# SECONDARY TRADEMARK INFRINGEMENT IN INTERNET, MOBILE AND MEDIA CASES

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Trade Name and Trade Dress Protection in Cyberspace) of
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**Ian C. Ballon**
**Greenberg Traurig, LLP**

| Silicon Valley: | Los Angeles: |
|---|---|
| 1900 University Avenue, 5th Fl. | 1840 Century Park East, Ste. 1900 |
| East Palo Alto, CA 914303 | Los Angeles, CA 90067 |
| Direct Dial: (650) 289-7881 | Direct Dial: (310) 586-6575 |
| Direct Fax: (650) 462-7881 | Direct Fax: (310) 586-0575 |

Ballon@gtlaw.com
**<www.ianballon.net>**
**LinkedIn, Twitter, Facebook: IanBallon**



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www.ianballon.net

GT GreenbergTraurig


## Ian C. Ballon

Shareholder
Internet, Intellectual Property & Technology Litigation

Admitted: California, District of Columbia and Maryland
Second, Third, Fourth, Fifth, Seventh, Ninth, Eleventh and Federal Circuits
U.S. Supreme Court
JD, LLM, CIPP/US

Ballon@gtlaw.com
LinkedIn, Twitter, Facebook: IanBallon

Silicon Valley
1900 University Avenue
5th Floor
East Palo Alto, CA 94303
T 650.289.7881
F 650.462.7881

Los Angeles
1840 Century Park East
Los Angeles, CA 90067
T 310.586.6575
F 310.586.0575


Ian C. Ballon is Co-Chair of Greenberg Traurig LLP's Global Intellectual Property & Technology Practice Group and represents internet, mobile, entertainment and technology companies in intellectual property and technology-related litigation and in the defense of data privacy, security breach and TCPA class action suits. A list of recent cases may be found at http://www.gtlaw.com/Ian-C-Ballon-experience.

Ian is also the author of the leading treatise on internet and mobile law, *E-Commerce and Internet Law: Treatise with Forms 2d edition,* the 5-volume set published by West (www.IanBallon.net), which includes extensive coverage of intellectual property law issues. In addition, he serves as Executive Director of Stanford University Law School's Center for E-Commerce, which hosts the annual Best Practices Conference where lawyers, scholars and judges are regularly featured and interact.

Ian was named the Lawyer of the Year for Information Technology Law in the 2019 2018, 2016 and 2013 editions of Best Lawyers in America. In both 2018 and 2019 he was recognized as one of the Top 1,000 trademark attorneys in the world for his litigation practice by *World Trademark Review*. In addition, in 2019 he was named one of the top 20 Cybersecurity lawyers in California and in 2018 one of the Top Cybersecurity/Artificial Intelligence lawyers in California by the *Los Angeles and San Francisco Daily Journal*. He received the "Trailblazer" Award, Intellectual Property, 2017 from *The National Law Journal and he has been* recognized as a "Groundbreaker" in *The Recorder*'s 2017 Litigation Departments of the Year Awards. He was also recognized as the 2012 New Media Lawyer of the Year by the Century City Bar Association. In 2010, he was the recipient of the California State Bar Intellectual Property Law section's Vanguard Award for significant contributions to the development of intellectual property law (http://ipsection.calbar.ca.gov/IntellectualPropertyLaw/IPVanguardAwards.aspx). Mr. Ballon was listed in *Variety's* "Legal Impact Report: 50 Game-Changing Attorneys" and has been named by the *LA and San Francisco Daily Journal* as one of the Top 75 intellectual property litigators in California in every year that the list has been published (2009 through 2019), and has been listed as a Northern California Super Lawyer every year from 2004 through 2018 and as one of the top 100 lawyers in California. He is also listed in Legal 500 U.S., The Best Lawyers in America (in the areas of information technology and intellectual property) and Chambers and Partners USA Guide in the areas of privacy and data security and information technology. Mr. Ballon also holds the CIPP/US certification from the International Association of Privacy Professionals (IAPP).

## 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[2] infringe-

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**[Section 6.10[1]]**

[1]*See supra* §§ 4.11, 4.12.

[2]*See, e.g.*, *Bauer Lamp Co., Inc. v. Shaffer*, 941 F.2d 1165, 1171 (11th Cir. 1991) (holding that to establish contributory liability, a plaintiff must show that the defendant knowingly participated in furthering trade dress infringement).

ment (of both registered and unregistered marks)[3] and potentially unfair competition,[4] based on user infringement, although courts have repeatedly pointed out that the grounds for imposing indirect trademark liability are narrower.[5] Although some district courts previously had allowed claims to proceed for contributory liability under the Anticybersquatting Consumer Protection Act,[6] 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

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[3]*See, 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).

[4]*See 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 town dispenser against a vendor of a generic paper towel that was intended for use in plaintiff's branded dispenser); *see also Georgia-Pacific Consumer Products LP v. Myers Supply, Inc.*, 621 F.3d 771, 774–77 (8th Cir. 2010) (affirming the entry of judgment on plaintiff's contributory trademark infringement claim brought on similar grounds, following a bench trial involving the same plaintiff and a different defendant); *infra* §§ 6.10[2] (secondary liability), 6.12 (unfair competition).

[5]*Sony 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].

[6]*See, e.g., Verizon California, Inc. v. Above.com Pty Ltd.*, 881 F. Supp. 2d 1173, 1176-77 (C.D. Cal. 2011); *Microsoft Corp. v. Shah,* Case No. C10-0653 RSM, 2011 WL 108954, at *1–3 (W.D. Wash. Jan. 12, 2011); *Transamerica Corp. v. Moniker Online Services, LLC*, 672 F. Supp. 2d 1353, 1365–67 & n.12 (S.D. Fla. 2009); *Solid Host, NL v. Namecheap, Inc.*, 652 F. Supp. 2d 1092, 1111–17 (C.D. Cal. 2009); *see also Facebook, Inc. v. Banana Ads LLC,* No. CV 11-03619-YGR KAW, 2013 WL 1873289, at *13 (N.D. Cal. 2013) (recommending a default judgment holding the defendant liable for contributory infringement under the ACPA where it provided deceptive landing websites to monetize illicit Internet traffic from infringing domain names, with full knowledge that those direct infringers with whom it collaborated were seeking to profit in bad faith from Facebook's mark).

advance the goals of the statute."[7] A small number of district courts likewise have entertained claims for contributory dilution,[8] but it is questionable whether Congress intended to allow for secondary liability when it enacted the Federal Trademark Dilution Act in 1996 or the Trademark Dilution Revision Act of 2006 (and the same rationale for finding no implied claim for secondary liability under the ACPA in 15 U.S.C.A. § 1125(d) applies as well to dilution claims under section 1125(c)).[9] The Second[10] and Eleventh[11] Circuits have

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[7]*Petroliam Nasional Berhad v. GoDaddy.com, Inc.*, 737 F.3d 546, 550 (9th Cir. 2013); *see generally infra* §§ 7.06, 7.14, 7.21.

