Promoting Trademark’s Ends and Means through Online Contributory Liability

ABSTRACT

Trademark law accomplishes its ultimate end—helping consumers easily find, distinguish between, and trust products and services from different brands—through the means of giving markholders an incentive to develop and cultivate these brands in the first place. While individual trademark laws should serve these ends and means, this is not the case with contributory infringement in the United States as applied to the Internet. First, since the doctrine is based entirely in common law with little case law specifically addressing the online context, contributory infringement gives online service providers (OSPs) little notice as to what types of behaviors could result in liability, encouraging providers to be over responsive to markholders to the ultimate detriment of consumers. Second, this climate of uncertainty could very well discourage innovative startups with shallow pockets from entering the market. As a result, the public could be deprived of technologies that help accomplish trademark law’s consumer-oriented goals. Third, recent case law suggests that judges are putting too much faith in the free market’s ability to regulate trademark on the Internet. This Note recommends a federal statute to clarify the duties of OSPs in such a way that promotes trademark’s ends and means.

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Trademark’s ends and means are straightforward: benefit consumers by benefiting markholders. By giving markholders a strong monetary incentive to invest in advertising and monitor for infringement, trademark law makes it possible for consumers to distinguish between brands, build trust in brands they like, and quickly find these brands in the marketplace. By protecting the economic interests of markholders, trademark law advances the interests of the consuming public.

While it would stand to reason that trademark laws should serve these underlying ends and means of trademark theory, this is not the case with the doctrine of contributory trademark infringement under US law. First, with no mention of contributory infringement in the Lanham Act, the federal trademark statute, the doctrine is based entirely in common law. Since existing case law does not establish clear rules for the Internet context, contributory infringement

1. See infra Part I.A.
2. See infra Part I.B.
3. See infra Parts I.A-B.
5. See infra Part III.A.
doctrine gives online service providers (OSPs) like search engines, e-commerce websites, web hosts, and advertising platforms minimal guidance as to what types of behavior could result in liability. This climate of uncertainty encourages OSPs like Google and eBay to be over responsive to markholders, who often demand that OSPs take down legitimate content to the ultimate detriment of consumers. Second, unpredictable liability could very well discourage innovative OSP startups from entering the market. This could deprive the public of new technologies that could actually help accomplish trademark’s consumer-oriented goals. Third, recent cases suggest that judges and lawmakers have assumed too much about the invisible hand’s ability to regulate trademark in the absence of clear trademark law de jure. Since OSPs are important players in today’s marketplace, it is imperative to have clearly defined contributory trademark infringement rules that serve trademark’s ends and means. This Note recommends a legislative solution to accomplish this end.

Part I explores how trademark law achieves its central purposes: promoting consistent product quality and reducing consumer search costs by incentivizing markholders to police for infringement. Part II examines how US and European courts have addressed trademark infringement claims against OSPs. Part III argues that judicial treatment of OSP trademark infringement has established a murky precedent that does not optimally serve the underlying purpose of trademark law. Part IV recommends a federal statutory solution that would create more certainty for OSPs under US law, yet would leave room for judicial development.

I. UNDERSTANDING TRADEMARK’S ENDS AND MEANS

With the dual effect of preventing consumer confusion and protecting brand investment, trademark law serves both consumers and producers. Trademark’s primary purpose is to help consumers distinguish between, trust, and find brands. Nonetheless,

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6. See infra Part III.A.
7. See infra Part III.A.
8. See infra Part III.B.
10. See 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 2:4 (4th ed. 2011) (“Trademarks fix responsibility. Without marks, a seller’s mistakes or low quality products would be untraceable to their source. Therefore, trademarks create an incentive
trademark cannot accomplish this purpose without giving markholders an economic incentive to build and cultivate their brands in the first place.

A. Trademark’s Ends: Promoting Quality and Reducing Search Costs

While courts have often articulated the purpose of trademark law in terms of what it prevents—consumer confusion—contemporary scholars explain trademark’s goal in terms of what it promotes. First presented by the renowned law-and-economics scholars Landes and Posner, the “information” theory of trademark postulates that by serving “trust” and “linguistic” functions, trademarks promote consistent product quality and lower consumer search costs.

Trademarks serve a trust function by allowing consumers to associate initially unobservable product qualities—like a beverage’s flavor or a garment’s comfort—with identifiable marks. This, in turn, gives sellers interested in repeat business an incentive to maintain the quality of their products and services. In a world without trademarks, consumers would have great difficulty distinguishing between products that appear nearly identical on the surface. For instance, two unbranded bottles of cola may look like duplicates on the shelf, despite the fact that they differ in flavor. Absent trademark law, the producers of these colas, Coca-Cola and Pepsi, would have little incentive to provide a cola with a consistent flavor, for consumers would not be able to readily distinguish between the products. Trademark law gives these producers the exclusive right to use their brand names “Coca-Cola” and “Pepsi,” which help consumers to distinguish between products that would be otherwise indistinguishable by sight alone. This gives Coca-Cola and Pepsi an incentive to provide consistent quality goods in order to generate repeat sales.

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13. Id. at 1560.
14. Id. at 1557.
15. Id. at 1563.
16. Id. at 1570.
Trademarks also serve a linguistic function by allowing sellers to communicate information more efficiently through “mental shortcuts,” which simplify the purchaser’s decision-making process by reducing search costs.19 Revisiting the cola example, imagine ordering a soft drink at a restaurant in a world without trademark. A customer wanting Coke would have to frame his question by, for instance, asking for the cola manufactured in Atlanta, Georgia.20 Trademark allows the same customer to simply ask for Coke without having to remember any additional information about the product.21 The linguistic function works together with the trust function to improve the information available to market participants, thereby serving trademark’s underlying goal of preventing consumer confusion through encouraging consistent quality and reducing search costs.22

B. Trademark’s Means: Enlisting a Markholder Police Force

Since trademarks carry little, if any, inherent meaning,23 trademark law cannot accomplish its consumer-oriented goals unless it encourages markholders to build their brands and monitor for infringement. Only after Coca-Cola invests substantially in sales and promotion will consumers begin to recognize the “Coke” trademark as a mental shortcut for the cola produced by Coca-Cola.24 Even if Coca-Cola invests heavily in brand development, the Coke trademark will have little practical value as a trust indicator if every soft drink producer can use it without limit.25 Thus, trademark law forbids other cola producers from branding their beverages as “Coke.” These rights are not self-enforcing, though; Coca-Cola must actively monitor the marketplace for infringing uses.26 To incentivize infringement...

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19. Id. at 1559.
20. Id. at 1568.
21. Id. at 1567-68.
22. Id. at 1563.
23. If a word does have inherent meaning, it cannot be protected as a trademark unless it acquires “secondary meaning” in the minds of consumers. E.g., Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 791 (5th Cir. 1983).
24. Cf. 1 McCarthy, supra note 10, § 2:30 (“In like manner, it can be argued that the law should protect trademarks in order to encourage investment in advertising and the good will it creates. The protection of such monopolies in names seems, then, to rest on the social interest in protecting primarily, not the consumer, but the businessman who has gained a strategic advantage through building up of good will, against unfair practices by competitors who desire to poach on this good will.”).
25. See Katz, supra note 12, at 1559 (noting that “in order for trademarks or brand names to perform this economizing function, they must not be duplicated by others”).
26. See 6 McCarthy, supra note 10, § 31:38 (noting that duty to police for infringement belongs to the markholder).
policing, trademark law provides markholders like Coca-Cola with substantial equitable and monetary remedies.\(^{27}\)

Consistent with trademark’s consumer focus, trademark law only permits markholders to object to trademark use where there is potential for consumer confusion.\(^{28}\) Unlike copyrights, trademarks are not property rights in gross.\(^{29}\) As such, Coca-Cola does not have the right to prevent socially beneficial uses of the “Coke” trademark, such as journalistic criticism or comparative advertising.\(^{30}\) Such trademark uses, which benefit the consuming public, actually serve the underlying purposes of trademark law.

