

## Secondary Liability for Online Trademark Infringement: The International Landscape

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### Introduction

In U.S. law, the expression “secondary liability” is an umbrella term encompassing a number of different types of trademark infringement claims,<sup>1</sup> but its essential meaning is that liability does not turn on the defendant itself using the plaintiff’s mark. Rather, in such cases, the defendant is held responsible for the infringements occasioned by a third party’s use of the plaintiff’s mark. Trademark owners might strategically prefer to bring a secondary liability claim instead of suing the third party infringer. A secondary infringement action may increase efficiency by allowing the mark owner to secure, in a single proceeding, relief against a party whose conduct is simultaneously enabling multiple acts of infringement by a number of primary infringers.<sup>2</sup>

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1. Secondary liability can be participant-based or relationship-based. Participant-based liability occurs by virtue of the secondary infringer inducing or contributing to or facilitating the harmful conduct of the primary infringer (typically called “contributory infringement” under U.S. law). This type of claim tends to revolve in part around the level of knowledge of the defendant concerning the infringing conduct, sometimes constructively imputed through proxies, and the extent to which the defendant has actively contributed to cause the harm regarded as actionable by trademark law. Alternatively, secondary liability may arise where the defendant benefits from the harm and is sufficiently close in relationship to the primary infringer that the law will treat them as one and the same. This relationship-based liability reflects the principle of respondeat superior and informs, for example, U.S. law on vicarious trademark infringement. See *Hard Rock Café Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992) (noting that vicarious liability requires “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”). This Article excludes detailed discussion of vicarious liability, which largely presents easier cases. Most countries have such extensions of liability, and they are largely uncontroversial, albeit with local differences as to the type of relationships that are regarded as sufficiently close to impose liability. Instead, rather than secondary liability flowing from relationships, this Article will concentrate on liability based upon the nature and extent of the defendant’s participation in an alleged tort.

2. Hence, a secondary infringement action may ensure more *effective* enforcement. See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984) (making the point in relation to copyright and patent law). It might also allow de facto worldwide relief depending upon the extent to which the intermediary’s business is globally integrated. See Graeme B. Dinwoodie, Rochelle C. Dreyfuss & Annette Kur, *The Law Applicable to Secondary Liability in Intellectual Property Cases*, 42

The advent of the Internet has only enhanced some of these strategic benefits. The efficiency gains are magnified substantially when the number of infringements to which the secondary liability defendant contributes are multiplied many times over. And looking forward, the secondary liability action might shift some of the costs of trademark enforcement to intermediaries. This occurs whether the mark owner directly secures relief from a court that requires an intermediary to undertake certain detection and prevention measures, or because the intermediary adjusts its practices to be more conservative in light of an award made against it under principles of secondary liability. This means that a finding of secondary liability may enable mark owners to affect the future structure of business models employed by intermediaries and the direction of technological development considered by intermediaries.

Of course, this last strategic benefit to mark owners creates the specter of highly intrusive regulation of the business of intermediaries operating in the online environment.<sup>3</sup> In particular, secondary liability claims bring into focus the effect of liability upon technological development, which is not traditionally considered as a central part of trademark (as opposed to copyright or patent) policymaking. Thus, in these cases, we must balance the rights of the mark owner with enabling legitimate development of innovative technologies that allow new ways of trading in goods (or offering services).<sup>4</sup>

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N.Y.U. J. INT'L L. & POL. 201 (2009).

3. Stacey Dogan suggests that, in the United States, this risk is most acutely raised by cases assessing the liability of intermediaries under an undesirable form of direct trademark infringement that takes into account the “design choices” of the intermediary, whereas proper secondary liability rules do not run this risk because they are grounded in analysis of the reasonableness of response to specific notice. See Stacey L. Dogan, *Principled Standards vs. Boundless Discretion: A Tale of Two Approaches to Intermediary Trademark Liability Online*, 37 COLUM. J.L. & ARTS 503 (2014). Certainly, in the copyright context, the Supreme Court has been reluctant to find secondary liability based upon design choices *alone*. See *id.* at 514. But the Court has recognized the relevance of design choice to determinations of inducement liability when combined with other evidence. See *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 939 (2005) (“[T]his evidence of unlawful objective is given added significance by MGM’s showing that neither company attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software . . .”).

4. Claims of primary trademark infringement in fact implicate a far greater range of social values than our doctrine perhaps acknowledges. But the core of the primary infringement claim turns on the effect of the defendant’s use on the signaling function of marks. In the copyright context, the U.S. Supreme Court has commented that secondary infringement claims more directly involve the trade-off between “supporting creative pursuits . . . and promoting innovation in [the] new communication technologies [that make infringement possible].” *Grokster*, 545 U.S. at 928. This is, to some extent, also true in trademark law. And, if so, it may counsel that trademark law borrow more than U.S. courts have borrowed thus far from contemporary copyright doctrine. Cf. Dogan, *supra* note 3, at 503, 504 (suggesting that courts applying the trademark doctrine properly are drawing, and should draw, upon principles developed in copyright cases). As secondary infringement claims in copyright touched on the sale of new technological products that could—like the services offered by many online intermediaries—be used for purposes both good and ill, the U.S. Supreme Court in *Sony* looked to the staple article of commerce doctrine from patent law to fashion the doctrine of substantial non-infringing use. See *Sony*, 464 U.S. at 442. Once the broader significance of online secondary trademark infringement claims are recognized, perhaps that doctrine must migrate further to trademark law. However, in the United States, the relationship between the tests for secondary infringement of copyright and trademark has been the subject of skeptical comment by many courts and scholars. In

The online context of many contemporary uses of trademarks has also, as in other areas of intellectual property law, prompted a demand for international solutions to the potential liability of intermediaries for secondary trademark infringement. Most countries have long recognized a cause of action for engaging in conduct that U.S. law would call secondary trademark infringement. But in many countries outside the United States, those causes of action are not denominated as actions for “secondary infringement.” Nor are those claims always theoretically conceived in the same way they are under American law. In some countries, courts will treat a fact pattern handled by U.S. law under the rubric of secondary liability as involving *direct* liability under tort law for failure to conduct business in a particular way or a failure to take certain reasonable precautions.<sup>5</sup>

This Article assesses the international treatment of these causes of action, first by looking at international law principles as conventionally understood—namely, state-to-state obligations regarding the content of domestic law (Part I.A.). However, there is little of relevance to the secondary liability question if the international landscape is understood in those terms. Thus, the Article also analyzes commercial practices that are contributing to soft transnational law (Part I.B.) and compares the regimes adopted by the United States and the European Union as leading examples of approaches to the secondary liability question (Part II).<sup>6</sup>

This Article will touch on developments in some countries that would not be described as “secondary” under the laws of those countries. But, to ground

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*Sony*, the U.S. Supreme Court noted the kinship on this topic between copyright and patent law, but rejected the idea that there might be a similar kinship between copyright and trademark law. *Id.* at 439 n.19. Indeed, the Court refused to apply its own standard for contributory trademark infringement, which it clearly saw as more difficult to satisfy (at least in the fact pattern at issue in *Sony*). *Id.* (“If *Inwood*’s narrow standard for contributory trademark infringement governed here, respondents’ claim of contributory infringement would merit little discussion. *Sony* certainly does not “intentionally induc[e]” its customers to make infringing uses of respondents’ copyrights, nor does it supply its products to identified individuals known by it to be engaging in continuing infringement of respondents’ copyrights”). Recent U.S. trademark decisions endorse the suggestion that the standards in copyright and trademark cases are different. *See Perfect 10, Inc. v. Visa Int’l Serv., 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.”). In Europe, the relevant principles (especially in online cases) are applied more horizontally, applicable both to copyright and trademark claims. *See infra* text accompanying notes 182–209.

5. Liability flowing directly from the failure to conduct business in a particular way or a failure to take certain reasonable precautions can be understood as an isolated culpability determination, giving rise to a claim in tort or unfair competition. But such failures can also be relevant to questions of knowledge and level of contribution normally informing secondary liability. *Cf. Dogan, supra* note 3, at 510 n.38.

6. There is interesting law on secondary liability in many other countries, but considerations of space preclude addressing it here. *See generally* Du Ying, *Secondary Liability for Trademark Infringement Online: Legislation and Judicial Decisions in China*, 37 COLUM. J.L. & ARTS 541 (2014) (discussing China’s approach to secondary liability); Irene Calboli, *Reading the Tea Leaves in Singapore: Who Will Be Left Holding the Bag for Secondary Trademark Infringement on the Internet?*, 37 COLUM. J.L. & ARTS 593 (2014) (discussing Singapore’s approach to secondary liability); Frederick W. Mostert and Martin B. Schwimmer, *Notice and Takedown for Trademarks*, 101 TRADEMARK REP. 249, 252 (2011) (discussing China’s approach to secondary liability).

discussion, it will focus on parallel fact patterns that have been litigated to the appellate level in a number of countries. The paradigmatic cases considered are: (1) claims brought against online auction sites, each essentially alleging that the auction site could have done more to stop the sale of counterfeit and other allegedly infringing items by third parties on its Web site and (2) claims brought against search engines alleging that the sale of keyword advertising consisting of the trademarks of parties other than the mark owner resulted in infringement (normally, by causing actionable confusion).<sup>7</sup>

Despite this focus, there are a large number of online intermediaries for whom the pertinent secondary liability standard is of concern, and the facilities that these intermediaries offer vary widely.<sup>8</sup> This is something we need to keep in mind before extending the holdings from these cases uncritically to other intermediaries.<sup>9</sup> Likewise, the defendant in many of these cases is either eBay or Google. But there is danger of constructing a regulatory regime for online intermediaries based on the capacities of these large companies, without proper regard for the different financial profile of small auction sites or small search engines.

Finally, as is perhaps particularly apparent from the way that this Article has characterized the paradigmatic keyword cases, one could construct a claim of primary trademark infringement against the intermediaries involved. The holdings on the primary liability question will be briefly mentioned within the discussion of those cases, because the availability of primary infringement liability clearly is relevant to the position one might wish to adopt regarding secondary liability.<sup>10</sup>

7. Some U.S. courts have recognized the possibility of claims for contributory dilution. *See* *Coach, Inc. v. Swap Shop, Inc.*, 916 F. Supp. 2d 1271 (S.D. Fla. 2012) (summarizing authorities). However, the Ninth Circuit (rejecting the views of several lower courts) has recently denied the possibility of a claim for contributory cybersquatting. *See* *Petroliaam Nasional Berhad v. GoDaddy.com, Inc.*, 737 F.3d 546 (9th Cir. 2013).

8. *See, e.g.*, *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011) (Web hosting services). And some, such as domain name registrars, benefit from provisions drafted in ways that confer limited immunity. *See* 15 U.S.C. § 1114(2)(D)(iii) (West 2014) (“A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.”); *see also* *Lockheed Martin Corp. v. Network Solutions, Inc.*, 141 F. Supp. 2d 648 (N.D. Tex. 2001).

9. *See, e.g.*, *Gucci Am., Inc. v. Frontline Processing Corp.*, 721 F. Supp. 2d 228 (S.D.N.Y. 2010) (allowing secondary infringement claim to proceed against credit card processing companies who provided services to online merchant allegedly selling counterfeit goods); *but cf. Perfect 10*, 494 F.3d 788 (affirming dismissal of actions against credit card companies). The importance of different intermediaries in securing effective enforcement may vary between different intellectual property rights. Trademark owners at present appear more interested in the cooperation of credit card processing companies than, for example, copyright owners. But this may change over time depending upon the pattern of infringement practices.