[8]*See, e.g.*, *Coach,Inc. v. Sapatis*, 994 F. Supp. 2d 192, 201-02 (D.N.H. 2014); *Coach, Inc. v. Swap Shop, Inc.*, 916 F. Supp. 2d 1271, 1280-82 (S.D. Fla. 2012); *Coach, Inc. v. Farmers Market & Auction*, 881 F. Supp. 2d 695, 705-06 (D. Md. 2012); *Microsoft Corp. v. Shah*, Case No. C10-0653 RSM, 2011 WL 108954, at *4 (W.D. Wash. Jan. 12, 2011).

[9]*See generally infra* § 6.11[6] (analyzing this issue).

[10]*See Societe Des Hotels Meridien v. LaSalle Hotel Operating Partnership, L.P.*, 380 F.3d 126, 131-32 (2d Cir. 2004) (reversing the district court's dismissal of plaintiff's claim for contributory false advertising—premised on Meridien's allegation that LaSalle induced Starwood to violate the Lanham Act "by intentionally directing, approving, authorizing, drafting and/or editing the Starwood Worldwide Directories"—in connection with reversing the district court's dismissal of plaintiff's claim for direct liability, without any discussion of whether such a claim in fact exists). *Meridien* involved only very brief treatment of the issue. It also pre-dates the Supreme Court's decision in *Lexmark*.

[11]*See Duty Free America, Inc. v. Estee Lauder Cos.*, 797 F.3d 1248, 1274-79 (11th Cir. 2015) (holding that a plaintiff who can state a claim for direct false advertising under *Lexmark*—by alleging (1) statements that were false or misleading, (2) which deceived, or had the capacity to deceive, (3) which deception had a material effect on consumers' purchasing decisions, (4) where the misrepresented service affects interstate commerce, and (5) the plaintiff has been or will be injured as a result of the false or misleading statement—may state a claim for contributory liability by alleging that a defendant contributed to that conduct (that it "intended to participate in" or "actually knew about" the false advertising) and actively and materially furthered the unlawful conduct, either by inducing it, causing it or in some other way working to bring it about). The appellate panel directed that courts look to contributory trademark infringement case law for guidance, suggesting that the participation prong of a contributory false advertising claim could be met by alleging that a defendant directly controlled and monitored the third party's false advertising. *Id.* at 1277. The court also suggested that it was "conceivable that there could be circumstances under which the provision of a necessary product or service, without which the false advertising would not be possible, could support a theory of contributory liability." *Id.* at 1277-78. In affirming dismissal of plaintiff's claim, the appellate panel wrote that "[c]ontributory

recognized a potential cause of action for contributory false advertising, although it is questionable whether such a theoretical claim in fact could be asserted[12] consistent with the requirement for proximate cause and statutory standing under the Supreme Court's decision in *Lexmark Int'l, Inc. v. Static Control Components, Inc*.[13]

A determination of contributory infringement depends upon a defendant's intent and its knowledge of the wrongful activities.[14] Where knowledge exists, the doctrine prevents a third party from disregarding "blatant trademark infringements with impunity."[15] At least in the Ninth Circuit, an express finding of intent is not required.[16]

Contributory liability may be imposed under the U.S. Supreme Court's holding in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*[17] 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.[18] Al-

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false advertising claims are cognizable under the Lanham Act, but a plaintiff must allege more than an ordinary business relationship between the defendant and the direct false advertiser in order to plausibly plead its claim." *Id.* at 1279.

[12]*See, e.g.*, *Academy of Doctors of Audiology v. Int'l Hearing Society*, 237 F. Supp. 3d 644, 666 (E.D. Mich. 2017) (dismissing plaintiff's claim for contributory false advertising).

[13]*Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014); *infra* § 6.12[5][F].

[14]*David Berg & Co. v. Gatto Int'l Trading Co.*, 884 F.2d 306, 311 (7th Cir. 1989).

[15]*Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996) (imposing liability on a swap meet owner).

[16]*Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 943 (9th Cir. 2011).

[17]*Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982).

[18]*Inwood 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 Kelly-Brown v. Winfrey*, 717 F.3d 295, 314 (2d Cir. 2013) (affirming dismissal of plaintiff's claim); *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

though it goes without saying, "for there to be liability for contributory infringement, the plaintiff must establish underlying direct infringement . . . . In other words, there must necessarily have been an infringing use of the plaintiff's mark that was encouraged or facilitated by the defendant."[19]

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.[20] For liability

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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; noting that to avoid contributory liability a defendant must "undertak[e] a reasonable investigation or tak[e] other appropriate remedial measures . . . ."); *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).

[19]*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).

[20]*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

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."[21] If there is not, liability based on knowledge or reason to know may not be imposed under the Ninth 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

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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 (NJ) 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*, 562 U.S. 1082 (2010) (assuming without deciding that the *Inwood* test would be applied).

[21] *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 Int'l, Ltd.*, 338 F. Supp. 2d 904, 913–914 (N.D. Ill. 2004) (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 had 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).

service[22] 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 insufficient.[23] 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 engaging in trademark infringement."[24]

At the same time, the Tenth Circuit has held that the requirement that knowledge be specific and particularized with respect to an alleged act of infringement does not mean that a defendant has no duty to act unless and until it

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[22]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*, 562 U.S. 1082 (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.").