### C. Promoting Trademark’s Ends and Means through the Law

Under the prevailing information theory of trademark, the litmus test for a trademark rule should be whether the rule promotes both the trust and linguistic functions of trademark.\(^{31}\) An example of such a law is the tort of “passing off,” where a seller misrepresents its goods as being those of another.\(^{32}\) For instance, a cola producer commits the tort of passing off when it misrepresents its beverages as being Coca-Cola. Passing off frustrates the linguistic function of the “Coke” trademark by watering down the mark’s ability to serve unequivocally as an indicator of the beverage’s source.\(^{33}\) It also frustrates the trust function, for if consumers cannot distinguish genuine Coke from passed-off versions, Coca-Cola will have little incentive to provide consistent product quality.\(^{34}\) By penalizing activities that undermine the trust and linguistic functions of trademark, the tort of passing off is optimally calibrated to the goals of trademark.\(^{35}\)

In contrast, an example of a rule that serves neither the trust nor the linguistic function is a prohibition against comparative advertising. For instance, one such Canadian law provides that “no person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the

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28. See id. §§ 1114(1), 1125(a).
29. 4 McCarthy, supra note 10, § 24:11.
30. Id. § 25:52 (noting that trademark law permits the use of a protected mark in comparative advertising, so long as the advertisement is truthful and nonconfusing); id. § 27:91 (noting that in trademark law “[i]t is important to create critical breathing space for legitimate comment and criticism about products and services”).
32. Id. at 1570.
33. Id.
34. Id.
35. See id. at 1570-71.
goodwill attaching thereto.” Unlike the tort of passing off, comparative advertising does not mislead consumers, but rather, helps consumers understand a product’s quality and attributes. For instance, a truthful advertisement claiming that a beverage tastes like Coke does not lead consumers to believe that the drink is Coke, but quickly points consumers to an alternative, comparable product. Preventing comparative advertising squelches these potential societal benefits, thus undermining trademark’s trust and linguistic functions. Just as optimal trademark laws should promote the trust and linguistic functions of trademark, it also follows that the law should enable, not inhibit, markholder policing efforts. If markholders are unable to thoroughly monitor for trademark infringement, trademarks will lose their power to serve unequivocally as an indicator of a product’s source—and consequently, their power to promote consistent product quality and reduce consumer search costs. As online contributory infringement doctrine begins to crystallize, it is worth considering whether the doctrine is evolving into one that will serve both the ends and means of trademark.

II. The Current State of Online Contributory Trademark Infringement

Unlike in Europe, where most national courts hold OSPs to varying duties of care, US courts apply a single standard set forth by the Supreme Court in Inwood Laboratories, Inc. v. Ives Laboratories, Inc. One would think that the contributory infringement doctrine in the US would be fairly straightforward, given that a Supreme Court case defines the relevant test. However, courts have struggled to determine how to translate Inwood to the Internet context.

36. Trade-Marks Act, R.S.C. 1985, c. T-13, s. 22(1) (Can.). This is demonstrated acutely in the Canadian case of Clairol Int’l Corp. v. Thomas Supply & Equip. Co. See Katz, supra note 12, at 1576-77 (citing Clairol Int’l Corp. v. Thomas Supply & Equip. Co. (1968), 2 Ex. C.R. 552 (Can.)). Defendant Revlon developed a hair dye product similar to that offered by plaintiff Clairol, then the Canadian market leader. Id. at 1572-73. Revlon placed a color comparison chart on its product packaging, comparing its own hair dye with shades offered by Clairol. Id. at 1573. In the chart’s column headers appeared Clairol’s trademark-protected brand name. Id. Clairol prevailed against Revlon under s. 221 of the Trade-Marks Act, which prohibits comparative advertising. Id. at 1573-74.

37. See Katz, supra note 12, at 1575-76.

38. See id.

39. See id. at 1568-69.

40. See id. at 1559 (noting that “in order for trademarks or brand names to perform this economizing function, they must not be duplicated by others”).

A. The Importance of Contributory Liability in OSP Litigation

While contributory infringement is now the dominant theory in both the United States and Europe for analyzing OSP liability, cases from the early days of the Internet considered the full panoply of liability theories—direct, vicarious, and contributory—often conflating these theories with one another.\(^\text{42}\)

Holding an OSP directly liable for trademark infringement requires showing that the OSP itself—not a third-party advertiser or seller—used a protected trademark in commerce in a manner likely to cause confusion.\(^\text{43}\) This argument has most frequently arisen in search market litigation, where plaintiffs have claimed that by auctioning protected trademarks as keyword “triggers,” search engines commit direct trademark infringement.\(^\text{44}\) Although direct infringement claims have survived motions to dismiss in a handful of search market cases, the emerging consensus seems to be that the theory of direct infringement is not applicable to search engines.\(^\text{45}\) One court recently held that keyword auctioning could not result in a likelihood of confusion as a matter of law, granting summary

\(^{42}\) Dogan & Lemley, supra note 9, at 804.

\(^{43}\) See Lanham Act, 15 U.S.C. §§ 1114(1), 1125(a)(1)(A) (2006) (providing a cause of action for any use of trademark that is “likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person”).

\(^{44}\) See, e.g., Rescuecom Corp. v. Google Inc., 562 F.3d 123 (2d Cir. 2009); Playboy Enters., Inc. v. Netscape Commc’ns Corp., 354 F.3d 1020 (9th Cir. 2004); 800-JR Cigar, Inc. v. GoTo.com, Inc., 437 F. Supp. 2d 273 (D.N.J. 2006). Holding a search engine liable for direct trademark infringement depends upon the premise that auctioning a trademark as a keyword “trigger” constitutes actionable “use.” See 15 U.S.C. § 1125(a)(1)(A) (creating liability for any person who “uses in commerce” a registered trademark); Rescuecom, 562 F.3d at 127 (discussing whether keyword auctioning constitutes “use in commerce”). Advertisers determine where their advertisements will be displayed by bidding on “trigger” keywords. 800-JR Cigar, Inc., 437 F. Supp. 2d at 277. At least in the United States, most major search engines do not prohibit advertisers from bidding on “trigger” keywords that happen to be trademarks. See Eric Goldman, Microsoft Adopts Google-Style Trademark Policy for Keyword Advertising, ERICGOLDMAN.ORG (Feb. 15, 2011), http://blog.ericgoldman.org/archives/2011/02/microsoft_adopt.htm; What is Google’s Trademark Policy for Resellers and Informational Sites?, GOOGLE ADWORDS HELP, http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=145626 (last visited Feb. 25, 2011). Plaintiffs have also brought direct infringement claims against other OSPs like online marketplaces, though with less success than in search engine cases. See Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 103 (2d Cir.) (rejecting plaintiff’s direct infringement claim against eBay), cert. denied, 131 S. Ct. 647 (2010).

\(^{45}\) See Rosetta Stone Ltd. v. Google Inc., 730 F. Supp. 2d 531, 540-51 (E.D. Va. 2010); Dogan & Lemley, supra note 9, at 806 (“While the use of a trademark as a keyword may well be a use in interstate commerce sufficient to invoke the jurisdiction of the federal courts, satisfying this minimal requirement is not the same as proving that the defendants have made trademark use of the plaintiff’s brand.”).
judgment for the defendant OSP. The European Court of Justice (ECJ) has reached a similar result, though by reasoning that neither the auctioning of a keyword nor the hosting of an advertisement containing a trademark constitutes a “use” by a search engine under applicable law.

OSPs could also be liable as vicarious infringers where there exists some underlying direct infringement by a third party. Vicarious liability requires that the defendant and infringer have an actual or apparent partnership, have authority to bind one another in transactions, or exercise joint control or ownership over the infringing material. Although a handful of plaintiffs in OSP litigation have asserted this theory, recent case law suggests that these claims may be without merit since most OSPs are not in a partnership with their users in the eyes of the law.

Since courts have gradually rejected the theories of direct and vicarious liability in OSP litigation, contributory infringement is now the controlling analytical framework.

B. Online Contributory Infringement in the United States

With no express mention of contributory liability in the Lanham Act, the United States applies a common law test for contributory liability derived from tort law principles. This test, which emerged nearly a decade before the advent of the Internet in Inwood Laboratories, Inc. v. Ives Laboratories, Inc., provides for contributory liability where a party actively induces infringement or

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46. Rosetta Stone, 730 F. Supp. 2d at 542-44.
47. Joined Cases C-236, 237 & 238/08, Google France Sarl v. Louis Vuitton Malletier SA, Google France v. Vaticum, and Google France v. CNRRH, 2010 E.C.R. I-02417, 55 (“Although it is clear from those factors that the referencing service provider operates ‘in the course of trade’ when it permits advertisers to select, as keywords, signs identical with trade marks, stores those signs and displays its clients’ ads on the basis thereof, it does not follow, however, from those factors that that service provider itself ‘uses’ those signs within the terms of Article 5 of Directive 89/104 and Article 9 of Regulation No 40/94.”).
49. Id.
50. See, e.g., GEICO v. Google, Inc., 330 F. Supp. 2d 700, 705 (E.D. Va. 2004) (concluding that since search engine and third party advertisers exercised joint control of the appearance of advertisements—and consequently, plaintiff’s trademarks within the advertisements—on the search results page, plaintiff had stated a claim of vicarious infringement against the search engine).
51. Rosetta Stone, 730 F. Supp. 2d at 550 (“Without evidence that Google’s Keyword Tools or its employees direct or influence advertisers to bid on the Rosetta Stone Marks, Rosetta Stone has not shown that Google controls the appearance and content of the Sponsored Links and the use of the Rosetta Stone Marks in those Links.”).
continues to supply a known infringer.\textsuperscript{53} In \textit{Inwood}, the Supreme Court considered whether manufacturers of generic drugs should be secondarily liable for the infringing conduct of pharmacies, which ultimately packaged and sold the drugs in bottles with trademark-infringing labels.\textsuperscript{54} Reversing in favor of defendants, the Court held that a manufacturer or distributor could only be secondarily liable if it had intentionally induced another to infringe or continued to supply a merchant it knew, or had reason to know, was committing trademark infringement.\textsuperscript{55} Thus, the \textit{Inwood} test provides for liability in the cases of inducement and knowledge.