10. The appropriate scope of secondary liability depends at least in part upon the appropriate scope of primary trademark liability. *See, e.g.*, *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1250 (10th Cir. 2013). For example, if one thinks that protection against counterfeiting is less of a concern than conventionally thought, see Renée Richardson Gosline, *Rethinking Brand Contamination: How Consumers Maintain Distinction when Symbolic Boundaries Are Breached* (New England Mktg. Consortium, Working Paper, 2009); KAL RAUSTIALA & CHRISTOPHER SPRIGMAN, *THE KNOCKOFF ECONOMY: HOW IMITATION SPARKS INNOVATION* (2012), or thinks that post-sale confusion or confusion as to association should not be so readily actionable, see Jeremy Sheff, *Veblen Brands*, 96

Indeed, that relationship may be quite close: some scholars have characterized U.S. case law contemplating primary liability for search engine intermediaries as creating a “mutant” form of secondary liability.<sup>11</sup>

## I. INTERNATIONAL TREATIES

### A. TREATIES AND STATE-TO-STATE AGREEMENTS

If one reads the term “international” to mean “as a matter of multilateral nation-to-nation obligation,” international law does not have much to say regarding secondary liability for trademark infringement. Nothing in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) dictates any particular approach to secondary liability. The trademark part of that agreement does not speak to the issue, and the enforcement provisions in TRIPS are stated with sufficient generality that they cannot be read to demand secondary liability, and certainly not any specific form of secondary liability.<sup>12</sup> The Paris Convention (the leading pre-TRIPS treaty requiring substantive trademark protection) is similarly silent.<sup>13</sup> That treaty does require protection against unfair competition, which is one way that certain countries might conceptualize what U.S. law calls secondary liability. But the provision in question, Article 10*bis*, is understood to allow countries to implement that obligation with almost unfettered discretion.<sup>14</sup> Permitting trademark owners to sue direct infringers would seem a reasonable (if not always the most efficient) way of protecting rights, and that is enough to satisfy extant international obligations.

TRIPS (like the Paris Convention, more obviously) was concluded without regard for the challenges of online activity. Thus it is not surprising that it did not address the question of secondary liability, which has assumed far greater prominence in the Internet age. And in the post-TRIPS climate, where political stalemate has resulted in limited multinational treaty making, nothing since TRIPS has advanced to an international position. Within the World Intellectual Property

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MINN. L. REV. 769 (2012); Mark A. Lemley and Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010), then that is likely to affect the appropriate scope of secondary liability for conduct facilitating such results. At the most basic, it affects the extent of the cognizable harm that is potentially being enabled by intermediaries. But for purposes of this Article, I am largely going to take primary trademark liability as it stands.

11. See Dogan, *supra* note 3, at 503.

12. The enforcement chapter of the Agreement requires members to ensure that “enforcement procedures as specified [in the Agreement] are available under their law so as to permit effective action against any act of infringement of intellectual property rights . . . including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.” Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, The Legal Texts: The Results of the Uruguay Round of Multilateral Trade Negotiations 320 (1999), 1869 U.N.T.S. 299; see *The Law Applicable to Secondary Liability in Intellectual Property Cases*, *supra* note 2, at 224 n.58.

13. Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, *last revised* July 14, 1967, *last amended* Sept. 28, 1979, 828 U.N.T.S. 305.

14. See G.H.C. BODENHAUSEN, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY 144 (BIRPI Geneva, 1968).

Organization (WIPO), the Standing Committee on the Law of Trade Marks did conduct an informational meeting in September 2012 to discuss the role and responsibility of intermediaries in the field of trademark law, a topic at the heart of secondary liability for online trademark infringement.<sup>15</sup> However, opposition to making progress on that issue a priority was expressed by the European Union, among others, and three weeks later the Committee decided not to work further on the topic.<sup>16</sup>

### B. MEMORANDUM OF UNDERSTANDING

For some time before that 2012 debate at WIPO, EU member states might have thought that the ongoing negotiation of the Anti-Counterfeiting Trade Agreement (ACTA) would have been a viable alternative forum for the adoption of an international approach to online intermediary liability.<sup>17</sup> But the scope of that agreement was scaled back over time and, in any event, by July 2012 the European Parliament had killed its European adoption when the Parliament refused to consent to EU ratification.<sup>18</sup>

So, why might the European Union not have been keen to have an international-level discussion within WIPO regarding this topic? For the last few years, the European Commission has superintended a dialogue among more than thirty stakeholders consisting of brand owners and Internet platforms regarding their respective roles in tackling counterfeiting online. And, in 2011, this led to the adoption of a Memorandum of Understanding (MOU), which may now be the vehicle by which the European Union seeks to universalize its approach to this question.<sup>19</sup>

15. See World Intellectual Property Organization [WIPO], *Information Meeting on The Role and Responsibility of Internet Intermediaries in the Field of Trademarks*, WIPO Doc. SCT/INFO/NET/GE/12/INF/1 (Aug. 31, 2012).

16. See WIPO, *Report of the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications*, at ¶¶ 211–13, WIPO Doc. SCT/27/11 (Sept. 18–21, 2012).

17. Anti-Counterfeiting Trade Agreement, Dec. 3, 2010, 50 I.L.M. 239, available at [http://trade.ec.europa.eu/doclib/docs/2011/may/tradoc\\_147937.pdf](http://trade.ec.europa.eu/doclib/docs/2011/may/tradoc_147937.pdf) [hereinafter ACTA]; cf. Congressional Research Serv., *The Trans-Pacific Partnership Agreement* (June 25, 2010), available at <http://fpc.state.gov/documents/organization/145583.pdf> (offering another potential forum for developing international rules on online intermediary liability). Early versions of ACTA sought to address online intermediary liability more fully (though this was driven largely by copyright law). See Katja Weckström, *Liability for Trademark Infringement for Internet Service Providers*, 16 MARQ. INTELL. PROP. L. REV. 1, 5 (2012); Margot Kaminski, *Positive Proposals for Treatment of Online Intermediaries*, 28 AM. U. INT'L L. REV. 203, 212 (2012).

18. See *The Last ACTA: Intellectual Property Treaty Dies in European Parliament*, SPEIGEL ONLINE INT'L (July 4, 2012, 4:00 PM), <http://www.spiegel.de/international/europe/acta-international-property-treaty-voted-down-by-european-parliament-a-842583.html>. This was the first time that the Parliament had exercised its Lisbon Treaty power to reject an international trade agreement. Press Release, European Parliament, *European Parliament Rejects ACTA*, Apr. 7, 2012, available at <http://www.europarl.europa.eu/news/en/news-room/content/20120703IPR48247/html/European-Parliament-rejects-ACTA>. Five months later, the Commission formally signaled the end of EU efforts to ratify ACTA with the withdrawal of its request to the Court of Justice to consider the compatibility of the Agreement with the fundamental rights provisions of EU law.

19. Memorandum of Understanding on the Sale of Counterfeit Goods via the Internet, May 4,

The Commission has previously noted that such agreements can be more easily extended beyond the European Union.<sup>20</sup> Indeed, the current U.S. administration had shown interest in the MOU in bilateral contacts with the EU.<sup>21</sup> And in July 2013, the “Commission inquired whether the global players among the [s]ignatories with operations in North America and Japan might be ready to progressively apply the MOU in those regions.”<sup>22</sup> Signatories “responded positively” and agreed to give a reaction at the next meeting.<sup>23</sup>

Moreover, this type of initiative is at one with the type of best practices model that seems to attract U.S. policymakers. In July 2013, the U.S. Office of the Intellectual Property Enforcement Coordinator announced that a number of companies were adopting Best Practices Guidelines designed to reduce the flow of advertising revenue to infringing Web sites.<sup>24</sup> There clearly is an appetite for voluntary agreements rather than treaty making.<sup>25</sup>

Thus, it is worth looking at this memorandum.<sup>26</sup> Of most interest, it arguably commits parties—which include Internet stalwarts such as eBay and Amazon, as well as brand owners—beyond obligations that might presently flow from hard law

2011 [hereinafter Memorandum of Understanding], available at [http://ec.europa.eu/internal\\_market/iprenforcement/docs/memorandum\\_04052011\\_en.pdf](http://ec.europa.eu/internal_market/iprenforcement/docs/memorandum_04052011_en.pdf).

20. See European Comm’n, *Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee: Enhancing the Enforcement of Intellectual Property Rights in the Internal Market*, ¶ 4.2, COM (2009) 467 final (Sept. 11, 2009), available at <http://eur-lex.europa.eu/legal-content/EN/TEXT/?uri=CELEX:52009DC046>.

21. European Comm’n, *Memorandum of Understanding on the Sale of Counterfeit Goods via the Internet – Spring Meeting – 1 July 2013 – Summary*, at 2, E.C. Doc. MARKT D3/FT/cm-Ares(2013)2821695, available at [http://ec.europa.eu/internal\\_market/iprenforcement/docs/mou\\_meeting\\_summary\\_20130701\\_en.pdf](http://ec.europa.eu/internal_market/iprenforcement/docs/mou_meeting_summary_20130701_en.pdf).

22. *Id.*

23. *Id.*; see also Florina Telea, EU Observatory on the Infringement of IPR, Working Group on Enforcement, *Memorandum of Understanding on the Sale of Counterfeit Goods via the Internet (PowerPoint Slides)*, at 9 (2014), available at [http://ec.europa.eu/internal\\_market/iprenforcement/docs/022014-observatory-mou\\_en.pdf](http://ec.europa.eu/internal_market/iprenforcement/docs/022014-observatory-mou_en.pdf) (noting goal of “developing MOU at the international level by including operators from third countries such as the US”).

24. See OFFICE OF THE U.S. INTELLECTUAL PROP. ENFORCEMENT COORDINATOR, INTELLECTUAL PROPERTY SPOTLIGHT 2 (July/August 2013), available at <http://www.whitehouse.gov/sites/default/files/omb/IPEC/2013-us-ipeec-joint-strategic-plan.pdf>. The signatories to the MOU have been discussing its possible extension to payment service providers. See European Comm’n, *Memorandum of Understanding on the Sale of Counterfeit Goods via the Internet – Autumn Meeting – 13 November 2013 – Summary*, at 4, E.C. Doc. MARKT D3/FT/cm-Ares(2013)3821568 [hereinafter November 2013 Meeting Report], available at [http://ec.europa.eu/internal\\_market/iprenforcement/docs/summary-of-the-autumn-meeting-20131113\\_en.pdf](http://ec.europa.eu/internal_market/iprenforcement/docs/summary-of-the-autumn-meeting-20131113_en.pdf).

25. See Kernochan Center for Law, Media and the Arts Panel Transcript: *Who’s Left Holding the [Brand Name] Bag? Secondary Liability for Trademark Infringement on the Internet*, 37 COLUM. J.L. & ARTS 615, 617 (2014) (comments of Amy Cotton of the U.S. Patent and Trademark Office, noting that several voluntary agreements were “percolating” in the United States and stating that “the industry setting the standards for what is reasonable, what is sustainable and what is a good business model, is really important”).