[23]*See, e.g.*, *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 107–109 (2d Cir.), *cert. denied*, 562 U.S. 1082 (2010); *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 163 (4th Cir. 2012); *1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1253 (10th Cir. 2013); *Ohio State University v. Teespring, Inc.*, Case No. 2:14-cv-397, 2015 WL 13016358, at *4-5 (S.D. Ohio Apr. 13, 2015) (dismissing plaintiff's claim for contributory trademark infringement where OSU could not plausibly allege more than general knowledge that people might use Teespring's online T-shirt printing service to engage in infringement); *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); *see also Academy of Motion Picture Arts & Sciences v. GoDaddy.com, Inc.*, Case Nos. CV 10-03738 AB (CWx), CV 13-08458 (CW), 2015 WL 5311085, at *35 (C.D. Cal. Sept. 10, 2015) (holding that generalized knowledge is likewise an insufficient basis for imposing liability under the Anti-Cybersquatting Consumer Protection Act).

[24]*Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 163 (4th Cir. 2012).

obtains that knowledge for a specific individual offender.[25] In *1-800-Contacts, Inc. v. Lens.com*, Inc.,[26] 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.[27]

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, which has been construed to mean willful blindness since generalized knowledge does not provide grounds for imposing 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

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[25]*See 1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1252–54 (10th Cir. 2013).

[26]*1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1252–54 (10th Cir. 2013).

[27]*1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1254 (10th Cir. 2013).

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."[28] At the same time, while "willful blindness is inexcusable under contributory infringement law,"[29] it does not "impose . . . an affirmative duty to seek out potentially infringing uses" by third-parties.[30] "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."[31] Similarly, "[c]ontributory infringement . . . does not impose a strict liability standard . . . ."[32]

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."[33] In *Tiffany (NJ) Inc. v. eBay, Inc.*,[34] the Second Circuit explained that Notices of Claimed Infringement and buyer complaints about specific listings "gave eBay reason to know that certain sell-

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[28]*Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 109 (2d Cir.), *cert. denied*, 562 U.S. 1082 (2010).

[29]*Ford 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.

[30]*Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 951 (C.D. Cal. 1997) (referring to the obligations of a registrar in accepting 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 infringement by vendors).

[31]*Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 110 n.15 (2d Cir.), *cert. denied*, 562 U.S. 1082 (2010).

[32]*Coach,Inc. v. Sapatis*, Civil No. 12-cv-506-PB, 2014 WL 2930595, at *5 (D.N.H. 2014) (holding that, for purposes of securing a prejudgment writ of attachment, Coach had failed to demonstrate that the defendant has not taking "reasonable remedial measures" to prevent known infringers from continuing to operate at the defendant's flea market).

[33]*Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 854 (1982).

[34]*Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir.) *cert. denied*, 562 U.S. 1082 (2010).

ers had been selling counterfeits, [but] those sellers' listings were removed and repeat infringers were suspended from the eBay service."[35] While terminating repeat infringers is a requirement for the safe harbor under the Digital Millennium Copyright Act,[36] 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.

Absent notice, a plaintiff may not even be able state a claim against a service provider or app store provider for contributory infringement.[37]

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

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[35]*Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 109 (2d Cir.), *cert. denied*, 562 U.S. 1082 (2010). By contrast, in *Mori Lee, LLC v. Sears Holdings Corp.*, No. 13cv3656, 2014 WL 4680739, at *2-3 (S.D.N.Y. Sept. 8, 2014), the court denied Sears' motion for summary judgment on plaintiff's claim for contributory infringement over alleged infringement on its online marketplace at Sears.com where the court found that although Sears took prompt remedial action in response to Mori Lee's email notices by investigating the advertisements, removing them promptly and banning the seller, UiMobile, from posting new advertisements for bridal dresses or referencing "Mori Lee," there was some evidence suggesting that UiMobile was a serial infringer of bridal dress copyrights before UiMobile's infringed Mori Lee's rights and that Sears failed to ban UiMobile from selling wedding dresses prior to UiMobile's infringement of Mori Lee's designs despite two prior notices from other rights owners.

[36]17 U.S.C.A. § 512(i); *supra* § 4.12[3][B].

[37]*See, e.g.*, *Free Kick Master LLC v. Apple Inc.*, Case No. 15-cv-3403-PJH, 2016 WL 777916, at *11-12 (N.D. Cal. Feb. 29, 2016) (dismissing without leave to amend defendants' motions to dismiss plaintiffs' claim for contributory infringement where plaintiffs "allege . . . no facts supporting a plausible inference that any of these defendants knew its third-party developers were infringing the plaintiffs' mark but continued to allow the infringing apps to remain available in the defendants' application stores"); *Nomination Di Antonio E Paolo Gensini S.N.C., et al. v. H.E.R. Accessories Ltd.*, No. 07 Civ. 6959 (DAB), 2010 WL 4968072, at *6 (S.D.N.Y. Dec. 6, 2010) (dismissing without further leave to amend plaintiffs' complaint for trademark infringement where plaintiffs failed to adequately allege that defendants "were alerted to specific instances of infringement and that they continued to supply their services after they knew or should have known that their services were being used to infringe" plaintiffs' mark).

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.[38]

In *Spy Phone Labs LLC. v. Google, Inc.*,[39] for example, Northern District of California Magistrate Judge Paul Grewal dismissed plaintiff's claim for contributory trademark infringement against Google over alleged trademark infringement of plaintiff's SPY PHONE mark on the Google Play store because "[i]n the specific context of an online marketplace, '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 . . . is necessary." Notice of certain acts of infringements "does not imply generalized knowledge of—and li-

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[38]*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,* 562 U.S. 1082 (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. 1946) (holding, in a case cited by the U.S. Supreme Court in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982) that generalized complaints about counterfeiting are insufficient to impute knowledge), *aff'd*, 162 F.2d 280 (1st Cir. 1947).