While \textit{Inwood} itself did not elaborate on the circumstances under which a defendant might be charged with constructive knowledge,\textsuperscript{56} subsequent cases held that a defendant who remains “willfully blind” to infringement and continues to supply infringers may be liable under \textit{Inwood}'s second prong.\textsuperscript{57} Willful blindness requires that an actor “suspect wrongdoing and deliberately fail to investigate.”\textsuperscript{58} Merely failing to take precautions cannot equate to “willful blindness,” for a service provider is under no duty to actively prevent counterfeiting.\textsuperscript{59}

Though \textit{Inwood} applies on its face only to manufacturers and distributors, lower courts extended \textit{Inwood}'s test for secondary liability to service providers whose landlord status implicated special tort law duties.\textsuperscript{60} The Seventh Circuit extended the \textit{Inwood} test in \textit{Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.} to the operator of a flea market where a vendor was selling counterfeit t-shirts.\textsuperscript{61} Although finding for defendants on the merits, the court

\textsuperscript{53} \textit{Inwood Labs., Inc. v. Ives Labs., Inc.}, 456 U.S. 844, 854 (1982).
\textsuperscript{54} \textit{Id.} at 844.
\textsuperscript{55} \textit{Id.} at 854.
\textsuperscript{56} \textit{Id.} (providing for liability in case of “knowledge” without elaborating on meaning of “knowledge” standard).
\textsuperscript{57} \textit{Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.}, 955 F.2d 1143, 1149 (7th Cir. 1992).
\textsuperscript{58} \textit{Id.}
\textsuperscript{59} \textit{Id.} The court rejected \textit{Hard Rock}'s vicarious liability theory, reasoning that although vicarious copyright liability may lie if “the right and ability to supervise the infringing activity and also has a direct financial interest in such activities,” trademark liability should be “more narrowly drawn than secondary liability for copyright infringement.” \textit{Id.} at 1150; see \textit{Sony Corp. of Am. v. Universal City Studios, Inc.}, 464 U.S. 417, 439 (1984), superseded by statute, 17 U.S.C. § 1201 (making unlawful the circumvention of technological measures intended to control access to copyrighted works), as recognized in \textit{Realnetworks, Inc. v. DVD Copy Control Ass'N}, 641 F. Supp. 2d 913 (N.D. Cal. 2009). However, plaintiffs in future online trademark infringement cases were more successful in keeping vicarious liability claims alive past a motion to dismiss. \textit{See infra} notes 132-137 and accompanying text.
\textsuperscript{60} \textit{See Hard Rock Cafe}, 955 F.2d at 1149.
\textsuperscript{61} \textit{Id.}
applied the *Inwood* secondary liability test, reasoning that the landlord-tenant relationship of the flea market operator and vendor carried with it special duties in tort, much like the manufacturer-retailer relationship in *Inwood*. 62 Four years later, the Ninth Circuit followed suit in *Fonovisa, Inc. v. Cherry Auction, Inc.*, applying the *Inwood* test to a swap meet that allowed vendors to sell counterfeit recordings. 63 Denying defendant’s motion to dismiss, the court noted that although the swap meet did not supply the infringing recordings, it supplied the necessary marketplace. 64

Courts faced with contributory trademark infringement claims against OSPs must first decide whether *Inwood* should apply in the first place. 65 Most courts in the United States have followed the Ninth Circuit’s formulation in *Lockheed Martin Corp. v. Network Solutions, Inc.*, 66 which holds that *Inwood* applies to an OSP if the OSP exercises sufficient control over the infringing conduct. 67 If the OSP merely performs a passive “routing service” as with domain registrars, which link domain names to the IP addresses of web hosting servers, 68 the OSP is immune from contributory infringement claims. 69 OSPs such as

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62. *Id.*
63. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996).
64. *Id.*
65. *See* *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999).
67. *Lockheed Martin*, 194 F.3d at 984. (“*Hard Rock* and *Fonovisa* teach us that when measuring and weighing a fact pattern in the contributory infringement context without the convenient ‘product’ mold dealt with in *Inwood Lab.*, we consider the extent of control exercised by the defendant over the third party’s means of infringement.”).
68. Every hosting server is assigned a unique numerical identifier called an Internet protocol address (IP address). From Registering a Domain Name to Getting it Online, WEBHOSTINGINFOTIPS.COM, http://www.webhostinginfotips.com/web-hosting/from-registering-a-domain-to-getting-it-online.php (last visited Nov. 6, 2011). Although websites can be accessed directly by IP address, these numbers are cumbersome to type and difficult to remember. *Id.* Registrars sell domain names, a much friendlier alternative to IP addresses for accessing websites. *Id.* When an Internet user accesses a domain name, the registrar forwards the user to the corresponding hosting server. *Id.*
69. *Lockheed Martin*, 194 F.3d at 984-85. In *Lockheed Martin Corp. v. Network Solutions, Inc.*, a California district court declined to extend *Inwood* to domain registrars. 985 F. Supp. 949, 967 (C.D. Cal. 1997), aff’d, 194 F.3d 980 (9th Cir. 1999). Unlike the flea market operator in *Hard Rock*, who directly controlled and monitored the premises, a registrar could not reasonably be expected to monitor websites operated by its clients. *Id.* at 962. The court carefully distinguished a registrar from a web host, “whose computers provide the actual storage and communications for infringing material, and who therefore might be more accurately compared to the flea market vendors in *Fonovisa* and *Hard Rock*.” *Id.* Although the *Lockheed* decision predated the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d) (2006), decisions postdating the Act still exonerated registrars. *See* *Size*, 255 F. Supp. 2d at 568 (characterizing a domain registrar as a “neutral stakeholder” and “passive messenger service” more like the postal
as payment processors, who do not exercise “direct” control over the means of infringement, are immune from liability; for although cutting off an infringer’s line of credit might have the practical effect of eliminating the infringing conduct, the infringing activity could theoretically continue without the involvement of the payment processor. 70 If, however, the OSP does exercise significant control over the means of infringement, Inwood will apply. 71 Hosting providers, search engines, and online marketplaces are examples of OSPs that fall within the ambit of the Inwood test, for each of these types of OSP has the ability to cut off the means of infringement. 72

If Inwood applies, the inquiry shifts to whether the OSP induced infringement or continued to provide its services to a customer who it actually or constructively knew was infringing. Existing cases suggest that proving—even alleging—that an OSP intentionally induced infringement is a tall order. 73 For instance, courts have uniformly held that even keyword suggestion tools—which most search engines use to recommend new keywords for advertising campaigns based on advertisers’ site content—are not evidence of inducement. 74 Sometimes these tools recommend that an advertiser use a competitor’s trademark as a keyword. 75 Even where this occurs, courts have held that there is no inducement, for the recommendation is purely algorithmic, and the ultimate decision as to whether to use the word in the campaign lies with the advertiser. 76

Knowledge—actual or constructive—is also difficult to prove, because OSPs cannot be held liable for generalized knowledge of infringing activity. 77 An OSP must have specific knowledge of identified instances of infringement to be subject to liability, 78 as service providers do not have an affirmative duty to actively prevent

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70. Perfect 10, Inc. v. Visa Int’l Serv., Ass’n, 494 F.3d 788, 797 (9th Cir. 2007).
71. See Lockheed Martin, 194 F.3d at 984.
73. See infra notes 74-81 and accompanying text.
75. See Rosetta Stone, 730 F. Supp. 2d at 547-49.
76. See, e.g., id. at 536-37.
77. See eBay, 600 F.3d at 109.
trademark infringement. The fact that an OSP knows its users could potentially be committing trademark infringement via its service is not enough for liability to hold. Showing “willful blindness” is also difficult, for failing to take precautions is not a sufficient basis for a finding of willful blindness.

