arguably possessed the requisite knowledge to satisfy the Seventh Circuit's willful blindness test. However, it should be noted that Louis Vuitton's NOIs present a slightly different notice than those in the *Hard Rock* case.¹⁵⁴ While an owner of a flea market can develop suspicions of infringing activity through firsthand observations, the *Louis Vuitton* court seems to equate notice from an interested third party with the type of first party notice that the defendant in the *Hard Rock* case was capable of achieving. Notice from a third party through NOIs is not sufficiently like firsthand knowledge achieved through physically seeing infringing t-shirts. The distinction may be irrelevant because all that is required

Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 591 F. Supp. 2d 1098, 1112 (N.D. Cal. 2008)).

¹⁵³ *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992).

¹⁵⁴ *Id.* at 1151 & n.5.

for willful blindness is a reason for suspicion; however, it may be reasonable for a third party NOI to raise less suspicion when viewed in tandem with the third party's motives.

Finally, the Seventh Circuit focused on the distinction between "the manufacturer of a mislabeled good . . . [and] a temporary help service supplying the purveyor of goods."¹⁵⁵ The court reasoned that a temporary help service might not be contributorily liable for an act like furnishing workers with the materials to build a stand at which to sell counterfeit goods, even where the provider knew of the intended infringing activity.¹⁵⁶ This temporal distinction reflects the court's unwillingness to assign liability to parties who merely provide supplies to a direct infringer. This may apply to web hosts who provide services essential in the startup process of a website; however, given the prolonged rental of the physical server space, it should not be the primary distinction.

2. *Lockheed and Cybersquatting.* The *Lockheed* opinion suggests that its analysis of contributory trademark infringement does not directly apply to web hosts.¹⁵⁷ Ignoring the routing services that the defendant provided, the court emphasized the passive role that a domain name registrar plays in registering an infringing name. Because the *Lockheed* court focused on the defendant's routing service rather than its name registration, the court was able to use the defendant's lack of direct monitoring and control to deny liability.¹⁵⁸

The *Lockheed* court agreed with the lower court, noting that "infringement does not result from [the defendant]'s publication of the domain name list, but from the registrant's use of the name on a web site . . . in connection with goods or services."¹⁵⁹ The court further explained that a third party would not be responsible for monitoring the internet for infringing uses.¹⁶⁰ It declined to analogize the knowledge expected of flea market owners, who could reasonably be expected to monitor the merchandise sold, to internet translation services noting, "[s]uch a stretch would reach well beyond the contemplation of *Inwood Lab.* and its progeny."¹⁶¹

¹⁵⁵ *Id.* at 1148.

¹⁵⁶ *Id.*

¹⁵⁷ See *Lockheed Martin, Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 982 (9th Cir. 1999) ("NSI does not consult third parties during the registration process, check for a registrant's right to use a particular word in a domain-name combination, or monitor the use of a combination It performs none of the 'hosting' functions for a web site.").

¹⁵⁸ *Id.*

¹⁵⁹ *Id.* at 985.

¹⁶⁰ *Id.* at 984–85.

¹⁶¹ *Id.*

The Ninth Circuit's refusal to hold a domain name registrar liable in *Lockheed* seems at odds with its decision in the *Louis Vuitton* case. If a party cannot be expected to monitor the use of a website for which it registers the name and routes internet traffic, it seems absurd to ask a web host to monitor the content of every website for which it provides an IP address. Presumably, it would be easier to monitor the names that the registering party routes and registers than the content on the corresponding page. The *Lockheed* decision apparently relied on the lack of physical real estate in declining to apply the *Hard Rock* test.¹⁶² This distinction may be the very reason that the *Louis Vuitton* court focused on the "physical" space infringing sites occupied on the defendant's servers.¹⁶³

Despite the ambiguities in the *Lockheed* court's rationale, Congress addressed potential contributory trademark liability in the context of domain names when it enacted the ACPA. This statute requires a bad faith intent when using an infringing name, clearly limiting liability for domain name service providers.¹⁶⁴ The reluctance of both Congress and the Ninth Circuit to previously hold similar web service providers liable for contributory trademark infringement makes the *Louis Vuitton* case inconsistent with this line of contributory trademark infringement jurisprudence.

3. *Tiffany and the Online Marketplace*. The recent *Tiffany* decision combines the rationales behind the *Hard Rock* and *Lockheed* decisions. While eBay is an internet service provider with features similar to the defendant in *Lockheed* (and arguably a web host), it also provides a marketplace for the sale of goods, similar to the market provided by the owner of a flea market. The *Tiffany* court focused not only on the defendant's direct control and monitoring of the website, but also on the financial gain the defendant received from the potentially infringing uses of its website.¹⁶⁵ This virtual marketplace theory seems to provide a justified extension of the *Inwood* test to the company's activities.

Unlike the defendants in the *Tiffany* case, a web host does not provide a virtual online marketplace, nor does it gain financial benefit specifically from the sale of goods. While a web host does receive money for the services it provides, these payments are not compensation for the sale of goods. This poses a direct contrast to online marketplaces like eBay, which receive commission fees based directly on the sale of individual goods.