[39]*Spy Phone Labs LLC. v. Google, Inc.*, Case No. 15-cv-03756-PSG, 2016 WL 1089267 (N.D. Cal. Mar. 21, 2016).

ability for—others."[40]

Other courts have also dismissed secondary infringement claims at the outset of a case.[41]

Of course, in contrast to the usual response of reputable service providers, if a web host receives multiple letters specifically identifying instances of obvious infringement

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[40]*Spy Phone Labs LLC. v. Google, Inc.*, Case No. 15-cv-03756-PSG, 2016 WL 1089267, at *3 (N.D. Cal. Mar. 21, 2016), *quoting Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 107 (2d Cir.), *cert. denied*, 562 U.S. 1082 (2010). In *Spy Phone Labs*, the plaintiff alleged that Google had repeatedly taken down listings for apps that incorporated SPY PHONE, but then stopped doing so. Judge Grewal explained that:

> For almost all of the allegedly infringing apps, SPL has not alleged that Google had notice of those specific acts of infringement. When SPL did complain about these apps, it intentionally made spyware complaints instead of trademark complaints in order to remain anonymous. But spyware complaints are not the same as trademark complaints, and Google could not be expected to respond to a complaint about one offense by investigating another. Absent specific notice of trademark infringement, Google cannot be liable for contributory infringement merely for failing to remove infringing apps preemptively.

*Spy Phone Labs LLC. v. Google, Inc.*, Case No. 15-cv-03756-PSG, 2016 WL 1089267, at *4 (N.D. Cal. Mar. 21, 2016). In so ruling, Judge Grewal noted that plaintiff's allegation that Google actually knew of particular infringing apps was a conclusory statement that the court did not need to accept as true in ruling on a motion to dismiss. *Id.* n.55, *citing Ashcroft v. Iqbal,* 556 U.S. 662, 678 (2009).

Judge Grewal further noted that the only instance where the plaintiff did notify Google of infringement involved the "Reptilicus.net Brutal Spy Phone" app:

> But Google did not ignore that notification. Instead, it investigated and responded that it could not assess the merits of the claim. . . . [T]hat app may have used the words "Spy Phone" simply as a descriptor, as opposed to the distinctive prefix "Reptilicus.net Brutal"—a characteristic that would constitute a defense to trademark infringement. This kind of "uncertainty of infringement" is "relevant to the question of an alleged contributory infringer's knowledge." Here, that uncertainty, combined with Google's investigation and response, undercuts SPL's assertion that Google had actual notice of that infringement. Without any allegations rendering plausible actual notice of any infringement, Google cannot be liable.

*Id.* at *4; *see also Spy Phone Labs LLC. v. Google, Inc.*, Case No. 15-cv-03756-PSG, 2016 WL 6025469, at *5-6 (N.D. Cal. Oct. 14, 2016) (denying defendant's motion to dismiss plaintiff's amended claim for contributory trademark infringement based on alleged willful blindness and the allegation of delays of 18 and 27 days to act on two specific complaints, while dismissing plaintiff's claim for contributory infringement premised on its failure to take down the Reptilicus.net app).

[41]*See, e.g.*, *Franklin v. X Gear 101, LLC*, 17 Civ. 6452 (GBD) (GWG), 2018 WL 3528731, at *10 (S.D.N.Y. July 23, 2018) (dismissing claims against Instagram and GoDaddy for failure to state a claim for contributory infringement).

and just ignores them or allows the offending site to reestablish itself at other locations also hosted by the same defendant, liability for contributory infringement may be found.[42]

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[42]*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 also, e.g.*, *Spy Optic, Inc. v. Alibaba.Com, Inc.*, 163 F. Supp. 3d 755, 766 (C.D. Cal. 2015) (denying defendant's motion to dismiss plaintiff's contributory infringement claim where the plaintiff had alleged that on at least one occasion, the defendant had allowed a known infringer to continue using its website to post sales offers for allegedly infringing products, even after the plaintiff alerted the defendant that the seller was infringing); *see generally infra* § 6.10[2] (discussing the *Louis Vuitton* case, including a subsequent jury verdict for Louis Vuitton and appeal).

Liability also was imposed on the defendant in *Ohio State Univ. v. Skreened Ltd.*, 16 F. Supp. 3d 905 (S.D. Ohio 2014), which is a quirky case inasmuch as the defendant never raised arguments that may have been available to it. In that case, Skreened, a print on demand service, was sued for counterfeiting and state and federal trademark infringement for material uploaded by users. While plainly a secondary liability case, the defendant appears to have never raised this point other than seeking unsuccessfully to obtain summary judgment on plaintiff's right of publicity claims under the CDA. *See id.* at 918; *infra* § 37.05[5] (discussing this aspect of the case). Instead, it litigated the case based on direct liability, challenging, among other things, likelihood of confusion in a case where the designs at issue were found to be counterfeit. A claim against a website based on user misconduct is properly a claim for secondary, not direct liability. *See, e.g.*, *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 103 (2d Cir.) ("eBay's knowledge *vel non* that counterfeit Tiffany wares were offered through its website is relevant to the issue of whether eBay contributed to the direct infringement of Tiffany's mark by the counterfeiting vendors themselves, or whether eBay bears liability for false advertising. But it is not a basis for a claim of direct trademark infringement against eBay . . . ."), *cert. denied*, 562 U.S. 1082 (2010); *Lasoff v. Amazon.com Inc.*, Case No. C-151 BJR, 2017 WL 372948, at *7-8 (W.D. Wash. Jan. 26, 2017) (applying *Tiffany v. eBay* in granting summary judgment for Amazon.com on plaintiff's claim for direct trademark infringement in a case arising out of Amazon.com's alleged use of his mark in sponsored links advertisements, in addition to granting summary judgment for Amazon.com on plaintiff's state law claims under the CDA); *Altinex v. Alibaba.com Hong Kong Ltd.*, SACV 13-01545 JVS (RNBx), 2016 WL 6822235, at *4-7 (C.D. Cal. Mar. 25, 2016) (granting summary judgment for Alibaba on plaintiff's claim for direct trademark infringement arising out of user listings where the evidence showed that Alibaba removed the listings after receiving notice and there was no evidence to support plaintiff's allegation that the platform had designed its search tool to facilitate user access to counterfeit versions of plaintiff's products); *Perfect 10, Inc. v. Giganews, Inc.*, CV11-07098 AHM (SHx), 2013 WL 2109963 (C.D. Cal. Mar. 8, 2013) (holding that plaintiff had failed to state a claim for direct trademark against