C. A Comparison: Contributory Trademark Infringement in Europe

Examining the European approach to contributory infringement reveals the strengths and weaknesses of the US regime, for the two differ substantially in their categorization of OSPs and the level of liability they impose on each type of OSP.

Unlike in the United States, where a uniform standard of liability applies to any OSP that passes the “sufficient control” test, OSP contributory liability in Europe generally depends on whether an OSP is a “broker” or a passive “host” service. Whereas passive hosts are eligible for safe harbor under the European E-commerce Directive—conditioned primarily upon expeditiously removing infringing material—brokers are not, and have a legal duty to take adequate steps to prevent infringement. Though the safe harbor appears to draw a bright line defining eligibility for protection, European nations differ in their classification of various types of OSPs.

France takes the position that online marketplaces like eBay are “brokers” with greater responsibilities than a mere host.

79. *Lockheed Martin*, 194 F.3d at 985. Nor can OSPs be held liable for general knowledge of infringement under a theory of vicarious liability. *Hard Rock Cafe Licensing Corp.* v. *Concession Servs.*, Inc., 955 F.2d 1143, 1150 (7th Cir. 1992). The court rejected *Hard Rock’s* vicarious liability theory, reasoning that although vicarious copyright liability may lie if “the right and ability to supervise the infringing activity and also has a direct financial interest in such activities,” trademark liability should be “more narrowly drawn than secondary liability for copyright infringement.” *Id.* However, plaintiffs in future online trademark infringement cases were more successful in keeping vicarious liability claims alive past a motion to dismiss. See, e.g., *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700, 705 (E.D. Va. 2004) (denying motion to dismiss on plaintiff’s vicarious trademark infringement claim against Google).

80. See *eBay*, 600 F.3d at 109.

81. *Hard Rock*, 955 F.2d at 1149.

82. See supra note 69 and accompanying text.


84. *Id.*

85. See *id.* at 1096-99.

86. A French court in *Hermes International v. eBay*, held eBay liable as a broker for trademark infringement resulting from counterfeiters, resting its reasoning on the fact that eBay did not have adequate measures in place to detect and guard against infringement. Peene, supra note 83, at 1096-97; see also Tribunal de grande instance [T.G.I.] [ordinary court of original jurisdiction], Troyes, June 4, 2008, Docket No. 06/02604 [Hermes Int’l v. eBay]. Similarly, in
Germany’s position, similar to France’s, is that eBay is more than a host entitled to lessened liability.\textsuperscript{87} In contrast, other nations like Belgium and the United Kingdom have held that eBay is a passive hosting service under applicable law, and does not have a general monitoring obligation with respect to its listings.\textsuperscript{88}

Though European nations have also differed in their classification of search engines as “broker” or “passive host,” the ECJ recently suggested in \textit{Google v. Louis Vuitton} that search engines are “passive hosts” immune from secondary liability.\textsuperscript{89} A search engine that does not play an “active role” in the development of the advertisement in question cannot be secondarily liable “unless, having obtained knowledge of the unlawful nature . . . of that advertiser’s activities, it failed to act expeditiously to remove or to disable access to the data concerned.”\textsuperscript{90} The ECJ’s position may guide various national courts toward a uniform approach—that search engines are “passive hosts.”

To summarize, both the United States and Europe have gradually adopted contributory trademark infringement, as opposed to direct or vicarious infringement, as the primary theory for analyzing OSP liability. Whereas most European countries hold OSPs to varying duties of care, US courts apply one standard—inducement and knowledge—to any OSP that falls within the Ninth Circuit’s “substantial control” parameter.\textsuperscript{91} This singular standard promotes a degree of uniformity among US courts that is lacking in Europe; unfortunately, confusion remains as to how exactly this theory should be applied in practice.


\textsuperscript{87} Peene, \textit{supra} note 83, at 1097. The German Federal Supreme Court found eBay secondarily liable for the sale of counterfeit Rolex watches on the eBay Germany website, reasoning that eBay failed to take reasonable steps to prevent recurring counterfeit sales after being notified of specific instances of infringement. \textit{Id.}

\textsuperscript{88} \textit{Id.} at 1100. The United Kingdom High Court, observing that eBay “[took] active steps to prevent or at least minimise [counterfeit] activities,” was not secondarily liable for trademark infringement. \textit{Id.} at 1098 (quoting L’Oreal S.A. v. eBay International A.G., [2009] EWHC (Ch.) 1094, [377], [2009] R.P.C. 21 (Eng.)). “The fact that it would be possible for eBay Europe to do more does not necessarily mean that it is legally obliged to do more,” the court noted. L’Oreal S.A. v. eBay International A.G., [2009] EWHC (Ch.) 1094, [277], [2009] R.P.C. 21 (Eng.).


\textsuperscript{90} \textit{Id.} ¶ 120.

\textsuperscript{91} \textit{See supra} Part II.C.
III. HOW THE US REGIME FAILS TO PROMOTE TRADEMARK’S ENDS AND MEANS

As discussed earlier, optimal trademark rules will serve both the ends of trademark—promoting consistent quality and reducing search costs—and the means—enabling markholders to police their rights.\footnote{92} Since search engines do not have a duty to actively monitor for infringement under US law,\footnote{93} search engines have maintained more liberal trademark policies in the United States than in Europe.\footnote{94} In contrast, until the recent ECJ decision in \textit{Google v. Louis Vuitton},\footnote{95} advertisers in continental Europe could not make fair uses\footnote{96} of trademarks in their advertisements, nor could they use trademarks as “triggers” in their advertisements.\footnote{97} This is because many countries had considered search engines to be “brokers” subject to heightened duties of care and investigation.\footnote{98} As OSP policies that permit fair uses serve the linguistic function of trademark, any reform to contributory infringement liability should seek to preserve this effect.

Although the US regime has prompted OSPs to adopt more lenient trademark policies, thereby freeing up legitimate mark uses and helping to reduce consumer search costs, it has also produced several results that are contrary to the ends and means of trademark. First, under \textit{Inwood} there are no clear standards for when an OSP

\footnotesize{92. \textit{See supra} Part I.C.}
\footnotesize{93. \textit{See Inwood Labs., Inc. v. Ives Labs., Inc.,} 456 U.S. 844, 854 (1982) (imposing duty to stop supplying a customer once the OSP knows, or should know, of infringement). Search engines also have a duty under \textit{Inwood} to refrain from inducement, though as discussed earlier, this duty has little practical meaning. \textit{See supra} notes 73-81 and accompanying text.}
\footnotesize{94. \textit{For instance, Google allows advertisers in Ireland, Canada, the US, and the UK, to use trademarks in advertisement text where the use is generic, descriptive, or nominative. \textit{See What is Google’s Trademark Policy for Resellers and Informational Sites?, GOOGLE ADWORDS HELP,} http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=145626 (last visited Feb. 25, 2011).}
\footnotesize{95. \textit{See supra} note 72.}
\footnotesize{96. \textit{US trademark law permits a party to make “fair use” of another’s trademark in comparative advertising where: (1) use of the mark is necessary to describe one’s product or service, (2) only so much of the mark is used as is necessary, and (3) the party’s use accurately reflects the relationship between the party’s and the markholder’s products or services. 6 McCARTHY, \textit{ supra} note 10, § 31:156.50.}
\footnotesize{97. \textit{See generally} Peene, \textit{ supra} note 83.}
should be charged with knowledge of infringement. This may lead OSPs to be overly responsive to markholder takedown demands, which is particularly concerning since the underlying purpose of trademark law—helping consumers easily connect with goods and services they desire—is not well-served by a notice-and-takedown framework. Second, the recent *Tiffany v. eBay* decision may be interpreted as requiring OSPs to implement multi-million dollar anti-infringement programs. Such an interpretation may discourage new start-up OSPs from entering the market, potentially depriving the public of new consumer-oriented technologies—like Google search, or Amazon’s product suggestion feature—that could actually help to accomplish trademark’s goals. Third, recent cases justify the state of *Inwood* jurisprudence with unfounded assumptions about the free market.