26. There are also MOUs (including some that apply outside Europe) between specific traders and platforms, such as that between Louis Vuitton and Taobao.com—a Chinese e-commerce site owned by Alibaba that is similar to Amazon or eBay. See, e.g., Meng Jing, *Taobao Steps up Fight Against Fake LV*, CHINA DAILY USA (Nov. 11, 2013, 4:13 PM), [http://usa.chinadaily.com.cn/business/2013-10/11/content\\_17025360.htm](http://usa.chinadaily.com.cn/business/2013-10/11/content_17025360.htm).

secondary liability standards. The memorandum makes explicit that it does not replace or interpret the existing legal framework, and it cannot be used as evidence in legal proceedings.<sup>27</sup> But it clearly has an eye to litigation. The exchange of information contemplated by the MOU is not to constitute actual or constructive notice.<sup>28</sup> And the parties to the MOU agreed to a one-year moratorium on lawsuits against each other regarding matters within the scope of the agreement.<sup>29</sup>

So, what is that scope of the MOU? As a matter of geography, the MOU is limited to the provision of services in the European Economic Area.<sup>30</sup> And as a matter of substance, it addresses only counterfeit goods, rather than disputes about parallel imports or selective distribution systems.<sup>31</sup> Moreover, the agreement does not address all intermediaries, only “providers whose service is used by third parties to initiate online the trading of physical goods.”<sup>32</sup>

Notice and takedown procedures are central to the MOU, which is not surprising since the platforms all already operate them.<sup>33</sup> The parties commit to continue operating such systems, but also agree to details that differ from the type of system that arguably now flows from hard law secondary liability rules.<sup>34</sup> In particular, in addition to item-based notice and takedown, the agreement allows trademark owners to notify the platforms of sellers who are generally engaged in the sale of counterfeits, and the platforms will “take this information into consideration as part of their pro-active and preventive measures.”<sup>35</sup> This is clearly an effort to move away from the specificity of notice that some case law may require to confer knowledge sufficient to establish secondary liability.<sup>36</sup>

The MOU also tackles abuse of the notice and takedown system, an issue addressed in some statutory notice and takedown systems.<sup>37</sup> Under the MOU, if a trademark owner makes notifications to an intermediary without exercising appropriate care, the owner may be denied future access to the system and must pay the platform any fees lost due to such notifications.<sup>38</sup> And “sellers should be informed where an offer has been taken down, including the underlying reason, and be provided with the means to respond including the notifying party’s contact details.”<sup>39</sup> These provisions are designed to ensure some balance in the system.

Additionally, the MOU addresses what are called “[p]ro-active and [p]reventive

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27. See Memorandum of Understanding, *supra* note 19, at 1.

28. *Id.* ¶¶ 22, 25.

29. *Id.* ¶ 10.

30. *Id.* at 1.

31. *Id.*

32. *Id.* ¶ 1(1).

33. *Id.* ¶¶ 11–12; see generally Mostert & Schwimmer, *supra* note 6.

34. See *infra* Part II for a discussion of both U.S. and European “hard law” secondary liability rules.

35. Memorandum of Understanding, *supra* note 19, at ¶ 12.

36. See *infra* text accompanying notes 57–58.

37. Cf. 17 U.S.C. § 512(f) (West 2014) (imposing liability on “[a]ny person who knowingly materially represents . . . that material or activity is infringing” or “that material or activity was removed or disabled by mistake or misidentification”).

38. See Memorandum of Understanding, *supra* note 19, at ¶ 16.

39. *Id.* ¶ 19.

measures,” thus addressing the prevention of future infringement by ensuring that offers of counterfeit goods do not appear online.<sup>40</sup> This commitment by the Internet platforms extends to “appropriate, commercially reasonable and technically feasible measures, taking into consideration [their] respective business models.”<sup>41</sup> Examples revealed in later reports on the MOU include detection technologies and pre-emptive takedowns, or the vetting of some sellers prior to allowing them to sell online.<sup>42</sup> As demonstrated below, this may be closer to hard European law, which in Article 11 of the Enforcement Directive contemplates future-looking measures.<sup>43</sup> But, if extended to the United States, this would go beyond the prevailing view of current hard law obligations.

The MOU carries with it the typical costs and benefits of private ordering. To the extent that it precludes frequent and more concrete judicial development of the legal obligations under which intermediaries operate, it impedes a process that will over time inculcate greater certainty. As a result, it is incumbent upon the Commission (which has superintended the adoption and implementation of the MOU) to continue to disseminate information about the practices developing thereunder, as it has done to date. This will allow critical scrutiny, but also give to those practices some of the public-regarding value that attaches to judicial opinions. Moreover, because the MOU is mostly operated by multinational companies,<sup>44</sup> there is a risk that legal norms applicable to all actors grow up around the capacity and sophistication of large economic players—though this can also happen if litigation is the vehicle for development of the principles. Again, public scrutiny is essential.<sup>45</sup>

On the other hand, the MOU reduces costs by limiting litigation expenses and effectuating the lowest cost avoider principle to which, as discussed below, many countries are (with varying degrees of transparency) committed. And, as the reports on the progress of the arrangement suggest, the private ordering process may offer a far greater chance of developing an international norm than negotiation of a multilateral instrument of a public international law character. Finally, it would do so while retaining flexibility to adapt procedures to reflect both new forms of trading and changing technological capacity.

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40. *Id.* ¶ 25.

41. *Id.* ¶ 27.

42. *Report from the Commission to the European Parliament and the Council on the Functioning of the Memorandum of Understanding on the Sale of Counterfeit Goods via the Internet*, at 6, 11, COM (2013) 0209 final (Apr. 18, 2013) [hereinafter *Report from the Commission*], available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0209:FIN:EN:PDF>.

43. See *infra* Part II.B.2.a.iii.

44. The existing signatories have begun to consider procedures for accession of new brand owners and platforms to the MOU. See European Comm’n, *Memorandum of Understanding on the Sale of Counterfeit Goods via the Internet – Spring Meeting – 1 April 2014 – Summary*, at 1, E.C. Doc. MARKT D3/FT/cm-Ares(2013)1215882, available at [http://ec.europa.eu/internal\\_market/ipr/enforcement/docs/mou\\_meeting\\_summary\\_20140401\\_en.pdf](http://ec.europa.eu/internal_market/ipr/enforcement/docs/mou_meeting_summary_20140401_en.pdf).

45. See November 2013 Meeting Report, *supra* note 25, at 2–3 (discussing public availability of key performance indicators).

## II. A COMPARATIVE ANALYSIS

Practices under the MOU may be thought of as soft law, effectively creating international norms while there is little hard international law in the formal sense. But it remains a narrowly focused instrument, focusing on counterfeits. So in painting the international landscape, this part of the Article will undertake a comparative analysis of national legal regimes that suggest models for adoption. In particular, it will analyze U.S. and EU (particularly U.K.) law.

### A. UNITED STATES LAW

#### 1. Secondary Liability Standard

Under U.S. law, the standard for secondary trademark infringement is facially very clear. For participant-based liability, the standard remains that announced by the U.S. Supreme Court in *Inwood v. Ives*.<sup>46</sup> In *Inwood*, a defendant drug manufacturer sold look-alike generic drugs through pharmacists, some of whom committed primary infringement by passing the drug off as the branded version.<sup>47</sup> The plaintiff sued the generic drug manufacturer for secondary infringement.<sup>48</sup> The Supreme Court held that:

[I]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.<sup>49</sup>

The *Inwood* test thus offers plaintiffs two avenues through which to establish secondary liability: (1) intentional inducement and (2) continued supply with actual or constructive knowledge of infringement.

#### 2. Applied to Auction Sites

The most prominent application of *Inwood* in the online environment has been to assess the secondary liability of auction sites, such as eBay, for the listing of infringing items for sale on their Web sites. In the United States, the leading action was brought by Tiffany.<sup>50</sup> A “significant portion” of the Tiffany jewelry listed on the eBay Web site was counterfeit, and eBay knew that some portion of the Tiffany goods sold on its Web site might be counterfeit.<sup>51</sup>

eBay itself implemented a number of measures to ensure the authenticity of products advertised on its site, and the court (significantly) set these out at great length. For example, eBay: (1) developed software—a so-called “fraud engine”—

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46. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982).

47. *Id.* at 849–50.

48. *Id.*

49. *Id.* at 854.

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

51. *Id.* at 98.

to ferret out illegal listings, including counterfeit goods; (2) maintained and administered the Verified Rights Owner (VeRO) Program, a notice and takedown system that allowed trademark owners to submit a Notice of Claimed Infringement (NOCI) to eBay identifying listings offering infringing items, so that eBay could remove them; (3) offered mark owners space on its site (an “About Me” page) to warn users about suspected fakes and (4) suspended hundreds of thousands of sellers each year it suspected of having engaged in infringing conduct.<sup>52</sup> All in, these measures involved an expenditure of \$20 million per year.<sup>53</sup> Despite this, Tiffany brought an action against eBay *inter alia* for contributory infringement.

Tiffany did not argue that eBay had induced the sale of counterfeit goods, and thus the case turned on the second prong of *Inwood*.<sup>54</sup> As to that claim, eBay did not continue to supply its services to third-party sellers when Tiffany put it on actual notice of particular listings of counterfeit goods through submission of NOCIs.<sup>55</sup> Indeed, eBay never refused to remove a reported Tiffany listing, and did so very quickly (within twenty-four hours, and typically within twelve hours).<sup>56</sup>

Thus, Tiffany’s claim rested on the allegation that eBay had continued the provision of service for other listings, which, by virtue of its generalized knowledge of infringement on its Web site, it had “reason to know” were infringing.<sup>57</sup> Essentially, the argument was that the widespread nature of infringement amounted to constructive knowledge. However, the Second Circuit held that:

For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.<sup>58</sup>

If one took seriously the Second Circuit’s suggestion that the standard for secondary liability was derived from general principles of tort law,<sup>59</sup> analysis of considerations commonly informing lowest cost avoider analysis might arguably

52. *See id.* at 98–100.

53. *Id.* at 98.

54. Both the district court and the Second Circuit applied the *Inwood* test, notwithstanding that the case involved the continued provision of services. Following Ninth Circuit precedent in *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999), the district court held in *Tiffany* that “*Inwood* applies to a service provider who exercises sufficient control over the means of the infringing conduct,” and eBay satisfied this test because of the control it retained over the transactions and listings on its Web site. *Tiffany*, 576 F. Supp. 2d at 505–07. Although amici challenged whether *Inwood* applied to services, eBay did not include this argument in its appeal and thus the Second Circuit did not reach that question. *See Tiffany*, 600 F.3d at 106 (“On appeal, eBay no longer maintains that it is not subject to *Inwood*.”); *see also id.* at 105 n.10 (noting amici arguments). Other cases have operated on the same assumption. *See, e.g.,* *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012).

55. *Tiffany*, 600 F.3d at 106.

56. *Id.* at 99.

57. *See id.* at 103.

58. *Id.* at 107.

59. *See id.* at 103 (“Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts.”).

have been relevant.<sup>60</sup> Under such an approach, courts might take into account the fact that while brand owners may be best positioned to determine infringing conduct, intermediaries may be best positioned to implement preventive measures<sup>61</sup>—and, indeed, may have the expertise best to do so in technologically innovative ways, as many have done.<sup>62</sup>

However, aspects of lowest cost avoider analysis might have influenced both the trial and appellate courts in *Tiffany*, despite their disavowals (explicit in the case of the lower court).<sup>63</sup> The trial court spent substantial time discussing the sizeable efforts that eBay had made to detect and prevent infringement, and the Second Circuit noted the (purportedly irrelevant) record on this point.<sup>64</sup> Moreover, both courts noted that eBay was hardly in a position to determine which Tiffany products were counterfeit and which were not, because it never saw or inspected the goods.<sup>65</sup> But the ultimate doctrinal holding offered a narrower view of the knowledge requirement than found in some earlier cases involving brick-and-

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60. See Mark P. McKenna, *Probabilistic Knowledge of Third-Party Trademark Infringement*, 2011 STAN. TECH. L. REV. 10, 26 (2011), available at <http://journals.law.stanford.edu/sites/default/files/stanford-technology-law-review-stlr/online/mckenna-probabilistic-knowledge.pdf>.

McKenna makes the point that “[i]f . . . courts were really to take seriously the tort law analogy, they would not treat cases involving probabilistic knowledge as secondary trademark infringement cases at all; they would treat them as negligence cases.” *Id.* So conceptualized, the U.S. approach might look less conceptually divergent from the approaches followed by some courts in continental Europe (as well as the forms of limited relief available under Article 11 of the Enforcement Directive). See *id.* (“[I]f trademark secondary liability really derived from tort law, liability would exist in cases of probabilistic knowledge only when the defendant unreasonably failed to take precautions in the face of the known risk of infringement. Unreasonableness would be measured, as it generally is in tort cases, by evaluating the probability of harm to the plaintiff and the potential magnitude of that harm, and comparing the product to the cost of the foregone precautions. Secondary liability cases also would entail analysis of causation-in-fact and proximate causation . . . .”); see also *infra* text accompanying note 111 (liability under French law) and notes 151–180 (discussion of Article 11).