Contributory liability also may arise if a defendant fails to move quickly enough to remove allegedly infringing material.[43]

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defendants for "providing access to a forum where content bearing a trademark may be obtained" from third parties; "Direct infringement requires that the defendant itself 'use' the mark; it is insufficient for direct infringement purposes to allege that a defendant allows third parties to use the mark."). Nevertheless, even if the *Skreened* case had been analyzed in terms of contributory liability it appears that Skreened would have had a difficult time avoiding summary judgment where the court found that it had received numerous notices from the plaintiff between 2009 and 2011 but continued to sell products bearing infringing and counterfeit marks, Skreened took "an ostrich approach to policing" its business activities and where it appears to have had no policies to deter infringement and only a single reviewer who had no particular experience or guidance in evaluating alleged user infringement. *Skreened*, 16 F. Supp. 3d at 915-17.

By contrast, in a later case brought by OSU against an Internet print-on-demand company that allowed users to upload their own T-shirt designs and then print them, the court dismissed OSU's claim for contributory trademark infringement because OSU failed to plausibly allege more than merely general knowledge that its site could be used for infringement. *See Ohio State University v. Teespring, Inc.*, Case No. 2:14-cv-397, 2015 WL 13016358, at *4-5 (S.D. Ohio Apr. 13, 2015) (citing *Tiffany v. eBay*, *Rosetta Stone v. Google* and *1-800 Contacts*).

In *H-D U.S.A., LLC v. SunFrog, LLC*, 311 F. Supp. 3d 1000 (E.D. Wisc. 2018), a district court held that SunFrog, a print-on-demand t-shirt company, was not entitled to the *Tiffany v. eBay* defense, and entered summary judgment for various Harley-Davidson entities on claims for both direct and contributory trademark infringement, where the defendant presented no evidence that the designs at issue were anything other than counterfeits (*id.* at 1017) and SunFrog had been slow in responding to takedown requests, among other things. In so ruling, the court declined to decide whether an "entirely automated and user-directed" printing service could be liable for printing infringing products, holding that "SunFrog's business simply [could not] be described this way" because SunFrog was "deeply and indispensably involved in the creation of its design listings, including offering the software to make them, holding prior designs for later use in its All Art database, and aggressively advertising those listings through Facebook and other social media." *Id.* at 1038. The court found that SunFrog took a "head-in-the-sand" approach, and "turned a blind eye to the infringement plaguing its business" by failing to investigate the products it printed and shipped. *Id.* at 1039-41. In an earlier decision, the court had found that SunFrog's takedown and repeat infringer policies had only recently been implemented. *H-D U.S.A., LLC v. SunFrog, LLC*, Case No. 17-CV-711-JPS, 2017 WL 3261709, at *4 (E.D. Wisc. July 31, 2017) (granting plaintiffs' motion for a preliminary injunction). The court noted, in entering a preliminary injunction, that SunFrog did "not meaningfully challenge Harley-Davidson's *prima facie* showing of a right to a preliminary injunction." *Id.* at *1.

[43]*See, e.g.*, *1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229,

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.[44] 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.[45] 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 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.[46] 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

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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."); *Spy Phone Labs LLC. v. Google, Inc.*, Case No. 15-cv-03756-PSG, 2016 WL 6025469, at *5-6 (N.D. Cal. Oct. 14, 2016) (denying defendant's motion to dismiss plaintiff's amended claim for contributory trademark infringement based on the alleged delays of 18 and 27 days to act on two specific complaints because "[a]lthough the length of time alone is not sufficient to establish a claim, delay could be actionable if the investigation was unjustifiably and/or purposefully delayed.").

[44]Direct liability also may be established by showing dilution by tarnishment or blurring, although secondary liability may not be based on dilution. *See supra* § 6.08; *infra* § 6.11.

[45]*See supra* §§ 6.02[2], 6.08.

[46]*See supra* §§ 6.02, 6.08, 6.09.

counterfeit product.[47]

In *Tiffany (NJ) Inc. v. eBay, Inc.*,[48] 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.*,[49] 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 to be infringing.

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

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[47]In *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir.), *cert. denied*, 562 U.S. 1082 (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).

[48]*Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir.), *cert. denied*, 562 U.S. 1082 (2010).

[49]*Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011); *see generally infra* § 6.10[2].

notices of infringement, as eBay had done in *Tiffany v. eBay*.

This approach is not required, however, and can lead to abuse where a trademark owner knows that all notices will be honored regardless of merit.

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.*,[50] 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.[51] The Court, however, clarified 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."[52]

Much more so than a patent (or even a copyright), the existence and scope of trademark rights—especially common law rights—may be difficult if not impossible to assess, perhaps explaining why so few cases impose secondary liability for trademark infringement based on inducement. Nevertheless, where this high standard is met, and an intent to induce may be shown, together with "affirmative steps to bring about the desired result . . . ,"[53] inducement liability

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[50]*Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754 (2011).

[51]*Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 765-766, 769-770 (2011); *infra* § 8.10[3] (analyzing the case).

[52]*Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 769 (2011).

[53]*Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 760 (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

theoretically could be established.[54] Not surprisingly, there is very little case law applying this patent law concept in trademark cases.

The Supreme Court has also held that a defendant's good faith (but incorrect) belief that a patent is invalid is not a defense to a claim of inducement.[55] Although the issue is less likely to arise in a Lanham Act case, by extension a defendant's belief that its use of a mark is not infringing solely because the plaintiff's mark is subject to cancellation may not be a defense to inducement under *Commil USA,*

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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.*, 563 U.S. 754, 765 (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.

[54]*See, e.g.*, *Novadaq Technologies, Inc. v. Karl Storz GmbH & Co.*, Case No. 14-cv-04853-PSG, 2015 WL 9028123, at *1 (N.D. Cal. Dec. 16, 2015) (applying *SEB* to evaluate willful blindness in a trademark infringement case); *Romag Fasteners, Inc. v. Fossil, Inc.*, Case No. 10-cv-1827 (JBA), 2014 WL 3895905, at *6 (D. Conn. Aug. 8, 2014) (finding *Global-Tech*'s definition of willful blindness was consistent with the standard applied in *Tiffany v. eBay*) (citing *eBay*, 600 F.3d at 110).