### A. Unclear Common Law Notice-and-Takedown Regime that Encourages Abusive Takedown Demands

As discussed earlier, *Inwood* and its progeny seem to impose a duty on service providers to expeditiously remove content upon actual or constructive knowledge of infringement. The *Inwood* line of cases does not define the types of notices from trademark owners that might count as knowledge of infringement. By contrast, in the copyright context, the meaning of “knowledge” is clear: A notice of infringement from a copyright owner counts as “knowledge” under the Digital Millennium Copyright Act (DMCA) safe harbor so long as the notice is sent to the OSP’s designated agent and meets a number of statutory criteria, including a statement of good faith under penalty of perjury. Further, recent case law suggests that copyright owners must consider fair use before sending a takedown notice. Only notices that satisfy the DMCA’s requirements count as “knowledge.”

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99. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (providing for liability in case of “knowledge” without elaborating on meaning of “knowledge” standard).


102. *See supra* Part II.B; *see also* *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).


106. 17 U.S.C. § 512(c)(3)(B)(i) (“[A] notification from a copyright owner or from a person authorized to act on behalf of the copyright owner that fails to comply substantially with the
Absent a statutory notice-and-takedown scheme for trademark, what criteria must a notice meet to count as “knowledge” under Inwood?

A recent US District Court for the Northern District of California case, Louis Vuitton v. Akanoc Solutions, illustrates the problem of Inwood’s ambiguous knowledge requirement. Plaintiff Louis Vuitton, a French fashion design corporation, had sent several notices to defendant Akanoc, a web hosting provider, that it was hosting numerous websites dedicated to selling counterfeit Louis Vuitton merchandise. The notices claimed that a private investigator had determined that goods sold on the suspected websites were indeed counterfeits. In response, Akanoc did not take down all of the alleged infringing content, but rather, forwarded the notices along to the alleged infringers. Louis Vuitton claimed that Akanoc’s failure to remove infringing content constituted contributory trademark infringement under Inwood. Akanoc moved for summary judgment, arguing that its system of forwarding notice onto potential infringers was the only practical way to deal with infringement claims, given the large number of complaints it received and its inability to determine what material was actually infringing.

The court denied Akanoc’s motion on the grounds that there were genuine issues of material fact concerning whether Akanoc had actual or constructive knowledge of infringement on its servers. Applying what it referred to as the Ninth Circuit’s “less restrictive” version of the Inwood test for service providers—the “sufficient” test outlined in Lockheed—the court noted that Akanoc had the ability to control infringing websites by disabling individual IP addresses or unplugging entire servers. Rejecting Akanoc’s argument that Inwood did not require host providers to “monitor the Internet” for trademark infringement, the court reasoned that a web hosting service is not analogous to a “rote translation service” like a registrar. According to the court, hosts are more like the Fonovisa flea market operator, for hosting websites and routing traffic to and

provisions of subparagraph (A) shall not be considered under paragraph (1)(A) in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent.

108. Id. at 1103.
109. Id. at 1105.
110. Id. at 1107.
111. Id.
112. Id. at 1106-07.
113. Id. at 1112.
114. Id.
115. Id.
from servers “is the Internet equivalent of leasing real estate.”117 Therefore, a host cannot remain “willfully blind” to infringement occurring on its servers.118 By failing to remove content upon notice, Akanoc had been willfully blind.119

Ultimately, the Akanoc case resulted in a $32 million jury verdict in favor of Louis Vuitton.120 This suggests that Akanoc’s decision not to rely on the notices sent by Louis Vuitton is what resulted in liability, even though Akanoc did take some action by forwarding notice onto the site owner.121 Akanoc provides no clear guidelines for what a web host must regard as reliable evidence of infringement; instead, it leaves many questions. Must OSPs designate an agent to field notices of trademark infringement? Must the notice be signed under penalty of perjury? Must a counterfeit identification expert certify the finding of infringement? Must the notice contain a statement of good faith? Must it list reasons why fair use does not apply? These unanswered questions leave the door open for overzealous trademark owners to pressure OSPs into removing content to avoid multi-million dollar jury verdicts like that imposed upon Akanoc.122 At least two post-Akanoc lawsuits ended in large verdicts against OSPs for contributory trademark infringement.123 OSPs have good reason to fear liability as a secondary infringer for failing to implement this common law notice-and-takedown regime, the parameters of which are far from clear.124

117. Akanoc, 591 F. Supp. 2d at 1112.
118. Id.
119. Id.
122. As discussed above, this is particularly problematic in the trademark context, where it is arguably even more difficult than in copyright for an OSP to determine fair use. See supra notes 104-06 and accompanying text.
B. Inhibiting Market Entry for Innovative OSP Startups

Although Inwood and its early progeny did not require OSPs to “monitor the Internet” for infringement, the seminal case of Tiffany v. eBay may persuade courts to punish OSPs that do not implement state-of-the-art systems to combat infringement. In eBay, high-end retailer Tiffany sued the popular online auction website eBay for contributory trademark infringement related to a flood of counterfeit Tiffany products on eBay. Tiffany had repeatedly notified eBay of counterfeit activity through eBay’s Verified Online Resellers Program (“VeRO”), an eBay program that allows trademark holders to notify eBay of counterfeit activity. In addition to suspending sellers when it received VeRO notices, eBay had also taken proactive measures to combat infringement, investing millions of dollars in its “fraud engine.” Despite these efforts, counterfeit Tiffany products continued to appear on eBay. Tiffany brought suit, arguing that eBay’s general knowledge of rampant infringement rendered eBay liable as a contributory infringer for continuing to supply known infringers or, alternatively, for remaining willfully blind to infringing activity.

The Second Circuit quickly dismissed the possibility of liability for continuing to supply known infringers, observing that eBay had expeditiously removed listings from its site each time Tiffany submitted a VeRO notice. However, the court discussed the possibility of willful blindness, articulating what one scholar termed a “new and troublesome legal standard”:

A service provider is not, we think, permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way.

127. Id. at 96.
128. Id. at 106.
129. Id. at 98.
130. Id. at 109 (noting that counterfeit activity continued).
131. Id. at 106.
132. Id. at 109.
134. eBay, 600 F.3d at 109-10.
The court held that eBay had not been willfully blind, but it did not explain its seemingly new terms of art. What does it mean for an OSP to have “reason to suspect” infringement? And assuming an OSP has “reason to suspect” infringement, what must it do to avoid “shielding itself” from learning of the infringement? Unfortunately, the Second Circuit left these questions largely unanswered, offering little analysis for why eBay was not guilty of intentionally shielding itself from learning of infringement.

The only justification the court stated outright was that eBay “spent millions of dollars” in developing its VeRO program. Does this mean that other OSPs must follow suit in implementing expensive infringement detection programs in order to avoid liability? This possible interpretation of the eBay opinion may deter innovative OSP startups with shallow pockets from entering the market. While the actual costs of preventing innovation are unquantifiable, the potential costs to society are great: How different would our modern marketplace be without Google’s search technology, eBay’s e-commerce business model, or Amazon’s product suggestion feature? Hampering technological innovation that could help consumers connect with products and services undermines trademark’s goal of reducing consumer search costs. While the Second Circuit’s opinion is not technically binding across the country, courts in other circuits have already chosen to apply eBay. Considering that the Supreme Court denied Tiffany’s petition for certiorari, eBay will likely remain de facto controlling precedent unless legislators intervene.

C. Unfounded Reliance on the Free Market to Regulate Trademark

Recently, some courts and commentators have expressed a belief that market forces provide OSPs with enough incentives to regulate trademark. They reason that consumer complaints about counterfeit products and misleading advertisements will sufficiently

135. Id. at 109.
136. See Goldman, supra note 133 (questioning meaning of “reason to suspect” infringement).
137. Id.
138. Id.
140. Tiffany (NJ) Inc. v. eBay, Inc., 131 S. Ct. 647 (2010) (denying the petition for writ of certiorari from 600 F.3d 93 (2d Cir. 2010)).
persuade OSPs to create their own “home-brewed” trademark law.\textsuperscript{142} It may be true that, in the absence of legal obligations, OSPs still choose to regulate trademark to some extent. Yet there is no guarantee that this home-brewed trademark law will adequately serve the underlying ends and means of trademark law at large, as evidenced by an example in the search engine marketing context discussed below.