¹⁶² *Id.* at 985.

¹⁶³ *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 937 (9th Cir. 2011).

¹⁶⁴ 15 U.S.C. § 1125(d)(1)(A)(i) (2006).

¹⁶⁵ See *Tiffany Inc. v. eBay Inc.*, 600 F.3d 93, 97 (2d Cir. 2010) (describing how eBay generates revenue by charging insertion fees and final value fees associated with its listings).

B. POTENTIAL PROBLEMS CAUSED BY THIS PRECEDENT

1. *Improper Delegation of Authority.* By holding the defendant contributorily liable for the violations of a website for which it provided web hosting services, the *Louis Vuitton* court essentially delegated its judicial authority to a third party. Faced with an NOI from a company alleging an infringing website, a web host must evaluate that website for potential trademark infringement. This determination should be left to the judicial system as it is in prior common law and in the DMCA.

2. *Inefficiency of the Evaluation Shift.* The *Louis Vuitton* court shifted the evaluation of an allegedly infringing website from the trademark owner, who is in the best position to evaluate the merits of an infringement claim, to a less knowledgeable party. A web host is likely to lack the requisite knowledge of both the trademark and trademark law to evaluate allegedly infringing activity. The *Louis Vuitton* decision essentially requires web hosts to take down infringing content, to gain knowledge as to what is or is not infringing activity, or to hire someone with the requisite knowledge to properly evaluate allegedly infringing activity.

Imposing this burden on a web host is problematic. It allows the company typically charged with protecting its trademark rights to shift not only the burden, but also the cost of protecting its trademark rights to web hosts. This cost will ultimately be borne by the creators of websites, many of whom seek to use websites for non-infringing activities. This redistributes the cost of policing trademark use to people who are not parties to nor profit from infringing uses of websites.

3. *Perverse Incentives.* By redistributing the responsibility for enforcing trademark rights, the *Louis Vuitton* decision also encourages companies to file claims. Because a web host can be liable for inaction in the face of alleged infringement, the Ninth Circuit decision encourages the speedy dismantling of infringing websites. However, this gives trademark-owning companies the perverse incentive to send frivolous NOIs, or at least lowers the threshold for their willingness to send NOIs. In the face of an NOI, without statutory or judicial protection, a web host can protect itself by removing or suspending the allegedly infringing website or content. Relying on this, trademark-owning companies can now merely notify the web host or the owner of the physical server and expect the content to come down.

Prior to taking content down, the web host must evaluate the merits of the claim and make a judgment call as to its likely success. If a web host takes down a website, the owner of the website can presumably sue for breach of contract, leaving the trademark-owning company out of the picture entirely.

This subverts the intention of the Lanham Act and its distribution of responsibility.

4. *Failure to Address Content.* Finally, the *Louis Vuitton* decision affirmed liability without regard for the website owner or the content of the site. The proof in the case was based purely on the plaintiff's affidavits. Because the direct infringer was located in China, and was not present at the trial, the court accepted the plaintiff's characterizations as true. Further, the opinion seemingly fails to adequately protect a website that makes use of trademarks under one of the permissible exceptions under the Lanham Act. The decision is void of any suggestion as to where the website owner whose site did not in fact infringe on another's trademark should seek redress.

In the contributory copyright infringement corollary, the DMCA provides a website owner a chance to respond to website removal with an affidavit asserting a good faith belief in its non-infringing use. Further, the company alleging infringement is required to file legal action in order for the website to remain down.¹⁶⁶ This ensures that the website owner will not have the content of their site removed based purely on a frivolous claim.

The result of the *Louis Vuitton* decision may be that website owners will be subject to the will of trademark-owning corporations due to their unhampered ability to pressure web hosts into removing content. With no statutory scheme and jurisprudence that is less than cohesive, the website owner may be subject to takedowns and the web host subject to expansive contributory trademark infringement liability.

C. PROPOSAL

The role of a web host is most analogous to that of a domain name registrar. Under this analogy, it is unclear that the web host would be required to monitor the content of websites it hosts, as courts have been reluctant to have hosts "monitor the internet."¹⁶⁷ In fact, web hosts are even further removed from infringing activity than those registering domain names because the service they provide, i.e., space on their server, does not itself infringe trademarks.

Because there is no other case law directly on point, there should be either statutory guidelines or judicial instruction to guide courts and instruct web hosts on ways to avoid potential liability. The DMCA provides this type of instruction because it provides a notice and takedown structure for a similar problem in the copyright infringement context. However, because the laws of

¹⁶⁶ See 17 U.S.C. § 512(g)(2)(C) (2006).

¹⁶⁷ *Lockheed*, 194 F.3d at 985.

copyright and trademark have different underlying policies and goals, simply transposing the DMCA guidelines into trademark law will not adequately address the problem of contributory trademark infringement. Therefore, a legislative solution to contributory trademark infringement should apply similar regulations similar to the DMCA, yet be more narrowly tailored to address the needs and policies of trademark law.