[55]*Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920, 1928 (2015); *see generally infra* § 8.10[3] (analyzing patent inducement and discussing *Commil* in greater detail).

*LLC v. Cisco Systems, Inc.*,[56] at least for marks registered on the principal registry. It remains to be seen whether courts in fact extend *Commil* in this manner.

In *SEB,* the Court explained that *induce* means "[t]o lead on; to influence; to prevail on; to move by persuasion or influence."[57] As *SEB* underscores, inducement is a tougher standard to meet than merely contributory infringement.[58] Earlier Seventh Circuit case law had established that willful blindness is also equivalent to actual knowledge for purposes of establishing contributory trademark infringement, at least in that circuit.[59] The Seventh Circuit emphasized that willful blindness could not be based on negligence. To establish willful blindness for purposes of contributory trademark infringement in the Seventh Circuit, "a person must suspect wrongdoing and deliberately fail to investigate."[60] In so ruling, the panel emphasized that parties have no duty to affirmatively investigate absent suspicion.[61]

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."[62] Vicarious liability has not been universally recognized and therefore may not necessarily be

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[56]*Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920, 1928 (2015).

[57]*Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 760 (2011), *quoting* Webster's New International Dictionary 1269 (2d ed. 1945).

[58]*See generally supra* § 4.11[6] (analyzing copyright inducement); *infra* § 8.10[3] (patent inducement).

[59]*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).

[60]*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).

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

[62]*Kelly-Brown v. Winfrey*, 717 F.3d 295, 314 (2d Cir. 2013) (quoting *Perfect 10* with internal quotations omitted; affirming dismissal of plaintiff's claim); *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992) (internal quotations omitted); *Perfect 10, Inc. v. Visa Int'l Service Ass'n*, 494 F.3d 788, 807 (9th Cir. 2007) (quoting *Hard Rock Cafe*; dismissing plaintiff's claim), *cert. denied*, 553 U.S. 1079 (2008); *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),

applied in all circuits.[63] 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.[64] While agency principles underlie vicarious

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*citing David Berg & Co. v. Gatto Int'l Trading Co.*, 884 F.2d 306, 311 (7th Cir. 1989); *Routt v. Amazon.com, Inc.*, No. 12-1307, 2012 WL 5993516, at *3 (W.D. Wash. Nov. 30, 2012) (dismissing plaintiff's claim for vicarious trademark infringement based on the conduct of members of Amazon.com's associate program, who by definition are not agents of Amazon.com); *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).

[63]*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 273, 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).

[64]*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

trademark liability, it potentially may be imposed even where the party directly liable is an independent contractor.[65] Likewise, an e-commerce business potentially may be held vicariously liable for the conduct of affiliate marketers, if they were acting within the scope of their actual authority.[66]

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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."); *see also Symantec Corp. v. CD Micro, Inc.*, 286 F. Supp. 2d 1265, 1275 (D. Or. 2003) (declining to impose vicarious liability for trademark infringement on the CEO of a company held liable for selling pirated software over the Internet who was held vicariously liable for copyright infringement because he had the right and ability to control the acts of the corporation, based on the court's conclusion without substantial analysis that the scope of liability for vicarious trademark infringement was narrower than for vicarious copyright infringement); *see generally supra* § 4.11 (analyzing vicarious copyright infringement).

[65]*See AT&T Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1434 (3d Cir. 1994).

[66]*See 1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1250-52 (10th Cir. 2013) (finding no vicarious liability); *see also Routt v. Amazon.com*, 584 F. App'x 713, 716 (9th Cir. 2014) (affirming dismissal of plaintiff's complaint against Amazon.com where Amazon.com did not have joint ownership or control over its associates' allegedly infringing websites and its operating agreement disclaimed the existence of any actual partnership and stated that neither party had the ability to make or accept any offers or representations on the other's behalf). In *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.' " *Id*. at 1251, *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.' " *1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1251 (10th Cir. 2013), *quoting* Restatement (Third) of Agency § 2.01. By contrast,

> [l]ack 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.

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.[67] As explained by a Seventh 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."[68] Although characterized differently, joint tortfeasor liability is equivalent to vicarious liability.[69]

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*1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1251 (10th Cir. 2013), *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." *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 *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 contact 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. *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." *Id*. at 1250.

[67]*See, e.g., TrafficSchool.com, Inc. v. eDriver, Inc.*, 633 F. Supp. 2d 1063, 1082 (C.D. Cal. 2008) (citing other cases), *aff'd in relevant part,* 653 F.3d 820 (9th Cir. 2011).

[68]*David Berg & Co. v. Gatto Int'l Trading Co.*, 884 F.2d 306, 311 (7th Cir. 1989)*, citing* Smithkline *Beckman Corp. v. Pennex Products Co.*, 103 F.R.D. 539, 540 (E.D. Pa. 1984); *Fendi Adele S.R.L. v. Filene's Basement, Inc.*, 696 F. Supp. 2d 368, 385–87 (S.D.N.Y. 2010) (applying this standard and citing Berg in denying a motion for summary judgment against a parent entity based on joint tortfeasor or alter ego theories); *see also Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992) (declining to impose joint tortfeasor liability).

[69]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

As noted earlier in this section, and as under copyright[70] and patent law,[71] in order for secondary liability to be imposed for trademark infringement there must be an underlying act of direct infringement.[72]

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 by a defendant. 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 potentially may be imposed where a defendant has a financial interest and the right and ability to control infringement.[73] 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.[74] These difficulties may be magnified in Internet cases where the person directly responsible for infringement acted anonymously or pseudonymously[75] 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,[76] and on landlords or operators of

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more common to speak of "vicarious trademark liability."

[70]*See supra* § 4.11[4].

[71]*See infra* § 8.10.