1. The Cases: \textit{Tiffany v. eBay} and \textit{Rosetta Stone v. Google}

The first case to express its confidence in the market’s ability to check trademark infringement was \textit{Tiffany v. eBay}, discussed above.\textsuperscript{143} In holding that eBay had not been willfully blind to counterfeiting activities, the Second Circuit emphasized that eBay had strong market incentives to battle infringement:

\begin{quote}
[We are also disposed to think, and the record suggests, that private market forces give eBay and those operating similar businesses a strong incentive to minimize the counterfeit goods sold on their websites. eBay received many complaints from users claiming to have been duped into buying counterfeit Tiffany products sold on eBay. The risk of alienating these users gives eBay a reason to identify and remove counterfeit listings. Indeed, it has spent millions of dollars in that effort.\textsuperscript{144}]
\end{quote}

Although the court’s holding did not hinge upon its assumptions about the marketplace, it seems that the court felt more comfortable exonerating eBay after convincing itself that the free market would serve as an adequate substitute for regulation \textit{de jure}.\textsuperscript{145} Two years after \textit{eBay}, the US District Court for the Eastern District of Virginia adopted a similar line of reasoning in \textit{Rosetta Stone v. Google}, granting summary judgment in favor of Google on a claim of contributory trademark infringement.\textsuperscript{146} Rosetta Stone, a producer of language-learning computer software, alleged that third party advertisers had infringed its trademarks in keyword “trigger” bids and advertisement text.\textsuperscript{147} Google, it argued, should be secondarily liable under \textit{Inwood} for these infringements.\textsuperscript{148} The court held that, although \textit{Inwood} did indeed apply, Google could not be

\textsuperscript{142} Greg Lastowka, Tiffany v. eBay (2d Cir. 2010), MADISONIAN.NET (Apr. 1, 2010), http://madisonian.net/2010/04/01/tiffany-v-ebay-2d-cir-2010 (noting that the Second Circuit in \textit{eBay} “suggests that as a private company, eBay has market-based motivations to create and enforce it’s [sic] own home-brewed blend of trademark law in response to the demands of consumers, within its own little auction jurisdiction”).

\textsuperscript{143} \textit{eBay}, 600 F.3d at 109.

\textsuperscript{144} \textit{Id.}

\textsuperscript{145} \textit{Id.}

\textsuperscript{146} \textit{Rosetta Stone}, 730 F. Supp. 2d at 552.

\textsuperscript{147} \textit{Id.} at 535.

\textsuperscript{148} \textit{Id.}
found liable under either the inducement or knowledge prong.\textsuperscript{149} There was no evidence that Google intended to induce infringement by a third party.\textsuperscript{150} Neither the existence of a keyword suggestion tool nor profit motive, the court asserted, was evidence of intent to contribute to infringement.\textsuperscript{151} Further, there was no proof that Google continued to supply customers whom it had reason to know were committing trademark infringement, for it responded to takedown requests and had a team dedicated to combating infringement.\textsuperscript{152} To bolster its argument, the court reasoned that market forces provided Google ample incentive to combat trademark infringement, noting that advertisements for counterfeit goods “can create a bad experience for web users, who Google ultimately relies on for its business.”\textsuperscript{153} “It would run counter to good business practice for Google to encourage and provide advertising space to those it knows are infringing on the Rosetta Stone Marks,” the court opined.\textsuperscript{154}

Although the market incentives theory postulated by the eBay and Rosetta Stone courts is not outlandish, it is far from a foregone conclusion that OSPs have sufficient market incentives to produce the kind of trademark policies that will promote the underlying goals of trademark law.

2. An Example: Search Engine Marketing and Mark Policing

The fact that “home-brewed” trademark law may not adequately serve the ends and means of trademark manifests itself clearly in the search engine advertising context. Search engines do not provide markholders with any infringement policing tools beyond the ordinary search feature.\textsuperscript{155} Nonetheless, since the sponsored links on the search results page are tailored to a user’s search, sometimes a markholder will be able to find infringing listings by performing a simple search.\textsuperscript{156} Unfortunately, even though this technique is potentially the best method of policing available, it will not give the markholder an accurate understanding of whether other advertisers

\textsuperscript{149}. Id. at 546-49.
\textsuperscript{150}. Id.
\textsuperscript{151}. Id. at 547-48.
\textsuperscript{152}. Id.
\textsuperscript{153}. Id. at 548.
\textsuperscript{154}. Id.
\textsuperscript{155}. See What is Google's Trademark Policy for Resellers and Informational Sites?, ADWORDS HELP (Sept. 30, 2011), http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=145626 (explaining how trademark owners may submit notices of suspected infringement, but failing to mention any specialized tool for detecting infringement).
are infringing her mark due to the numerous filters and targeting mechanisms available to advertisers in search engine marketing.

One problem scenario involves the “broad match” feature, which allows an advertiser to display an advertisement whenever someone searches for a broad universe of terms. For example, if Pepsi wanted to display an advertisement when users performed searches related to the word “cola,” it could “key” its advertisement to “cola” on broad match. Its advertisement could appear to users searching for any number of phrases containing “cola,” such as “pepsi cola,” “cherry cola,” and “diet cola.” If Coca-Cola searched for its trademark “coca cola,” it too might see the Pepsi advertisement, even though Pepsi had not specifically intended to “key” its advertisement to “coca cola.”

Coca-Cola would not be able to tell the difference, though, because search results pages do not distinguish between advertisements based on the match type chosen. This could result in markholders filing complaints, only to learn in pretrial discovery that the defendant had not “keyed” its advertisement to the plaintiff’s trademark. An additional issue is that advertisers can—and often do—apply numerous filters to their advertisement campaigns that cause their advertisements to be displayed only in certain locales around the world, or only at certain times of day.

Without jumping through technological hoops, a trademark holder located in Tennessee policing for infringement would not find an infringing advertisement targeted to residents of Florida. Thus, a markholder could potentially never find infringing advertisements, despite having performed a reasonably diligent search, simply by being at the wrong locale or time.


160. Users can circumvent regional restrictions through proxy servers. Nik Cubrilovic, *On the Internet, Nobody Knows You’re Not in the USA*, TECH CRUNCH (Oct. 5, 2009), http://techcrunch.com/2009/10/05/internet-anonymizer-web-surf-vpn-hulu-pandora-spotify. However, it is not reasonable to expect the average trademark holder to be able to leverage this technology, or to even know that it exists.
place at the wrong time. This undermines the means of trademark: enabling markholders to effectively monitor for infringement.

Although prohibiting a markholder from effectively policing for infringement works contrary to the ends and means of trademark, *Inwood* does not address this problem. Under *Inwood*, OSPs have two responsibilities: to refrain from inducing infringement, and to take down infringing content upon notice. With no legal impetus for aiding a markholder in monitoring for infringement, OSPs are left to market incentives, which, as discussed above, and as seen empirically, are not enough. This is not to suggest that the law should require service providers to make infringement monitoring as easy as possible. OSPs should not have to expend extra effort streamlining the monitoring process. Rather, the concern is when OSPs encumber the policing process with technological barriers that prevent even the most diligent markholders from discovering infringement.

In conclusion, the current state of contributory trademark infringement law in the United States undermines the ends and means of trademark in three ways: (1) it creates a high level of uncertainty about what types of takedown notices could impute knowledge to an OSP, and thus, result in liability, which encourages OSPs to overreact to potentially abusive takedown notices; (2) it may discourage new OSP startups from entering the market, potentially depriving the public of consumer-oriented technologies; and (3) it relies in vain on the free market to fill in the gaps that *Inwood* does not reach. With the Internet being arguably the most important distribution outlet in modern day commerce, it is imperative that there be clearly defined contributory trademark infringement rules that serve trademark’s trust and linguistic functions and enable markholders to effectively monitor for infringement.

IV. PROMOTING TRADEMARK’S ENDS AND MEANS: LEGISLATING CLARITY AND GOOD INCENTIVES

A glance at the history of litigation between trademark owners and OSPs suggests that leaving contributory infringement entirely to the courts may not be a viable solution. Settling out of court has proven to be a more economical strategy in many of these cases, and

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161. *Id.*
163. *See supra* Part III.A.
164. *See supra* Part III.B.
165. *See supra* Part III.C.
for that reason the common law has many unfilled gaps. That being said, history has also proven that Congress can be overreactive in legislating for the Internet, hastily passing laws without first gathering enough wisdom from experience. An optimal approach to shaping the doctrine of contributory infringement with respect to OSPs would be a federal statute defining a clear legislative safe harbor that leaves ample room for future judicial interpretation and development. Specifically, such a statute should: (1) broadly identify categories of OSPs that could be subject to contributory liability, (2) clarify how OSPs must respond to infringement notices, and (3) establish OSP-specific safe harbor conditions that will serve the ends and means of trademark.

A. Categorizing OSPs

A contributory liability statute should first identify categories of OSPs that are subject to contributory liability. These categories must be broad enough to accommodate technologies and business models not yet developed, yet specific enough to promote consistent interpretation among courts.