61. The involvement of intermediaries (sometimes as a result of mutually beneficial arrangements between the brand owner and intermediaries) can often be very effective. See Kathy Chu & Joanne Chiu, *To Woo Lux Brands, Alibaba Purges Resellers*, WALL ST. J., Aug. 11, 2014, at B1 (noting the effectiveness of intervention by Alibaba, the Chinese owner of the Tmall retail site, in reducing the number of counterfeit and gray market goods available on the site, and tying Alibaba’s intervention to a brand’s opening an official store on the Tmall site).

62. See Barton Beebe, *Tiffany and Rosetta Stone: Intermediary Liability in U.S. Trademark Law*, Paper Delivered at UCL Institute of Brand and Innovation Law 5 (Feb. 15, 2012), available at [http://www.ucl.ac.uk/laws/ibil/docs/2012\\_beebe\\_paper.pdf](http://www.ucl.ac.uk/laws/ibil/docs/2012_beebe_paper.pdf) (discussing the automated “counterfeit filter” used by Google to assess the bona fides of landing pages). Intermediaries may also be able to implement measures that, while not preventing infringement, make their customers aware of potential trademark issues. See Ginny Marvin, *Google Keyword Planner Now Shows Trademarked Terms*, SEARCH ENGINE LAND (Nov. 27, 2013), <http://searchengineland.com/google-keyword-planner-now-shows-trademarked-terms-178359>.

63. *Tiffany*, 576 F. Supp. 2d at 518 (“Certainly, the evidence adduced at trial failed to prove that eBay was a cheaper cost avoider than Tiffany with respect to policing its marks. But even more importantly, even if it were true that eBay is best situated to staunch the tide of trademark infringement to which Tiffany and countless other rights owners are subjected, that is not the law.”); cf. *Tiffany*, 600 F.3d at 109 (noting, in response to the argument that mark holders could not bear the cost of enforcement, that, “[w]e could not, even if we thought it wise, revise the existing law in order to better serve one party’s interests at the expense of the other’s”).

64. *Tiffany*, 600 F.3d at 109.

65. *Id.* at 98–99.

mortar stores, and afforded little room for such considerations.<sup>66</sup> The *doctrine* established a rather wooden, binary system.<sup>67</sup> If the intermediary receives specific notice and does not act, it might be liable; otherwise, it is not.

The Second Circuit did leave one opening for mark owners who had not given notice regarding individual listings, suggesting that willful blindness may satisfy the knowledge standard.<sup>68</sup> The court did not find willful blindness in *Tiffany* merely because eBay knew generally that infringements were occurring on its site, and eBay did not ignore the information it was given.<sup>69</sup> But this opening may still leave later courts with some room to reach a different result when a defendant with a less legitimate business model makes less reasonable efforts to prevent infringement.

### 3. Applied to Search Engines

There has been less developed analysis by U.S. courts of the potential secondary liability of search engines for infringements committed by advertisers to whom they have sold keywords tied to the trademarks of others. This is because most U.S. courts have analyzed the liability of such search engines as a matter of primary trademark infringement.<sup>70</sup> The only substantial resistance to this occurred in the Second Circuit in *1-800 Contacts, Inc. v. WhenU.com, Inc.*,<sup>71</sup> and that circuit brought keyword advertising cases back within the primary infringement rubric in its 2009 *Rescuecom Corp. v. Google Inc.* decision.<sup>72</sup>

66. David H. Bernstein & Michael R. Potenza, *Why the Reasonable Anticipation Standard Is the Reasonable Way to Assess Contributory Trademark Liability in the Online Marketplace*, 2011 STAN. TECH. L. REV. 9 (2011).

67. Cf. Beebe, *supra* note 62, at 3.

68. *Tiffany*, 600 F.3d at 109–10 (“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. . . . [W]illful blindness is equivalent to actual knowledge for purposes of the Lanham Act.” (internal quotation marks omitted)).

69. *Id.* at 110 (“eBay appears to concede that it knew as a general matter that counterfeit Tiffany products were listed and sold through its website. Without more, however, this knowledge is insufficient to trigger liability under *Inwood*. . . . eBay did not ignore the information it was given about counterfeit sales on its website.”).

70. Of course, as was made quite explicit in many of these opinions, search engines are only *potentially* liable for primary infringements; liability depends upon a plaintiff proving actionable confusion. To date, search engines have been successful in resisting such claims, usually after trial of the confusion question but on occasion as a matter of summary judgment (in several different courts). See, e.g., *Gov’t Emps. Ins. Co. v. Google, Inc.*, No. 1:04CV507, 2005 WL 1903128 (E.D. Va. Aug. 8, 2005) (finding for defendant search engine because no likelihood of confusion was proved at trial); see also Eric Goldman, *Google Defeats Trademark Challenge to Its AdWords Service*, FORBES ONLINE (Oct. 22, 2012, 12:35 PM), <http://www.forbes.com/sites/ericgoldman/2012/10/22/google-defeats-trademark-challenge-to-its-adwords-service> (“In a remarkable litigation tour-de-force, Google has never definitively lost any of these cases in court (though it has occasionally lost intermediate rulings).”); At some point, the accretion of such pro-defendant rulings may establish a harder rule of law immunizing search engines from primary liability.

71. See *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005).

72. See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009); cf. *Kelly-Brown v. Winfrey*, 717 F.3d 295 (2d Cir. 2013).

The conduct of the search engines can of course be characterized very much like that of the auction sites against whom secondary liability has been the principal claim.<sup>73</sup> Indeed, in the European Union secondary liability is the *only* basis on which mark owners can hold search engines liable for this conduct as a matter of trademark law.<sup>74</sup> Moreover, from the mark owner's perspective, suing the search engine has the same strategic benefits as the secondary infringement claims against eBay. And, as with eBay, search engines have developed policies under which they will, in certain circumstances, disable advertisements upon notice from a trademark owner.<sup>75</sup>

Finally, the reasons proffered by the Second Circuit in *Rescuecom* for distinguishing its prior *1-800 Contacts* decision reek of the considerations that inform analysis of secondary infringement claims: to what extent did Google's Keyword Suggestion Tool effectively induce the primary infringing conduct, and to what extent did the selling by Google of particular marks affect the level of contribution and causality relevant to Google's culpability?<sup>76</sup> Certainly, these do not seem questions typically relevant to primary infringement analysis. Indeed, this disjunction has caused Stacey Dogan to label the *Rescuecom*-endorsed cause of action as a "curious branch of direct trademark infringement designed to distinguish between the innocent intermediary and one whose technology and

73. There may be certain conduct of the search engine that causes confusion wholly independent of the content of particular advertisements, such as the way in which search results are presented on the search results page. Cf. Stacey L. Dogan, "We Know It When We See It": *Intermediary Trademark Liability and the Internet*, 2011 STAN. TECH. L. REV. 7, 19 (2011). One may ask, for example, whether there is clear differentiation of purchased advertising and so-called organic listings, and whether advertisements are clearly labeled as such. Cf. Directive 2000/31, of the European Parliament and of the Council of 8 June 2000 on Certain Legal Aspects of Information Society Services, in Particular Electronic Commerce, in the Internal Market, art. 6(a), 2000 O.J. (L 178) 1, 11 (EC) [hereinafter E-Commerce Directive] (clear labeling of advertisements). To assess the actionability of that type of conduct under trademark law requires both a normative inquiry about the type of confusion best remedied by private trademark litigation, and a willingness to reconfigure a multifactor test for likelihood of confusion designed for quite different fact patterns. The former question might take into account the relative merits of consumer protection proceedings. Cf. *Google Inc. v. Austl. Competition and Consumer Comm'n* [2013] HCA 1 (Austl.). The latter should not be controversial given that such tests are meant simply to be vehicles to assist in making ultimate determinations, and such reconfigurations have taken place in other contexts such as nominative fair use. See, e.g., *Toyota Motor Sales U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010). However, the sanctity of traditional multifactor tests is something on which different courts take different views. Compare *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1145 (9th Cir. 2011) (factors intended as "adaptable proxy"), with *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628 (9th Cir. 2008). The trend in recent years would appear to support adaptation. See, e.g., *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1243–44 (10th Cir. 2013).

74. See *infra* text accompanying notes 111–120.

75. See, e.g., *AdWords Trademark Policy*, GOOGLE, <https://support.google.com/adwordspolicy/answer/6118?hl=en> (last visited Feb. 20, 2014).

76. See *Rescuecom*, 562 F.3d at 129. On this latter point, the Second Circuit distinguished between the practice of the defendant in *1-800 Contacts*, which had sold advertising keyed to categories of marks (e.g., selling the right to have an advertisement appear when a user searches for a mark connected to eye care products, but not disclosing to the advertiser the proprietary mapping of marks and categories), and that of Google (which sold advertising tied directly to single marks). See *id.* at 128–29.

business model deliberately seek to confuse.”<sup>77</sup>

Assessing culpability of search engines under primary infringement standards does not appear to be altering the pro-defendant outcomes that one would expect as a matter of secondary infringement under *Tiffany*. On the whole, search engines are prevailing. To be sure, Google could (even under the *Tiffany* standard) be held contributorily liable if an advertiser is found to be primarily infringing and Google, after notice, does not disable the advertisement. The frequency of that will, however, depend upon evolving case law on *advertiser* liability, which also seems still to be largely pro-defendant.<sup>78</sup>

There have been occasional (temporary) victories for plaintiffs against search engines under a secondary liability standard. The most notable of these in the past eighteen months was the Fourth Circuit’s reversal of the district court decision in *Rosetta Stone Ltd. v. Google, Inc.*, which had dismissed the primary and secondary infringement claims against Google.<sup>79</sup> But even this decision does not portend substantial risk to search engines. On the primary infringement claim, the Fourth Circuit reversed largely because the lower court had performed some unduly creative doctrinal twists that were barely concealed efforts to revive the trademark use doctrine.<sup>80</sup> On the secondary infringement claim, the Fourth Circuit articulated a reading of the *Inwood* standard regarding knowledge that is very much in line with the Second Circuit’s standard in *Tiffany*:

It 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.<sup>81</sup>

To meet this standard, the plaintiff argued that Google had allowed “known infringers and counterfeiters” to bid on the Rosetta Stone marks as keywords after Rosetta Stone had notified Google of two hundred instances of sponsored links that led to Web sites offering counterfeits.<sup>82</sup> The Fourth Circuit reversed the grant of summary judgment to Google, but only because the lower court’s reliance on the comparative level of knowledge in *Tiffany* failed to account for the different procedural posture of the *Rosetta Stone* case.<sup>83</sup> According to the Fourth Circuit,

77. Dogan, *supra* note 73, at 19.

78. See, e.g., J.G. Wentworth, S.S.C. Ltd. P’ship v. Settlement Funding L.L.C., No. 06-0597, 2007 WL 30115 (E.D. Pa. Jan. 4, 2007) (awarding summary judgment to defendant purchaser of keywords on question of confusion); *Network Automation*, 638 F.3d 1137; cf. *1-800 Contacts*, 722 F.3d 1229.

79. *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 152–60 (4th Cir. 2012).

80. On the trademark use debate, see Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669 (2007); Graeme B. Dinwoodie & Mark D. Janis, *Confusion over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597 (2007). To be sure, the Fourth Circuit also applies the multifactor confusion test in an unimaginative manner. See Dogan, *supra* note 3, at 520–21. But there is no reason why the test cannot be adapted if actionable confusion is alleged. See *supra* note 73.

81. *Rosetta Stone*, 676 F.3d at 163.