[72]*E.g., Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 163 (4th Cir. 2012); *General Motors Corp. v. Keystone Automotive Industries, Inc.*, 453 F.3d 351 (6th Cir. 2006) (holding no secondary liability in the absence of evidence of direct infringement); *David Berg & Co. v. Gatto Int'l Trading Co.*, 884 F.2d 306, 311 (7th Cir. 1989); *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); *1-800-Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1249 (10th Cir. 2013); *Monotype Imaging, Inc. v. Bitstream, Inc.*, 376 F. Supp. 2d 877 (N.D. Ill. 2005) (finding no secondary liability in the absence of direct infringement).

[73]*See supra* § 4.11[4].

[74]In addition to the cases cited in this section, *see supra* § 4.11[3].

[75]*See generally infra* § 37.02.

[76]*See, e.g., Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456

flea markets.[77] It also has been asserted against operators of App stores,[78] domain name registrars,[79] 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 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[80] 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

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U.S. 844, 854–55 (1982).

[77]*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).

[78]*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).

[79]*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).

[80]17 U.S.C.A. § 512; *see generally supra* § 4.12.

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[2][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.

Conversely, secondary liability may be imposed on individual corporate officers for the infringing activities of their companies where an individual directs and authorizes a company's acts of infringements. Individual liability is separately analyzed in section 6.10[4].

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

Potential limitations on a trademark owner's ability to enjoin service providers and internet publishers are discussed in section 6.16[1].

Even where secondary liability may not be shown, in some circumstances direct liability potentially may be imposed on sites or services for trademark infringement,[81] dilution,[82] unfair competition and related claims[83] or, in cases involving domain names, under the Anticybersquatting Consumer Protection Act.[84]

## 6.10[2] Case Law on Secondary Liability for User Content and Misconduct

### 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

[81] *See supra* § 6.08.

[82] *See infra* § 6.11.

[83] *See infra* § 6.12.

[84] *See infra* § 7.06.

encourage or induce infringement or turn a blind eye to it. While a few courts have ruled that a plaintiff could state a claim,[1] prevailing on the merits has been more difficult. As shown in this section, defendants to date generally have not

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**[Section 6.10[2][A]]**

[1]*See, 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). *But see Spy Phone Labs LLC. v. Google, Inc.*, Case No. 15-cv-03756-PSG, 2016 WL 1089267, at *3 (N.D. Cal. Mar. 21, 2016) (dismissing plaintiff's claim for contributory infringement against Google over alleged trademark infringement of plaintiff's SPY PHONE app on the Google Play store because "[i]n the specific context of an online marketplace, '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 . . . is necessary.' Notice of certain acts of infringements "does not imply generalized knowledge of—and liability for—others."; quoting *Tiffany v. eBay*); *Ohio State University v. Teespring, Inc.*, Case No. 2:14-cv-397, 2015 WL 13016358, at *4-5 (S.D. Ohio Apr. 13, 2015) (dismissing plaintiff's claim for contributory trademark infringement where OSU could not plausibly allege more than general knowledge that people might use Teespring's online T-shirt printing service to engage in infringement); *Perfect 10, Inc. v. Giganews, Inc.*, CV11-07098 AHM (SHx), 2013 WL 2109963 (C.D. Cal. Mar. 8, 2013) (holding that plaintiff had failed to state a claim for direct trademark infringement against defendants for "providing access to a forum where content bearing a trademark may be obtained" from third parties; "Direct infringement requires that the defendant itself 'use' the mark; it is insufficient for direct infringement purposes to allege that a defendant allows third parties to use the mark.").

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*

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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.

[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* § 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).

*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 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

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[5]*Playboy Enterprises, Inc. v. Frena*, 839 F. Supp. 1552 (M.D. Fla. 1993).

[6]*Sega Enterprises Ltd. v. MAPHIA*, 857 F. Supp. 679 (N.D. Cal. 1994).

[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).

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 registration 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.*,[10] 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.*,[11] 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.*,[12] 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

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[9]*Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999).

[10]*Fare Deals Ltd. v. WorldChoiceTravel.com, Inc.*, 180 F. Supp. 2d 678 (D. Md. 2001).

[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).

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 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 instances where it was given specific notice by Tiffany 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

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[13]*Stayart 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).

[14]*Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir.), *cert. denied*, 562 U.S. 1082 (2010).

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 less likely to be held liable.

Following *Tiffany v. eBay*, the district court in *Sellify Inc. v. Amazon.com, Inc.*,[16] 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.[17] 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].

Other cases have ruled similarly.[18]

*Tiffany v. eBay* has also been applied to hold service providers not liable for direct infringement in cases premised

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[15]*Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 107 (2d Cir.), *cert. denied*, 562 U.S. 1082 (2010).

[16]*Sellify Inc. v. Amazon.com, Inc.,* No. 09 Civ. 0268 (JSR), 2010 WL 4455830 (S.D.N.Y. Nov. 14, 2010).

[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.

[18]*See, e.g.*, *Ohio State University v. Teespring, Inc.*, Case No. 2:14-cv-397, 2015 WL 13016358, at *4-5 (S.D. Ohio Apr. 13, 2015) (dismissing plaintiff's claim for contributory trademark infringement where OSU could not plausibly allege more than general knowledge that people might use Teespring's online T-shirt printing service to engage in infringement).

on user misconduct.[19]

In contrast to *Tiffany v. eBay*, in *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*,[20] 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 was 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).[21] The court had earlier denied defendants' motion for summary judgment on the issue of 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.[22]

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

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[19]*See, e.g.*, *Lasoff v. Amazon.com Inc.*, Case No. C-151 BJR, 2017 WL 372948, at *7-8 (W.D. Wash. Jan. 26, 2017) (applying *Tiffany v. eBay* in granting summary judgment for Amazon.com on plaintiff's claim for direct trademark infringement in a case arising out of Amazon.com's alleged use of his mark in sponsored links advertisements); *Altinex v. Alibaba.com Hong Kong Ltd.*, SACV 13-01545 JVS (RNBx), 2016 WL 6822235, at *4-7 (C.D. Cal. Mar. 25, 2016) (granting summary judgment for Alibaba on plaintiff's claim for direct trademark infringement arising out of user listings where the evidence showed that Alibaba removed the listings after receiving notice and there was no evidence to support plaintiff's allegation that the platform had designed its search tool to facilitate user access to counterfeit versions of plaintiff's products).