The European classification of OSPs as “brokers” and “passive hosts” is weak, for these terms have been susceptible to varying interpretations by different national courts. This results in one country holding an OSP to minimal takedown obligations and another country requiring heightened investigatory duties. Recreating such a system in the United States could result in conflicting OSP obligations from circuit to circuit.

Copyright law provides a good model for categorizing OSPs. The DMCA’s safe harbor provision places OSPs into four categories: (1) transitory communications (like Internet service providers), (2) system caching (like when an Internet service provider keeps a local copy of a website on its servers), (3) storage of materials at the direction of a user (like hosting services and commerce portals), and (4) information location tools (like search engines).

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168. See supra Part III.B.

169. Id.

classifications are much less ambiguous than their European counterparts, yet leave some flexibility for judicial interpretation.

However, the DMCA’s OSP classifications would need some reworking for the trademark context. For instance, hosts and e-commerce websites fall under the same DMCA classification.¹⁷¹ This makes sense in the copyright context, where OSPs like eBay, are in many ways, essentially acting as hosts for the purposes of copyrighted material—that is, the photos and textual descriptions of the items being sold.¹⁷² In contrast, hosts and e-commerce websites intersect with trademark very differently. Whereas these two types of OSPs may both facilitate the display of trademarks on the Internet, e-commerce websites also facilitate the sale of potentially counterfeit goods.¹⁷³ This difference is at least partially reflected in the European system, where some countries consider e-commerce websites to be “brokers” rather than “passive hosts.”¹⁷⁴ Further, some of the DMCA categories, “transitory communications” and “system caching,” capture OSPs that have not, and should not, be subject to contributory trademark infringement liability.¹⁷⁵ Finally, the DMCA category, “information location tools” fails to distinguish between paid and organic search listing services, a distinction that matters in the context of trademark. With paid listings, a search engine contracts with a finite number of advertisers, increasing the likelihood that it may have knowledge of infringement.¹⁷⁶ It also makes suggestions to advertisers regarding how to optimize their campaigns, strengthening the case for inducement.¹⁷⁷ In contrast, a search engine has virtually no interaction with the millions of businesses whose websites end up in its organic listings, so the case for knowledge or inducement is much weaker. Moreover, while trademark uses in paid search listings are practically per se uses “in commerce”—advertisers make an affirmative choice to run their sponsored links, and pay for that privilege—it is not as clear-cut with organic search results. If there is no underlying infringement, there cannot be secondary liability.

Rather than categorizing OSPs by how they interact with digital content, a trademark safe harbor should capture the variety of ways that OSPs interact with trademarks. These interactions include:

¹⁷¹. Id. § 512(c).
¹⁷². Photographs and prose are subject to copyright protection. See 17 U.S.C. § 102(a).
¹⁷³. E.g., Tiffany (Nj) Inc. v. eBay, Inc., 600 F.3d 93, 95 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010).
¹⁷⁴. See supra Part III.B.
¹⁷⁷. See id.
using trademarks to identify products that are available for purchase at the click of the mouse,\textsuperscript{178} using trademarks to direct consumers to products and services in which they presumably have an interest,\textsuperscript{179} hosting content that happens to contain trademarks,\textsuperscript{180} and using trademarks as part of an information index.\textsuperscript{181} A safe harbor could account for these activities through the following categories: (1) information location tools, (2) advertising platforms, (3) online brokers, and (4) passive hosts. These categories should not be considered mutually exclusive, as OSPs could fit into many or all of these categories. For instance, search engines are both “information location tools” and “advertising platforms,” for they display advertisements and provide a searchable database of content. If a search engine company wanted to earn safe harbor protection from claims against its organic and sponsored results services, it would need to comply with both safe harbor provisions.

\textbf{B. Encouraging Notice-and-Notice}

A statute should also address how an OSP should respond to complaints from markholders. Unlike the DMCA, which encourages an OSP to promptly remove allegedly infringing content from its network,\textsuperscript{182} a trademark statute should facilitate communication between the markholder and content owner via “notice-and-notice” procedures. Unlike “notice-and-takedown,” which requires OSPs to remove content immediately upon the request of a rightsholder in order to receive safe harbor protection,\textsuperscript{183} “notice-and-notice” would only require OSPs to forward the notice of infringement to the alleged infringer.

Some commentators have proposed that Congress create a statutory notice-and-takedown scheme, much like the DMCA procedures for copyright.\textsuperscript{184} Proponents of a safe harbor for trademark believe that such a system would serve the same purposes as the DMCA: “to preserve strong incentives for service providers and

\textsuperscript{178}. See eBay, 600 F.3d at 112 (using “Tiffany” mark to identify the source of products).
\textsuperscript{180}. See Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 591 F. Supp. 2d 1098, 1104 (N.D. Cal. 2008) (noting that some content hosted by Akanoc was subject to trademark law).
\textsuperscript{181}. See Rosetta Stone, 730 F. Supp. 2d at 546 (noting that Google’s “trigger” keyword index, which linked search queries to relevant advertisements, contained trademarked terms).
\textsuperscript{182}. 17 U.S.C. § 512(c)(3).
\textsuperscript{183}. \textit{Id.}
Trademark owners to detect and deal with trademark infringements that take place on the Internet; to allow ISPs to take clear steps that will limit their liability; and to encourage the development of the Internet.\textsuperscript{185} As further support for the idea that trademark law would be well served by a DMCA-like statute, safe harbor advocates point to the fact that OSPs like eBay have already developed notice-and-takedown systems meant to service both copyright and trademark complaints.\textsuperscript{186}

Unlike in copyright, notice-and-takedown is not a desirable basis for a safe harbor in the context of trademark. First, trademark infringement is arguably more difficult to spot than copyright infringement.\textsuperscript{187} While copyright law gives owners a set of exclusive rights to prohibit nearly all copying (subject to fair use limitations), trademark law “tolerates a broad range of non-infringing uses.”\textsuperscript{188} Whereas a finding of copyright infringement involves a relatively straightforward showing of “substantial similarity,”\textsuperscript{189} pinpointing trademark infringement requires assessing a number of factors, including the distinctiveness of the mark, the similarity of the markholder’s and the user’s goods or services, the user’s intent, and whether the use has generated actual confusion.\textsuperscript{190} Further, any given trademark may have multiple legitimate users in different markets or geographic areas.\textsuperscript{191} Such a multifactor analysis does not lend itself well to a quick determination by an unrelated third party.\textsuperscript{192}

The determination becomes even more complex where a plaintiff alleges counterfeiting, for OSPs often have no contact with products ultimately purchased by consumers.\textsuperscript{193} Even if they had access to allegedly infringing goods, OSPs are not equipped to assess

\textsuperscript{185} Id. at 521.
\textsuperscript{186} Id. at 521-22.
\textsuperscript{189} See, e.g., Tufenkian Imp./Exp. Ventures, Inc. v. Einstein Moomjy, Inc., 338 F.3d 127, 134-35 (2d Cir. 2003).
\textsuperscript{190} See, e.g., Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1527 (4th Cir. 1984) (considering a number of factors: (1) the strength or distinctiveness of the plaintiff’s mark, (2) the similarity of the two marks, (3) the similarity of the goods or services the marks identify, (4) the similarity of the facilities the two parties use in their businesses, (5) the similarity of the advertising used by the two parties, (6) the defendant’s intent, and (7) actual confusion (citing Sun-Fun Prods. v. Suntan Research & Dev., 656 F.2d 186, 189 (5th Cir. 1981))).
\textsuperscript{191} Kessler, supra note 187, at 403.
\textsuperscript{192} Id.
\textsuperscript{193} See Tiffany (N.J) Inc. v. eBay, Inc., 600 F.3d 93, 98 (2d Cir.) (noting that eBay did not inspect goods before sale), cert. denied, 131 S. Ct. 647 (2010).
whether a good is genuine or counterfeit.194 Though a possible solution could be to require OSPs to rely on the good-faith opinion of independent “counterfeit experts,”195 such a solution would not prevent an abusive trademark owner from hiring a biased, results-oriented “expert” unless the government were to expend substantial resources in regulating a “counterfeit expert” industry.

Further, scholars have criticized notice-and-takedown in the copyright context for its lack of transparency and potential for anti-competitive abuse,196 concerns that are arguably even weightier in trademark than in copyright. One study analyzed a database of DMCA notice-and-takedowns compiled by Chilling Effects, a project dedicated to protecting First Amendment rights against abusive uses of intellectual property rights.197 The study reported that a substantial number of notices were sent from competitor to competitor, or from big company to blogger-hobbyist.198 It would be even more troubling if a trademark owner were able to stifle legitimate competition by sending abusive trademark takedown notices related to, say, comparative advertising. As discussed earlier, trademark arguably presents a more difficult case than does copyright for on-the-fly infringement opinions by OSPs.199 As a result, OSPs will be even more likely than in copyright to bow to the wishes of abusive markholders.