82. *Id.*

83. *Id.* at 164–65 (noting that *Tiffany* had been decided after an extensive bench trial, unlike

there was at least a factual question as to whether Google “continued to supply its services to known infringers.”<sup>84</sup> Although there is perhaps some ambiguity in the court’s opinion,<sup>85</sup> on balance, the Fourth Circuit suggests that generalized knowledge will be of no relevance to the question of secondary liability.

As with auction sites, the upshot of current case law is a notice and takedown system that will be operated by search engines to immunize themselves from liability, although one can predict further liberalizations of search engine policies unless advertisers start being held primarily liable for keyword advertising.

#### 4. Application of *Tiffany* and *Rosetta Stone*

The *Tiffany* court rejected efforts by Tiffany and several amici to establish a secondary liability standard (derived from the *Restatement (Third) of Unfair Competition*) that would have required an intermediary to take reasonable precautions to prevent infringement by the direct infringers when it could reasonably anticipate that infringements would occur.<sup>86</sup> Such an approach would allow an obligation to act to be triggered by generalized knowledge, but the extent of that obligation would then be determined by considerations of reasonableness. Adoption of that position might have required the Second Circuit to align itself with arguments that the Supreme Court had appeared to reject in *Inwood*.<sup>87</sup> But, as the *Tiffany* court noted, the Supreme Court precedent was hardly constraining on the knowledge question.<sup>88</sup> And the generalized knowledge standard does seem to

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*Rosetta Stone*).

84. *Id.* at 165.

85. *See id.* at 163 (“The district court recognized that Rosetta Stone had come forward with evidence relevant to its contributory infringement claim. The most significant evidence in this regard reflected Google’s purported allowance of known infringers and counterfeiters to bid on the Rosetta Stone marks as keywords . . . .”); *see also infra* text accompanying notes 97–99.

86. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 109–10 (2d Cir. 2010); *see* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 27 (1995) (“[Contributory liability attaches when] the actor fails to take reasonable precautions against the occurrence of the third person’s infringing conduct in circumstances in which the infringing conduct can be reasonably anticipated.”).

87. Reading *Inwood* is complicated by the fact that Justice White’s concurring opinion ascribes to Justice O’Connor’s opinion a treatment of the lower court’s opinion that she herself disclaimed. In particular, Justice White expressed concern that the majority was endorsing a knowledge standard based on whether the defendant “could reasonably have anticipated” the third parties’ infringing conduct; Justice O’Connor explicitly rejected this charge. *Compare Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 n.13 (1982) (O’Connor, J.) (rejecting Justice White’s concern that the majority opinion endorsed any change to the contributory infringement test), *with id.* at 859–60 (White, J., concurring) (“The mere fact that a generic drug company can anticipate that some illegal substitution will occur to some unspecified extent, and by some unknown pharmacists, should not by itself be a predicate for contributory liability. I thus am inclined to believe that the Court silently acquiesces in a significant change in the test for contributory infringement.”).

88. It is worth noting the extent to which the Second Circuit felt that *Inwood* spoke to the precise question before the *Tiffany* court. The court opened its opinion by noting the “paucity of case law to guide us” and the fact that the few cases decided in the Second Circuit contained little detail, leaving the “law of contributory trademark infringement ill-defined.” *Tiffany*, 600 F.3d at 103, 105. And the Supreme Court in *Inwood* only applied the inducement prong of the test, so one could even regard what *Inwood* said about the continued supply prong to be dicta; indeed, the Second Circuit acknowledged that *Inwood* did not “establish[] the contours of the ‘knows or has reason to know’ prong.” *Id.* at 108. Yet

comport with the approach adopted by many courts in the offline environment.<sup>89</sup>

Some scholars have suggested that, despite the narrowness of the doctrinal language in *Tiffany*, the Second Circuit may have effectively decided the case based upon an assessment of the reasonableness of the measures adopted by eBay.<sup>90</sup> Certainly, the court's recitation of eBay's efforts to detect and limit infringement hints at an approach more sensitive to individual context than the doctrinal holding suggests.<sup>91</sup> And this sensitivity would be valuable, because the legitimacy of the behavior of intermediaries occupies a spectrum that requires greater flexibility (and room for more subtle calibration) than formal secondary liability doctrine might seem to allow.<sup>92</sup> Indeed, such flexibility is necessary also to account for the different demands that might be imposed on smaller entities without the capital or sophistication of eBay.<sup>93</sup>

Openly assessing the reasonableness of intermediary behavior might at some level appear to be a more genuine engagement with a tort-grounded notion of secondary liability.<sup>94</sup> It might also provide greater comfort to mark owners, who see preventative and prospective measures as more useful in fighting infringement than the specific notice and takedown regime that *Tiffany* appears to establish as the almost exclusive device for affording assistance.<sup>95</sup>

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the Court's conclusion turned to some extent on a very careful parsing of the language of the *Inwood* test, which referenced supply to "one" whom the defendant knew was engaging in infringement, and on dicta in *Sony* that ventured a guess as to how that case would have come out under *Inwood* as opposed to the copyright standard. See *id.* at 108–09. Certainly, the court's protestations about judicial circumspection—that "we are interpreting the law and applying it to the facts of this case [and] could not, even if we thought it wise, revise the existing law in order to better serve one party's interests at the expense of the other's"—do seem a little strained given the room for maneuver that appeared to exist. *Id.* at 109.

89. See, e.g., *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996). Indeed, this approach in offline cases does not seem to have been altered by the *Tiffany* opinion. See *Coach, Inc. v. Goodfellow*, 717 F.3d 498 (6th Cir. 2013).

90. See Dogan, *supra* note 3, at 509 n.38 (noting that judicial assessment of whether the intermediary is in a position where it can stop infringement and can reasonably be required to do so is "often implicit" and channeled "through doctrinal standards of 'knowledge' and 'substantial assistance'"); cf. Beebe, *supra* note 62, at 4 ("[W]ho . . . doubts that if eBay had done nothing to minimize counterfeit sales, the Second Circuit would have found contributory liability, as federal courts routinely have for flea market operators, whether these operators had general knowledge, actual knowledge, constructive knowledge, or something else? One is tempted to say that the issue was ultimately not so much one of negligence as of who would be the lowest-cost enforcer of the right.").

91. See Dogan, *supra* note 3, at 516 ("The [*Tiffany*] opinion suggested—without holding—that eBay's generalized knowledge of widespread counterfeiting required it to do *something* to facilitate the detection and removal of counterfeit goods. The problem with *Tiffany*'s argument was that eBay *had* done something; indeed, it had done quite a lot.").

92. See generally Jane C. Ginsburg, *Separating the Sony Sheep from the Grokster Goats: Reckoning the Future Business Plans of Copyright-Dependent Technology Entrepreneurs*, 50 ARIZ. L. REV. 577 (2008) (noting the need for copyright law to have tools by which to recognize the different culpability of a range of intermediaries even though all operate dual purpose technologies).

93. Cf. Mostert & Schwimmer, *supra* note 6, at 264–65 (speculating as to some of the misjudgments that might have prompted the lack of responsiveness of the defendant in *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011)).

94. See *supra* text accompanying notes 60–62.

95. See *Report from the Commission*, *supra* note 42, at 6, 11.

Certainly, actions against online intermediaries post-*Tiffany* have been more favorable to mark owners than the narrow holding of that case would perhaps have portended. For example, in *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, the Ninth Circuit affirmed a jury verdict of over \$10 million against a Web hosting business that leased, *inter alia*, server space to customers trafficking in counterfeit goods.<sup>96</sup> In that case, the defendant (a small company) failed to respond expeditiously to takedown requests, and thus fell afoul of *Tiffany* because it had received actual notice. And although the language of the Fourth Circuit in *Rosetta Stone* appeared to mimic the specific knowledge requirement of *Tiffany*, the fact that the Fourth Circuit contemplated possible liability based upon allowing “known infringers and counterfeiters” to bid again on the Rosetta Stone marks suggested a slight loosening of the specificity requirement beyond an item-by-item (or listing-by-listing) takedown system.<sup>97</sup> If so, this would be an implicit acknowledgment of some of the attractions of a so-called “takedown and stay down” policy,<sup>98</sup> and would move closer to the enhancements of the notice and takedown system contemplated by the MOU (and possibly European law).<sup>99</sup>

A recent decision of the Tenth Circuit may best reflect this evolution of the

96. *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 941 (9th Cir. 2011); see also Order re Plaintiffs’ Motion for Partial Summary Judgment at 9, *Chloé SAS v. Sawabeh Info. Servs. Co.*, No. CV-11-4147-GAF (MANx), 2012 WL 7679386 (C.D. Cal. Oct. 8, 2013) (copy on file with author).

97. See also *Dogan*, *supra* note 3, at 517 (discussing *Tiffany (NJ) LLC v. Dong*, No. 11 Civ. 2183(GBD)(FM), 2013 WL 4046380 (S.D.N.Y. Aug. 9, 2013)); cf. Order re Plaintiffs’ Motion for Partial Summary Judgment, *supra* note 96, at 14 (issuing order against business-to-consumer Web sites found to be contributorily liable requiring them to “monitor their websites on an ongoing basis for compliance and must upon written notice remove or disable access to any listing that plaintiffs identify as infringing or that otherwise comes to defendants’ attention as infringing plaintiffs’ marks”). It is a long-standing principle of U.S. trademark law that one found liable for infringement might be required to forego certain activities (normally with regard to the uses of the mark at issue in the litigation) that might be found legitimate if conducted by innocent parties. See *Taubman Co. v. Webfeats*, 319 F.3d 770, 779 (6th Cir. 2003) (noting the so-called “safe distance rule” to the effect that “a competitive business, once convicted of unfair competition in a given particular, should thereafter be required to keep a safe distance away from the margin line—even if that requirement involves a handicap as compared with those who have not disqualified themselves.” (quoting *Broderick & Bascom Rope Co. v. Manoff*, 41 F.2d 353, 354 (6th Cir. 1930))).

98. Within the European Union, some national courts have taken the view that an obligation for providers of hosting services to prevent the reappearance of contents they have already taken down (“notice and stay down”) might amount to a general monitoring obligation prohibited by Article 15 of the E-Commerce Directive. See Cour de cassation [Cass.] [supreme court for judicial matters] 1e civ., July 12, 2012, Bull. civ. I, No. 167 (Fr.) (*Google Inc. v. Bac Films*); Cass. 1e civ., July 12, 2012, Bull. civ. I, No. 166 (Fr.) (*Google Inc. v. Bac Films*); Cass. 1e civ., July 12, 2012, Bull. civ. I, No. 162 (Fr.) (consolidated appeals, *Google Inc. & Aufeminin.com v. André Rau, H & K*); see also Christine Gateau & Pauline Faron, *Take Down, Stay Down: Paris Court of Appeal Confirms Hosting Providers Have No General Monitoring Obligation*, 20 COMPUTER & TELECOMM. L. REV. 12 (2014) (U.K.) (discussing Cour d’appel [CA] [regional court of appeal] Paris, 2e civ., June 21, 2013 (Fr.) (*Societe des Producteurs de Phonogrammes en France v. Google*) (unpublished)).

99. See Annette Kur, *Secondary Liability for Trademark Infringement on the Internet: The Situation in Germany and Throughout the EU*, 37 COLUM. J.L. & ARTS 525 (2014) (noting that German courts applying the *Störerhaftung* doctrine to Internet auction sites “did not confine [filtering] duties to future identical offers made by the same person, but extended them to infringements that were essentially of the same character”).