[20]*Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, No. C 07-03952 JW, 2009 WL 3062893 (N.D. Cal. Aug. 28, 2009), *aff'd in part, rev'd in part,* 658 F.3d 936 (9th Cir. 2011) (reducing the award to account for joint and several liability).

[21]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, Inc.*, No. C 07-03952 JW, 2009 WL 3062893 (N.D. Cal. Aug. 28, 2009), *aff'd in part, rev'd in part*, 658 F.3d 936 (9th Cir. 2011).

[22]*Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 591 F. Supp. 2d 1098 (N.D. Cal. 2008).

defendants several notices and reminders[23] 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.*,[24] ruling that defendants' ISP service was more closely analogous to the flea market at issue in *Fonovisa, Inc. v. Cherry Auction, Inc*[25] than the domain name registrar at issue in *Lockheed Martin Corp.*[26] 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 infringing websites."[27] 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."[28]

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

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[23]The appellate court opinion refers to 18 "Notices of Infringement" that went unanswered.

[24]*Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980 (9th Cir. 1999); *see generally infra* § 6.10[2][E] (discussing the case).

[25]*Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

[26]*Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 591 F. Supp. 2d 1098 (N.D. Cal. 2008). 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.

*Id.* at 1112.

[27]*Id.* at 1113.

[28]*Id.* at 1112.

the direct infringers. This post-trial ruling was affirmed on appeal.[29]

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.[30]

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."[31] In *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."[32] However, the court's focus on the presence of material on servers—which mirrors the Ninth Circuit's server test for evaluating direct infringement in certain cases[33]—represents an artificial distinction that is potentially both over-inclusive and under-inclusive.[34] Perhaps a better way to describe the control exercised over the means of production in *Akanoc* is

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

[30]*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].

[31]*Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999).

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

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

[34]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.

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."[35]

In another counterfeiting case, *Gucci America, Inc. v. Frontline Processing Corp.*,[36] 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 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 dif-

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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 focus 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.

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

[36]*Gucci America, Inc. v. Frontline Processing Corp.*, 721 F. Supp. 2d 228 (S.D.N.Y. 2010).

ficulties 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 be 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.

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.*,[37] 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

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

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 . . . ."[38]

Liability also was found in a district court case, *H-D U.S.A., LLC v. SunFrog, LLC*,[39] where the court found that the defendant was slow to respond to numerous notices and engaged in willful blindness.[40] The defendant also was "deeply and indispensably involved in the creation of its design listings, including offering the software to make them, holding prior designs for later use in the All Art database, and aggressively advertising those listings through Facebook and other social media."[41]

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[38]494 F.3d at 810–11 (Kozinski, J., dissenting); *see generally supra* § 4.11[2][H] (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.

[39]*H-D U.S.A., LLC v. SunFrog, LLC*, 311 F. Supp. 3d 1000 (E.D. Wisc. 2018), *appeal dismissed*, Appeal No. 18-2073, 2018 WL 6039900 (7th Cir. July 19, 2018).

[40]*See H-D U.S.A., LLC v. SunFrog, LLC*, 311 F. Supp. 3d 1000, 1039-41 (E.D. Wisc. 2018), *appeal dismissed*, Appeal No. 18-2073, 2018 WL 6039900 (7th Cir. July 19, 2018).

[41]*See H-D U.S.A., LLC v. SunFrog, LLC*, 311 F. Supp. 3d 1000, 1038

(E.D. Wisc. 2018), *appeal dismissed*, Appeal No. 18-2073, 2018 WL 6039900 (7th Cir. July 19, 2018). By contrast, the court declined to decide whether an "entirely automated and user-directed" printing service could be liable for printing infringing products. *Id.*

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ABOUT THE AUTHOR
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## IAN C. BALLON

Ian Ballon is Co-Chair of Greenberg Traurig LLP's Global Intellectual Property and Technology Practice Group and is a litigator based in the firm's Silicon Valley and Los Angeles offices. He defends data privacy, cybersecurity breach, TCPA, and other Internet and mobile class action suits and litigates copyright, trademark, patent, trade secret, right of publicity, database and other intellectual property matters, including disputes involving Internet-related safe harbors and exemptions and platform liability.

Mr. Ballon was the recipient of the 2010 Vanguard Award from the State Bar of California's Intellectual Property Law Section. He also has been recognized by *The Los Angeles and San Francisco Daily Journal* as one of the Top 75 Intellectual Property litigators, Top Cybersecurity and Artificial Intelligence (AI) lawyers, and Top 100 lawyers in California.

In 2017 Mr. Ballon was named a "Groundbreaker" by *The Recorder* at its 2017 Bay Area Litigation Departments of the Year awards ceremony and was selected as an "Intellectual Property Trailblazer" by the *National Law Journal*.

Mr. Ballon was named as the Lawyer of the Year for information technology law in the 2019, 2018, 2016 and 2013 editions of *The Best Lawyers in America* and is listed in Legal 500 U.S., The Best Lawyers in America (in the areas of information technology and intellectual property) and Chambers and Partners USA Guide in the areas of privacy and data security and information technology. He also serves as Executive Director of Stanford University Law School's Center for E-Commerce in Palo Alto.

Mr. Ballon received his B.A. *magna cum laude* from Tufts University, his J.D. *with honors* from George Washington University Law School and an LLM in international and comparative law from Georgetown University Law Center. He also holds the C.I.P.P./U.S. certification from the International Association of Privacy Professionals (IAPP).

In addition to *E-Commerce and Internet Law: Treatise with Forms 2d edition*, Mr. Ballon is the author of *The Complete CAN-SPAM Act Handbook* (West 2008) and *The Complete State Security Breach Notification Compliance Handbook* (West 2009), published by Thomson West (www.IanBallon.net).

He may be contacted at BALLON@GTLAW.COM and followed on Twitter and LinkedIn (@IanBallon).

**Contributing authors**: Parry Aftab, Ed Chansky, Francoise Gilbert, Tucker McCrady, Josh Raskin, Tom Smedinghoff and Emilio Varanini.

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