Legislation regulating contributory trademark infringement should have a notice requirement similar to that of the DMCA. This requirement should provide a limited duty to the web host to reveal the direct infringer's contact information. Upon discovery of a potentially infringing use of a protected trademark, the trademark-owning company should send notice to the web host whose website supports the content. This would put the web host clearly on notice that the website potentially violates trademark law.

Unlike the DMCA, however, the solution in trademark law should not mandate an immediate takedown after the notice requirements are met because different policies motivate the protections afforded by copyright and trademark law. In copyright law, an infringement occurs whenever the work of a copyright owner is replicated or displayed. In the internet context, this explains the necessity of an immediate takedown by a web host or ISP. The display of the material itself is infringement; therefore, third parties should be able to stem the infringement, subject to pending or future legal action. In the trademark context, protection is needed for not just the owner of the right that is being protected, but also the consumer. Additionally, the display of a protected trademark is not in and of itself a violation of the owner's right. The permissive fair uses under the Lanham Act could legitimately allow a trademark to be displayed on a website, and thus deserve more protection from takedown than the DMCA allows copyright owners.¹⁶⁸

A model system would allow the website owner and alleged trademark infringer to respond to the notice that is provided to its web host. If the website owner claims a good faith, legitimate use of the trademark, the trademark-owning company would then be required to seek a declaratory judgment before takedown of the content is required. In the event that the alleged infringer does not respond at all to notice, the model system would then allow the web host to take the infringing content down. The notice and reply system would ensure that a website will no longer be arbitrarily removed without giving its owner a chance to defend the legitimate use of another's trademark.

¹⁶⁸ See 15 U.S.C. § 1115(b)(4).

Until the passage of such legislation, the courts should take efforts to limit the liability of web hosts for contributory trademark infringement. Courts have expressed a reluctance to force internet service providers to monitor the content of multiple internet sites.¹⁶⁹ Further, the Supreme Court noted that contributory trademark infringement should be construed more narrowly than its counterpart in copyright.¹⁷⁰ Courts should use this cautious approach when seeking to evaluate secondary trademark liability as it applies to web hosts.

IV. CONCLUSION

The Ninth Circuit's decision in *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.* opened the door to potentially vast contributory trademark liability for web hosts. The standard for contributory trademark infringement set forth in *Inwood* has been expanded and built upon by courts leading to a varied, unclear standard. Mistakenly analogizing other cases from these courts to the *Louis Vuitton* case, the Ninth Circuit has applied rules from factually dissimilar cases, thus increasing the potential liability for web hosts and increasing the monitoring costs of individual websites. The burden of this decision will be borne by the creators and users of websites themselves, as this added monitoring will likely eventually be built into the cost of all website services provided by actors like web hosts.

The *Louis Vuitton* decision also shifts responsibility for policing trademark infringement from the owner of the right to the third party web host. This may create perverse incentives for the trademark owners to erroneously report

¹⁶⁹ See *Zeran v. America Online, Inc.*, 129 F.3d 327, 330–31 (4th Cir. 1997) (noting that Congress created a tort immunity for Internet service providers in the Communications Decency Act of 1996, 47 U.S.C. § 230, because “[i]t would be impossible for service providers to screen each of their millions of postings for possible problems”); see also *Religious Tech. Ctr. v. Netcom On-Line Comm’n Servs., Inc.*, 907 F. Supp. 1361, 1372 (N.D. Cal. 1995) (“[I]t does not make sense to adopt a rule that could lead to the liability of countless parties whose role in the infringement is nothing more than setting up and operating a system that is necessary for the functioning of the Internet.”).

¹⁷⁰ See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984) (analogizing patent law to copyright law, noting “[w]e have consistently rejected the proposition that a similar kinship exists between copyright law and trademark law . . .”); see also *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992) (“[T]he Supreme Court tells us that secondary liability for trademark infringement should, in any event, be more narrowly drawn than secondary liability for copyright infringement.”); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 965 (C.D. Cal. 1997) (“Because the property right protected by trademark law is narrower than that protected by copyright law, liability for contributory infringement of a trademark is narrower than liability for contributory infringement of a copyright.”).

infringing material, or at least expend less effort to investigate material that actually infringes on their rights. The onus would be on the web host as a monitoring third party to evaluate the material and remove it from the website if necessary.

What is clear after the Ninth Circuit's decision is that web hosts will have to pay more attention to potentially infringing material than the trademark owners themselves. While the *Louis Vuitton* defendants took misleading actions to avoid the notices the company provided, it is still unclear what actions a web host should take in response to valid notices of infringement. What is clear after *Louis Vuitton* is that the web host will obviously have to take some sort of action after receiving notice, presumably taking the infringing content down. Inaction is clearly no longer an option.

This Note proposed a legislative solution that is similar to the DMCA, yet more restrictive in its scope. This would give web hosts clear guidelines to handle a notice of potentially infringing content. However, while legislation remains missing from our trademark law regime, the courts should provide more protection to web hosts from contributory trademark infringement liability.