Given these concerns, a preferable system for trademark would be “notice-and-notice,” whereby OSPs earn safe harbor protection by forwarding notice of infringement to the alleged infringer. This would, in effect, mirror what the web host did in Akanoc.200 Advocates of copyright reform have asserted that such a framework should

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194. Id. (“Even had it been able to inspect the goods, moreover, in many instances it likely would not have had the expertise to determine whether they were counterfeit.”).


197. Urban & Quilter, supra note 196, at 641-43.

198. Id. at 196, at 655 (noting that, of all notices in the Chilling Effects database, 55 percent were sent from competitor to competitor and 21 percent targeted hobbyists, critics, and educational users).

199. See supra notes 187-89 and accompanying text.

supplant the current “notice-and-takedown” system of the DMCA.\textsuperscript{201} Canada already employs “notice-and-notice” for copyright takedown requests and has sought to codify it in two recent bills.\textsuperscript{202} A “notice-and-notice” system would reduce the potential for anti-competitive abuse of trademark rights, for sending a notice would not produce the instant result of content removal as under a “notice-and-takedown” system. While avoiding the negative effects of “notice-and-takedown,” “notice-and-notice” would still promote the ends and means of trademark by enabling markholders to perform their essential policing function and helping to ensure the reliability of information on the Internet.

\textbf{C. Incentivizing Desirable Behaviors}

In addition to facilitating communication between complainant and content owner, a contributory liability statute should contain provisions incentivizing OSP behaviors that promote the ends and means of trademark law. These provisions should be tailored to each of the four OSP categories—information location tools, advertising platforms, online brokers, and passive hosts—taking into account the market incentives that drive each type of OSP. As with the OSP categorizations, these provisions should be drafted broadly enough to welcome judicial development, yet specifically enough to narrow the scope of actionable conduct.

Information location tools like search engines inherently serve trademark’s end of reducing consumer search costs by making content easier to find.\textsuperscript{203} Since their “customers” are, in essence, everyday consumers searching for content, providers of information location tools have every incentive to improve the search experience for consumers rather than catering to the wishes of individual website owners.\textsuperscript{204} The danger of regulating information location tools is directing their resources away from what they do best: delivering relevant content to searchers.\textsuperscript{205} Therefore, information location tools

\begin{footnotesize}
\begin{enumerate}
\item[201.] See Urban & Quilter, supra note 196, at 692 (recommending that the DMCA require OSPs “to inform their users of any complaints against them, and that users be offered the opportunity to submit counternotices in advance of any action taken against them”).
\item[203.] See Eric Goldman, Deregulating Relevancy in Internet Trademark Law, 54 EMORY L.J. 507, 593 (2005) (“[W]hen search providers do their jobs successfully, they can increase the probability that searchers will find what they were looking for.”).
\item[204.] Id. at 510 (“Internet search providers compete fiercely with each other to help Internet searchers find the content they want.”).
\item[205.] See id. at 595 (noting that trademark law must “ensure some breathing room for search providers to make . . . editorial judgments and to solve the hard relevancy problem”).
\end{enumerate}
\end{footnotesize}
should only have to comply with notice-and-notice in order to earn the protections of the safe harbor.

Online brokers like eBay help reduce consumer search costs by providing a large selection of goods at a centralized online location. However, the potential danger with online brokers is the proliferation of counterfeiting, which undermines trademark’s goal of promoting consistent quality goods and services. Since online brokers are directly accountable to end-purchasers, they certainly have some market incentives to actively prevent counterfeiting. Indeed, large online marketplaces like eBay have implemented sophisticated, multi-million dollar anti-counterfeiting measures. But while the ebays of the world can afford to spend millions of dollars combating counterfeiting, this may not be the case for smaller-scale market participants. Requiring “mom and pop” online brokers to wage a multi-million dollar war against counterfeiting would likely drive these retailers out of business, undesirably narrowing consumer choice. However, brokers who remain entirely insensitive to counterfeiting should not earn safe harbor protections.

An acceptable balance would be to require online brokers to help trademark owners help themselves, as opposed to requiring these OSPs to affirmatively seek out counterfeiting. This might involve, for instance, a repeat-offender system, whereby an OSP would bar known counterfeiters from selling, but simply forward notice onto sellers suspected of counterfeiting for the first time. While legislators would need to wrestle with a number of issues in determining a safe harbor’s precise terms—for instance, how to determine whether a seller is a “repeat” infringer, and how to keep track of repeat infringers—a safe harbor for online brokers should depend to some extent upon taking action against counterfeiting.

Advertising platforms have great potential to reduce consumer search costs by connecting consumers with products and services. However, if unchecked, advertising platforms can undermine the trust

206. See generally Who We Are, EBay, http://www.ebayinc.com/who (describing eBay as “the world’s largest online marketplace, where practically anyone can buy and sell practically anything”).
208. See Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 109 (2d Cir.), cert. denied, 131 S. Ct. 647 (2010) (opining that eBay has market incentives to reduce infringement).
function of trademark by facilitating deceptive advertising.\textsuperscript{211} Legislators should be slow to rely on advertising providers, whose bottom lines depend on maximizing clicks, to advance the goals of trademark law.\textsuperscript{212} As discussed above, sponsored link providers employ technical features that make it nearly impossible for markholders to find infringing advertisements.\textsuperscript{213} While a possibility would be to condition a safe harbor for advertising providers upon implementing reasonable pre-screening procedures for determining whether an advertisement is infringing, these OSPs are not in the best position to evaluate whether an advertisement is infringing or not.\textsuperscript{214} Rather, advertising providers should earn the benefit of a safe harbor by providing a means by which markholders can search the OSP's entire catalog of advertisements for infringement. For sponsored link providers, this could be as simple as an "unfiltered" search box, where markholders could search for any advertisement containing their trademark, irrespective of geographical or time-of-day filters. By allowing trademark owners to effectively police their marks, such a safe harbor condition would promote the means of trademark.

Although passive hosts sometimes house infringing websites,\textsuperscript{215} these OSPs help reduce consumer search costs by allowing content to be accessible on the Internet. These OSPs should only be subject to the notice-and-notice provision for several reasons. First, since passive hosts are generally paid a minimal monthly fee for hosting services,\textsuperscript{216} they are neutral players without bad incentives for keeping infringing websites online. Further, because setting up a new hosting account takes only minutes,\textsuperscript{217} infringing websites can easily move from one host to another. Thus, passive hosts should earn safe

\textsuperscript{211.} See supra Part I.A (discussing how trademarks perform “trust” function only if consumers can reliably associate unobservable product qualities with a mark); cf. Katz, supra note 12, at 1605-06 (discussing how deceptively misdescriptive marks undermine the trust function of trademark).

\textsuperscript{212.} See Jonathan J. Darrow & Gerald R. Ferrera, The Search Engine Advertising Market: Lucrative Space or Trademark Liability?, 17 TEX. INTELL. PROP. L.J. 223, 239 (2009) ("The revenue incentive is no doubt a factor in Google’s advertisement ranking system, which bases advertisement placement both on the price advertisers are willing to pay per click and also on other relevance factors such as historic click-through rates.").

\textsuperscript{213.} Dogan & Lemley, supra note 9, at 833.


harbor protections from simply fulfilling the notice-and-notice requirement.

Considering the foregoing, a statutory safe harbor would provide the clarity that is absent in the current common law contributory trademark liability framework and encourage OSP behaviors that serve the ends and means of trademark.

V. CONCLUSION

Contributory trademark infringement liability should serve, not stifle, the underlying ends and means of trademark. In its current state, the doctrine threatens to work against trademark law’s consumer-focused goals. Uncertain about potential liability, OSPs may be overly prone to remove useful, legitimate content from the Internet. Not having the financial backing necessary to operate in a space where there are no clear demarcations of liability, would-be startup OSPs may refrain from developing new technologies that would benefit the consuming public. And with the free market as their only regulator, OSPs may not have incentives to operate in a way that serves trademark’s ends and means. A legislative solution that defines the regulated parties, spells out a notice-and-notice response system, and provides carefully tailored safe harbors would provide much-needed clarity to a now murky doctrine, and would incentivize OSPs to engage in behaviors that serve the ends and means of trademark law.

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