*Tiffany* court's approach.<sup>100</sup> In *1-800 Contacts, Inc. v. Lens.com, Inc.*, the plaintiff mark owner brought an action, *inter alia* for contributory infringement, against a competitor whose affiliate had engaged in the alleged acts of primary infringement: namely, the purchase of keywords consisting of the marks of the plaintiff.<sup>101</sup> The plaintiff filed a complaint in federal court against the defendant that included screen shots of an allegedly offending advertisement, but the plaintiff did not identify which of the defendant's ten thousand affiliates had purchased it.<sup>102</sup> It took the defendant three months to take corrective action against the affiliate in question.<sup>103</sup> The Tenth Circuit reversed a grant of summary judgment against the plaintiff on its claim of contributory infringement because "a rational juror could find that [the defendant] knew that at least one of its affiliates was [engaging in infringement] yet did not make reasonable efforts to halt the affiliate's practice."<sup>104</sup> According to the court, the defendant had an effective tool to stop infringement (sending out a notice to all affiliates instructing them not to purchase the keyword in question) but did not use it.<sup>105</sup> This duty, according to the court, arose even though the defendant did not know the specific identity of the alleged infringer. A jury could find that this would have been "reasonable action" to take: the court would not insist on a "rigid line requiring knowledge of [an infringer's specific] identity, so long as the remedy does not interfere with lawful conduct."<sup>106</sup>

However, this evolution remains something short of the "reasonable anticipation" standard that *Tiffany* had urged on the Second Circuit, or a full-blown lowest cost avoider analysis consistent with a tort based approach to secondary liability. Those alternative approaches might impose on intermediaries a greater obligation to engage in affirmative steps to prevent future infringement (depending upon assessment of costs and benefits). As Stacey Dogan astutely notes, the implicit reasonableness analysis that can be discerned in U.S. case law to date does not go that far: the cases are converging around a principle of "reasonableness in receiving and responding to specific notices of infringement."<sup>107</sup> That is to say:

The "reasonableness" principle seems—albeit implicitly—to be pursuing a modified "best-cost-avoider" strategy: it places responsibility for infringement detection and elimination with the party best positioned to accomplish each task. Detection falls on the intellectual property owner, who is best suited to recognize unauthorized versions of its work or trademark. Responsibility for terminating the infringement, in turn, rests on the intermediary, assuming that it has control over the means used to infringe. If the structure of a defendant's system and its relationship to infringers gives it the power to stop them without threatening lawful use, then the law requires it to exercise

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100. *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1249–55 (10th Cir. 2013).

101. *Id.* at 1234.

102. *Id.* at 1252.

103. *Id.*

104. *Id.*

105. *Id.*

106. *Id.* at 1254.

107. Dogan, *supra* note 3, at 509.

that power.<sup>108</sup>

Dogan uses the phrase “modified ‘best-cost-avoider’ strategy” to describe this position because “a pure best-cost-avoider approach would take system design into account and require intermediaries to take reasonable steps to head off infringement before it occurs.”<sup>109</sup> It might also be called “lowest-cost-terminator,” insofar as it retains an essentially backwards-looking posture. As we shall see below in Part II.B., in this regard, even the post-*Tiffany* system does not provide mark owners in the United States with the full forms of assistance to which they may be entitled in the European Union.

## B. EUROPEAN UNION LAW

### 1. Primary liability

Similar claims have been brought against Google and eBay (and other search engines and auction sites) for almost identical conduct in a number of European countries. These claims included allegations of primary and secondary trademark infringement, although in some countries the secondary infringement claims were denominated or even conceptualized differently. In France, for example, what looked like a secondary infringement claim against eBay was in fact advanced as a direct violation of the general fault provision in the Civil Code.<sup>110</sup> But the core question was the same as the one *substantively* implicated by the *Tiffany* case in New York: How is one to assess the reasonableness of the behavior of the intermediary given its level of specific and general knowledge of infringing activity on its site?<sup>111</sup>

Initially, both types of fact patterns—search engine and auction site cases—produced varying results around Europe, in part perhaps because of the different conceptualization of the claims advanced by plaintiffs. In particular, tort law generally has not been harmonized in the European Union (and development of unfair competition law was specifically reserved to member states despite harmonization of registered trademark law). But the Court of Justice of the European Union has imposed some degree of commonality throughout Europe via two decisions, handed down in 2010 and 2011: *Google France SARL v. Louis Vuitton Malletier SA* (on reference from the French courts) and *L’Oréal SA v. eBay International AG* (on reference from the U.K. courts).<sup>112</sup> These cases now establish the doctrinal framework for considering these types of claims, but for reasons discussed below there is still not a uniform position throughout the European Union.

108. *Id.* at 11–12.

109. *Id.*

110. See e.g., Tribunal de commerce [TC] [court of trade] Paris, June 30, 2008, No. 200677799, 11–12 (Fr.) (*Louis Vuitton Malletier S.A. v. eBay, Inc.*).

111. Cf. Dogan, *supra* note 3, at 503 (characterizing the driving concerns in *Tiffany*).

112. See Case C-324/09, *L’Oréal SA v. eBay Int’l AG*, 2011 E.C.R. I-6011; Joined Cases C-236/08–C-238/08, *Google France SARL v. Louis Vuitton Malletier SA*, 2010 E.C.R. I-2417.

In *Google France*, the court held that a search engine is not involved in the type of use that can give rise to primary trademark liability under EU trademark law simply by selling keyword advertising that consists of the trademark of another.<sup>113</sup> Only uses by a search engine “in its own commercial communication” would fall within the proscription of trademark law; the court found that this was not the case with the sale of keyword advertising.<sup>114</sup>

Although this limited the liability of search engines that *sold* the keyword advertising, the court did not rule out liability for the advertisers that *purchased* that advertising. Indeed, the *Google France* court adopted a relatively protective standard to be applied in cases brought against advertisers.<sup>115</sup> Although the results of cases brought in national courts under that standard have been mixed, plaintiffs have met with slightly greater success in their claims against advertisers in Europe than they have in the United States,<sup>116</sup> notwithstanding an attempt by the Court of Justice in its subsequent *Interflora, Inc. v. Marks & Spencer PLC* decision to reflect concerns of enhanced competition and consumer choice by modifying slightly the primary infringement standard announced in *Google France*.<sup>117</sup>

In *L'Oréal*, the Court of Justice reached a similar result regarding the primary liability of auction sites, holding that eBay does not “use” the trademarks that *its clients* use in their advertisements on the eBay Web site.<sup>118</sup> Thus, in both cases involving online intermediaries, the Court of Justice took a narrower view of the scope of primary infringement, approximating (if not quite reaching) the position advocated by proponents of the trademark use doctrine in the United States.<sup>119</sup> As

113. *Google France*, 2010 E.C.R. I-2417, ¶ 55.

114. *Id.* ¶¶ 55–56.

115. *See id.* ¶ 84 (finding liability under Article 5(1)(a) of the Trademark Directive if “the ad does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party”) (emphasis added). And although the court formally left the assessment of confusion to national courts on a case-by-case basis, it clearly suggested liability in a potentially broad range of circumstances. The court appeared more concerned with the EU policy on “transparency in the display of advertisements on the internet,” *id.* ¶ 86, than with the potentially competing value of competition embodied in EU comparative advertising legislation. *Id.* ¶¶ 70–71.

116. *See, e.g.*, OGH, June 21, 2010, docket No. 17 Ob 3/10f, in 2/2010 GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT, INTERNATIONALER TEIL [GRUR Int'l] 173 (2010) (Austria) (*Die BergSpechte Outdoor Reisen und Alpenschule Edi Koblmüller GmbH v. Guni*) (finding liability under both Article 5(1)(a) and 5(1)(b)); *Interflora Inc. v. Marks & Spencer PLC*, [2013] EWHC 1291 (Ch) (Eng.) (finding in favor of plaintiff where defendant purchased keyword advertising using plaintiff's trademarked name); *Cosmetic Warriors Ltd. v Amazon.co.uk Ltd.*, [2014] EWHC 181 (Ch) (Eng.) (finding liability as a result of adverse effect on both origin and investment function of marks); Bundesgerichtshof [BGH] [Federal Court of Justice] June 27, 2013, GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT [GRUR] 182, 2013 (Ger.) (*Fleurop*) (reaching similar conclusion to the U.K. court in *Interflora* based in large part upon the network nature of the claimant's service); *see also* Birgit Clark, *Fleurop: When Keyword Advertising May Exceptionally Be a Trade Mark Infringement After All*, 9 J. INTELL. PROP. L. & PRAC. 693 (2014) (U.K.) (discussing *Fleurop*).

117. *See* Case C-323/09, *Interflora Inc. v. Marks & Spencer PLC*, 2011 E.C.R. I-8664.

118. Case C-324/09, *L'Oréal SA v. eBay Int'l AG*, 2011 E.C.R. I-6011, ¶ 102.

119. *See* Case Comment, *Trademark Law—Infringement Liability—European Court of Justice Holds that Search Engines Do Not Infringe Trademarks: Joined Cases C-236/08, C-237/08 & C-238/08, Google France SARL v. Louis Vuitton Malletier SA*, 2010 ECJ EUR-Lex LEXIS 119 (Mar. 23,

a result, intermediary liability of auction sites and search engines could only be assessed under other rubrics, including secondary infringement or accessorial liability, and these claims were left to be determined under *national law*.<sup>120</sup>

## 2. Secondary Liability and Article 11 Relief

Member states of the European Union have adopted quite disparate approaches to the question of secondary liability. Prior to the *L'Oréal v. eBay* judgment of the Court of Justice, the results in cases against auction sites had occupied a broad spectrum. The most favorable to trademark plaintiffs were a couple of early French cases that held eBay liable.<sup>121</sup> The principal basis for such liability was the general French law of torts, which allowed French courts to hold intermediaries liable based upon a finding that they had disregarded a duty to act reasonably.<sup>122</sup> But courts in several other countries, including the United Kingdom, appeared unwilling to impose liability upon the auction site based upon merely facilitating infringement. The German courts had adopted a middle ground, and were willing to offer the claimants limited injunctive relief—essentially mandating takedown, but potentially requiring some pro-active filtering for infringements—based upon a German remedial doctrine discussed below, but resisting full liability claims absent specific and concrete knowledge of the allegedly infringing acts.<sup>123</sup>

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2010), 124 HARV. L. REV. 648, 652–53 n.50 (2010) [hereinafter Case Comment] (noting that the Court of Justice is unlikely to embrace a full trademark use rule given its prior decisions, such as *Arsenal v. Reed* (Case C-206/01, Arsenal Football Club plc v. Reed, 2002 E.C.R. I-10273)).

120. See *Google France*, 2010 E.C.R. I-2417, ¶¶ 114, 141. There are no proposals to make it a matter of European law in the current revision of the Directive and the Regulation. See MAX PLANCK INST. FOR INTELLECTUAL PROP. AND COMPETITION LAW, STUDY ON THE OVERALL FUNCTIONING OF THE EUROPEAN TRADE MARK SYSTEM ¶¶ 2.219–2.220 (2011), available at [http://ec.europa.eu/internal\\_market/indprop/docs/tm/20110308\\_allensbach-study\\_en.pdf](http://ec.europa.eu/internal_market/indprop/docs/tm/20110308_allensbach-study_en.pdf); *Proposal for a Directive of the European Parliament and of the Council to Approximate the Laws of the Member States Relating to Trade Marks*, COM (2013) 162 final (Mar. 27, 2013), available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0162:FIN:EN:PDF>; *Proposal for a Regulation of the European Parliament and of the Council Amending Council Regulation (EC) No 207/2009 on the Community Trade Mark*, COM (2013) 161 final (Mar. 27, 2013), available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0161:FIN:EN:PDF>.

121. See, e.g., TC Paris, June 30, 2008, No. 200677799, 11–12 (Fr.) (*Louis Vuitton Malletier S.A. v. eBay, Inc.*) (unpublished); Tribunal de grande instance [TGI] Troyes, civ., June 4, 2008, No. 060264 (Fr.) (*Hermès Int'l v. eBay, Inc.*) (unpublished).

122. Matthias Leistner, *Structural Aspects of Secondary (Provider) Liability in Europe*, 9 J. INTELL. PROP. L. & PRAC. 75, 86 (2014).

123. See Kur, *supra* note 99, at 532; Leistner, *supra* note 122, at 78–82 (discussing German law); see also BGH Mar. 11, 2004, 158 BUNDESGERICHTSHOFS IN ZIVILSACHEN [BGHZ] 236 (Ger.) (*Internet Auction I*), translated in 2005 EUR. TRADE MARK REP. 25; BGH Apr. 19, 2007, 172 BGHZ 119 (Ger.) (*Internet Auction II*), translated in 2007 EUR. TRADE MARK REP. 70. The clarity of the German position with regard to liability for trademark infringement is somewhat muddled by a line of case law proceeding under the general clause (Section 3) of the German Unfair Competition law. See Kur, *supra* note 99, at 532; Leistner, *supra* note 122, at 80. Insofar as such a claim conceptualizes the liability of the intermediary as an autonomous tort, it comes closer to the French approach. See Case Comment, *supra* note 121.

a. *L'Oréal v. eBay (U.K. and ECJ)*

To explore the complex interaction of national and EU law that now combines to define a EU position, this Article will focus on the *L'Oréal v. eBay* case before Mr. Justice Arnold in the United Kingdom—the case that made its way to the Court of Justice.<sup>124</sup> *L'Oréal* made several claims against eBay. In addition to the direct trademark infringement claims that were dismissed under EU trademark law (mentioned in Part II.B.1. above) *L'Oréal* argued that eBay was accessorially liable for the infringements allegedly committed by the sellers of goods who unlawfully used *L'Oréal* marks in their listings.<sup>125</sup> And, finally, *L'Oréal* argued that it was entitled to relief under Article 11 of the Enforcement Directive even if eBay was not itself liable (whether primarily or as an accessory) for trademark infringement.<sup>126</sup>

i. *Accessorial Liability*

Mr. Justice Arnold held that under U.K. law accessorial liability requires a common design or procurement of an infringement by inducement, incitement or persuasion:

Mere assistance, even knowing assistance, does not suffice to make the “secondary” party liable as a joint tortfeasor with the primary party. What he does must go further. He must have conspired with the primary party or procured or induced his commission of the tort . . . ; or he must have joined in the common design pursuant to which the tort was committed . . . .<sup>127</sup>

This common design test, which reflects long-standing English common law of torts, is a hard standard to satisfy.<sup>128</sup> Mere knowledge on the part of the supplier of equipment that it might probably be used to infringe does not make out the plaintiff's case, not even when combined with facilitation; facilitation is not procurement. Consistent with the approach in the United States, whether eBay had taken all possible, reasonable steps *was not* formally the issue. Ultimately, although Mr. Justice Arnold expressed some sympathy for the suggestion that eBay could have insured against the risk of infringement, he suggested that he would come down on eBay's side on the question.<sup>129</sup>

124. See *L'Oréal S.A. v. eBay Int'l AG*, [2009] EWHC 1094 (Ch) (Eng.).

125. See *id.* at [24].

126. *Id.* at [31].

127. *Id.* at [350] (quoting *Credit Lyonnais Bank Nederland NV v. Export Credit Guarantee Dep't*, [1997] EWCA (Civ) 2165, [1998] 1 Lloyd's Rep 19, [48] (Eng.)).

128. Though it is not unheard of, it is most commonly satisfied by facts that are different from the facilitation scenario. See, e.g., *Cosmetic Warriors Ltd. v. Amazon.co.uk*, [2014] EWHC 181 (Ch) (Eng.) (holding a U.K. and a Luxembourg entity jointly liable since they “joined together and agreed to work together in the furtherance of a common plan”).

129. *L'Oréal*, [2009] EWHC 1094, [359]–[72].

*ii. E-Commerce Directive*

U.K. courts are at one end of the European spectrum on secondary infringement standards, imposing a very high threshold to establish accessorial liability.<sup>130</sup> Given the early French decisions, one might think that there is an intolerable and surprising divergence of secondary liability standards governing the conduct of Internet intermediaries in the European Union. But it would overstate the level of European fragmentation to suggest that Internet intermediaries operating within the European Union do so under *no* common legal standards. This is because the extent of their liability is shaped to a large extent by a different European law: the E-Commerce Directive.<sup>131</sup>

Thus, although the showing that a plaintiff must make to hold an online intermediary secondarily liable for trademark infringement is not harmonized, the conditions under which such defendants will be *immune* from liability under any law *are* harmonized at the European level. Transcending the terminological and conceptual differences among secondary liability standards for trademark infringement in Europe would have been politically fraught; enacting anew a common set of online immunities was a more achievable task, which is a lesson perhaps to bear in mind if international harmonization is thought desirable.

Thus, Article 14 of the E-Commerce Directive provides a hosting safe harbor, not unlike that found in Section 512 of the U.S. Copyright Act.<sup>132</sup> However, unlike the U.S. safe harbor, it applies horizontally to trademark claims, and (even more importantly) to unfair competition or tort claims under national law. Although Mr. Justice Arnold thought that eBay would likely prevail on accessory liability, he referred the question of whether eBay was covered by the safe harbor to the European Court of Justice.<sup>133</sup>

Article 14 provides that:

1. Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

(a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

130. The term “secondary infringement” has a different (narrow) meaning in U.K. trademark law. See LIONEL BENTLY & BRAD SHERMAN, *INTELLECTUAL PROPERTY LAW* 930, 1074–76 (3d ed. 2008). However, the concept of what Mr. Justice Arnold calls “accessory liability” approximates to secondary infringement in U.S. law.

131. E-Commerce Directive, *supra* note 73, art. 14. The E-Commerce Directive was transposed into U.K. law by the Electronic Commerce (EC Directive) Regulations, 2002, S.I. 2002/2013. In particular, Article 14 of the E-Commerce Directive is implemented by regulation 19 of the U.K. regulations.

132. See 17 U.S.C. § 512 (West 2014).

133. See *L'Oréal S.A. v. eBay Int'l AG*, [2009] EWHC 1094, [380]–[82] (Ch) (Eng.) (determining eBay was not liable as a joint tortfeasor under principles of accessory liability); see *id.* [443] (declining to rule on Article 14 safe harbor issue because more guidance from the EU Court of Justice was needed).

(b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.<sup>134</sup>

eBay argued that L'Oréal's refusal to participate in the VeRO program meant that eBay could not have the knowledge or awareness required for loss of immunity.<sup>135</sup> Indeed it suggested that to hold otherwise would be tantamount to imposing on eBay a general obligation to monitor contrary to Article 15 of the E-Commerce Directive.<sup>136</sup>

L'Oréal argued that Article 14(1) could not apply because the activities of eBay went "far beyond the mere passive storage of information provided by third parties."<sup>137</sup> On the contrary, L'Oréal alleged, eBay "actively organized and participated in the processing and use of the information to effect the advertising, offering for sale, exposing for sale and sale of goods (including infringing goods)."<sup>138</sup>

The Court of Justice found first that eBay was potentially entitled to the benefit of Article 14 as an information society service provider. Whether eBay was such a provider within the protection afforded by the safe harbor would as a threshold matter depend upon how active it was in the allegedly illegal activity.<sup>139</sup> If it had been involved in "optimising the presentation of the offers for sale in question or promoting those offers, it [would] be considered not to have taken a neutral position . . . [and thus unable] to rely, in the case of those [offers]," on the Article 14 exemption.<sup>140</sup> Determination of that question was, however, left to national courts.<sup>141</sup>

Second, by the terms of Article 14, even if eBay was insufficiently inactive to qualify as an information services provider, it would lose immunity "if it was aware

134. E-Commerce Directive, *supra* note 73, art. 14.

135. *L'Oréal*, [2009] EWHC 1094, [436].

136. *Id.*; *see also* E-Commerce Directive, *supra* note 73, art. 15 ("Member States shall not impose a general obligation on providers, when providing the services covered by Articles 12, 13 and 14, to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity.").

137. *L'Oréal*, [2009] EWHC 1094, [437].

138. *Id.*

139. Case C-324/09, *L'Oréal SA v. eBay Int'l AG*, 2011 E.C.R. I-6011, ¶ 113; *see id.* ¶ 115 ("[T]he mere fact that the operator of an online marketplace stores offers for sale on its server, sets the terms of its service, is remunerated for that service and provides general information to its customers cannot have the effect of denying it the exemptions from liability provided for by [the E-Commerce Directive]."). The fact that certain services are automated should not always mean that the provider of those services is itself not "active." Algorithmic development is surely relevant behavior in assessing degrees of activity. *But see* Kur, *supra* note 99, at 531 (noting the majority position in German case law that has treated suggestions proffered by operation of algorithms as within the protection of Article 14).

140. *L'Oréal*, 2011 E.C.R. I-6011, ¶ 116. The Advocate-General had questioned the neutrality condition, which had first been articulated in *Google France*, but extracted from a recital addressed to a provision other than Article 14. *See id.* ¶¶ AG 139–46. But the court reaffirmed what it had previously said on this point in *Google France*. *See id.* ¶¶ 113–16.

141. *Id.* ¶ 117.

of facts or circumstances on the basis of which a diligent economic operator should have realised that the offers for sale in question were unlawful and, in the event of it being so aware, failed to act expeditiously.”<sup>142</sup>

We thus return to the conundrum from *Tiffany* of whether, in seeking to establish a key element of potential liability (or, in the EU, non-immunity), knowledge or awareness could be general in nature. In *L'Oréal*, the Court of Justice offered further guidance on the definition of the relevant knowledge, but without specifically tackling that question.<sup>143</sup> In particular, the court indicated that the knowledge or awareness requiring removal of a listing could arise either from eBay's own investigation or notification from a third party (most likely the mark owner).<sup>144</sup> This only minimally aids understanding. Some of the Internet platforms that are signatories to the MOU have expressed concern that “proactive measures” they adopt under that agreement might (despite the language of the MOU) give them awareness of facts “by virtue of their own investigation” and hence put them under an obligation to act.<sup>145</sup>

The Court of Justice had previously addressed the question of immunity in *Google France*, and its ruling in *L'Oréal* followed the same pattern. Search engines could potentially come within Article 14.<sup>146</sup> But resolution of that was a matter for the national court, taking into account the role Google played, *inter alia*, in the selection of keywords.<sup>147</sup> There, the question might be whether Google's use of its Keyword Suggestion Tool renders its activities “non-neutral” and makes it vulnerable to loss of immunity under Article 14. And again, in any event, whether Google could invoke Article 14 would depend upon disabling advertisements upon receiving notice.<sup>148</sup>

The Court of Justice has thus not finally decided on the availability of the safe harbor for either search engines or auction sites, leaving that to be fought out among the lower national courts.<sup>149</sup> The safe harbor in the E-Commerce Directive

142. *Id.* ¶ 124 (quoting Article 14 of the E-Commerce Directive). In decisions handed down in May 3, 2012 on similar facts to *eBay v. L'Oréal*, the French Supreme Court held that eBay could not avail itself of the protection under Article 14 because it had played too active a role by assisting sellers in the promotion and fostering of sales. See Cass. com., May 3, 2012, Bull. civ. IV, No. 89 (Fr.) (*eBay Inc. v. LVMH, Parfums Christian Dior*); see also Beatrice Martinet Farano, *French Supreme Court Denies eBay Hosting Protection*, TRANSATLANTIC ANTITRUST & IPR DEVELOPMENTS, Issue No. 3/2012 (June 21, 2012), available at <http://tflnews.wordpress.com/2012/07/02/transatlantic-antitrust-and-ipr-developments-issue-no-32012-june-21-2012> (discussing the French Supreme Court's decision, in which the court specifically relied on the “active role” standard from the Court of Justice's *L'Oréal* and *Google France* decisions).

143. See *L'Oréal*, 2011 E.C.R. I-6011, ¶¶ 118–23.

144. See *id.* ¶ 122.

145. See *Report from the Commission*, *supra* note 42, at 11.

146. See *Joined Cases C-236/08–C-238/08, Google France SARL v. Louis Vuitton Malletier SA*, 2010 E.C.R. I-2417, ¶¶ 106–20.

147. See *id.* ¶ 119.

148. See *id.* ¶ 120.

149. For example, the Madrid Court of Appeals has recently held that Google (as the owner of YouTube) was acting as a host under Article 14 in the context of a copyright infringement case. See Audiencia Provincial Sentencia [A.P.S.] [Provincial Appellate Court Sentence] Madrid, Jan. 14, 2014 (No. 11/2014) (Spain) (*Gestevision Telecinco, S.A. v. YouTube, LLC*), translated in *Decision No.*

has, however, strongly encouraged the development of a notice and takedown procedure in Europe, not unlike that which *Tiffany* requires by virtue of its reading of the affirmative secondary liability standard. Indeed, such a system is effectively evolving as a matter of practice.

However, there is an important difference to note. Under EU law, failing to comply with notice and takedown (or any other element of the safe harbor) doesn't mean liability; it just means no automatic immunity. Under *Tiffany*, continuing to supply services after notice will trigger liability. In Europe, liability will only arise if the standard for secondary liability is also met under the applicable national law.<sup>150</sup> Certainly in the United Kingdom, it is entirely possible that one could fail to come within the safe harbor but still not be held secondarily liable as a joint tortfeasor.<sup>151</sup>

### *iii. Article 11 of the Enforcement Directive*

In the European Union, the picture is rendered more complex—but more harmonious and flexible—by Article 11 of the Enforcement Directive. Article 11 requires member states to ensure that “right holders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right.”<sup>152</sup> This provision may be applicable to provide relief where an intermediary is between the zone of nationally determined liability and EU-guaranteed safe space (under Article 14 of the E-Commerce Directive). Indeed, Article 11 might offer the possibility of injunctive relief even when the intermediary is *within* the safe harbor and thus immune from monetary

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*11/2014 on YouTube v Telecinco*, HOGAN LOVELLS GLOBAL MEDIA & COMM. WATCH (Feb. 14, 2014), [http://www.hlmediacomms.com/files/2014/02/Telecinco-v-Youtube\\_EN.pdf](http://www.hlmediacomms.com/files/2014/02/Telecinco-v-Youtube_EN.pdf); see also Martini Manna & Elena Martini, *The Court of Turin on the Liability of Internet Service Providers*, LEXOLOGY (June 10, 2014), <http://www.lexology.com/library/detail.aspx?g=ec9e1298-7367-4f0a-a263-0cbaff076e29> (reporting on similar outcomes in Italy on similar grounds in *Delta TV Programs s.r.l. v. Google Inc.*, Tribunale Ordinare [Trib.] [Ordinary Court of First Instance] Turin, June 23, 2014, Docket No. 38113/2013 (It.), available at <http://www.ipinitialia.com/Ordinanza%20Youtube%20Torino.pdf>). But lacking definitive guidance from the Court of Justice, variations remain at the national level. See Kur, *supra* note 99, at 531 (noting different approaches in Germany and France); see also *supra* note 142.

150. See, e.g., *L'Oréal S.A. v. eBay Int'l AG*, [2009] EWHC 1094, [344] (Ch) (Eng.) (noting that the question of secondary liability is a matter for national law).

151. There is no single correct conceptual approach to this relationship between liability standards and safe harbors. The relationship can follow a number of forms. For example, where statutory safe harbors have been enacted, they could represent the line (or a gap) between the area of immunity conferred by defenses and the zone of liability, or the two could overlap. That is, safe harbors may, like many defenses, immunize conduct that would otherwise be infringing because the benefits that flow from the online services provided by the intermediary outweigh the costs of the infringement that they facilitate. Alternatively, the safe harbor may simply create reassurance about activities that may or may not have been infringing. The benefit of the latter scheme is that, despite its apparent redundancy, the safe harbor provides certainty, which is important because even valuable non-infringing activity can be chilled by the threat of liability. Conduct that falls outside the safe harbor, but does not clearly attract secondary liability, remains conduct for which an intermediary might expect to be challenged by trademark owners trying to test the margins of secondary liability.

152. Directive 2004/48/EC, of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, 2004 O.J. (L 195) 22 [hereinafter *Enforcement Directive*].

liability.<sup>153</sup>

This was the final issue in the *L'Oréal* reference from Mr. Justice Arnold, who indicated that he might (under the English court's equitable jurisdiction) be willing to offer some limited relief to implement the U.K. obligations under Article 11.<sup>154</sup> Mr. Justice Arnold referred a series of questions to the Court of Justice regarding the nature and content of that provision, though he suggested that appropriate measures might be devised along the lines that had been ordered by the German courts under its so-called *Störerhaftung* doctrine.<sup>155</sup> Certainly, the German courts had worked under the assumption that that doctrine is a viable means of implementing member state obligations under Article 11.<sup>156</sup>

The Court of Justice's ruling articulates many important propositions, though it has not definitively answered many questions. The central question before the court was whether Article 11 meant that trademark owners could secure injunctions against the operator of an online marketplace through which the mark owners' rights have been infringed, requiring the operator to take measures to *prevent future* infringements of those rights.<sup>157</sup>

The court held that, in light of the objective of the Enforcement Directive to ensure effective protection of intellectual property, such injunctions were permissible under Article 11, thus rendering assistance beyond that currently available in the U.S. courts.<sup>158</sup> But what measures might these be? The court recognized that national courts would devise precise measures using the procedural devices available to them,<sup>159</sup> but sketched the general parameters, offered some non-exhaustive possibilities and stressed some limits on this form of relief.<sup>160</sup>

As a general matter, the court held that measures must be "effective and dissuasive," but also proportionate.<sup>161</sup> Measures "need to strike a fair balance between the various rights and interests."<sup>162</sup> Such sentiments are hardly contentious, but also offer minimal guidance to national courts or online actors. As concrete illustrations, the court mentioned only the possibility of an order "to suspend the perpetrator of the infringement . . . in order to prevent further infringements of that kind by the same seller in respect of the same trade marks," and orders to take measures to make it easier to identify the primary infringers.<sup>163</sup>

153. See *id.*, recital 45; *id.*, arts. 12(3), 13(3), 14(3).

154. See *L'Oréal*, [2009] EWHC 1094, [454].

155. See *id.* [455]–[65]. For an elaboration of this doctrine, see Leistner, *supra* note 122.

156. See generally Kur, *supra* note 99.

157. See Case C-324/09, *L'Oréal SA v. eBay Int'l AG*, 2011 E.C.R. I-6011, ¶ 126.

158. *Id.* ¶ 131. The applicability of Article 11 would not render the intermediary liable for damages.

159. See Enforcement Directive, *supra* note 152, recital 23; see also Directive 2001/29/EC, of the European Parliament and of the Council of 22 May 2001 on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society, 2001 O.J. (L 167) 10, recital 29 [hereinafter Information Society Directive].

160. See *L'Oréal*, 2011 E.C.R. I-6011, ¶¶ 136–43.

161. See *id.* ¶¶ 136, 141.

162. See *id.* ¶ 143.

163. *Id.* ¶¶ 141–42. The Enforcement Directive, *supra* note 150, art. 8, contains a provision specifically authorizing this possibility and the copyright decision of the Court of Justice in Case C-

Quite what this means in practice is not yet entirely clear. The case was sent back to Mr. Justice Arnold to work out how to craft the appropriate order. But the case stalled and then recently settled, so the U.K. court did not have an opportunity to devise precise measures for the *L'Oréal* parties in accordance with the Court of Justice's guidance.<sup>164</sup> Instead, the process in Europe has taken a turn toward private ordering and the MOU discussed in Part I.B. above (to which both eBay and L'Oréal are parties).<sup>165</sup>

Given the conceptual similarities between Article 11 and the *Störerhaftung* doctrine, German case law in particular might offer hints about additional contours. As with Article 11, the obligation imposed on a defendant under the *Störerhaftung* doctrine related to the prevention of *future* infringements.<sup>166</sup> But this was not unlimited. Although the defendant's obligations were not limited to "future identical offers made by the same person, [they extended only to] infringements that were *essentially of the same character*."<sup>167</sup> Otherwise, this might amount to a general obligation to monitor. Under the German doctrine, courts have discussed whether there exists a causal link between the defendant's acts (or omissions) and the infringement, and whether the defendant is able factually and legally to prevent or terminate the infringement.<sup>168</sup> Moreover, the intermediary was not obliged to act

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275/06, *Promusicae v. Telefonica*, 2008 E.C.R. I-271, suggested it would be permissible. *See also* Case C-461/10, *Bonnier Audio AB v. Perfect Commc'n Sweden AB*, 2012 E.C.R. I-00000, 2 C.M.L.R. 42 (2012) (order for information regarding subscriber to whom ISP gave IP address which was allegedly used to commit infringement); *Golden Eye v. Telefonica*, [2012] EWHC 723 (Ch) (Eng.) (order to similar effect). A recent reference from Germany asks the Court of Justice to consider how measures regarding provision of information should take into account privacy concerns—a point that had also been raised by the Court of Justice in *Scarlet*. *See* BGH Oct. 17, 2013, GRUR 1237, 2013 (Ger.) (*Davidoff Hot Water*) (German case referred to the EU Court of Justice where banking secrecy laws might be implicated by disclosure order); *see also infra* text accompanying notes 183–186 (discussing the Court of Justice's *Scarlet* opinion).

164. *See* William Horobin & Greg Bensinger, *L'Oréal, eBay Settle Dispute over Counterfeit Goods: French Company Was Dissatisfied with Internet Retailer's Response to Concerns*, WALL ST. J. ONLINE (Jan. 15, 2014, 3:18 PM), <http://online.wsj.com/news/articles/SB10001424052702304419104579322870801818590>. *But see infra* notes 203–205 and accompanying text (discussing Mr. Justice Arnold's later copyright ruling, where he relied on the Court of Justice's *L'Oréal* opinion in interpreting Article 8(3) of the Information Society Directive).

165. *See* Memorandum of Understanding, *supra* note 19, signature page.

166. *See* Kur, *supra* note 99, at 532–35 (discussing the relevant line of German cases).

167. *See id.* at 534; *see also* Leistner, *supra* note 122, at 79 ("Typically, the injunctions also require the interfeerer . . . to take reasonable measures, such as filtering, to prevent comparable infringements in the future. However, such preventive measures must not be unreasonably burdensome in the sense that the provider is required to take steps which would jeopardise its entire business model. Instead, only reasonable and technically possible measures in order to identify comparable infringements, *i.e.*, offers of the same trader or comparable counterfeit goods, should be imposed."). Kur does express a concern that the second *Rapidshare* judgment may move too far beyond this important limit and flirt with a violation of Article 15 of the E-Commerce Directive. *See* Kur, *supra* note 99, at 538 (citing the second *Rapidshare* judgment, BGH Aug. 15, 2013, GRUR 1030, 2013 (Ger.) (*File-Hosting-Dienst*)).

168. *See* Kur, *supra* note 99, at 532; *cf.* Dogan, *supra* note 3, at 516 n.85 ("Reasonableness, of course, does not require the intermediary to do the impossible, and many courts have made clear that contributory infringement defendants must have 'sufficient control over the infringing activity to merit liability.'" (citing *Gucci Am., Inc. v. Frontline Processing Corp.*, 721 F. Supp. 2d 228, 248 (S.D.N.Y. 2010)) (internal quotations omitted)).

with regard to “infringements whose character is doubtful or which cannot be detected by reasonable means.”<sup>169</sup> Applying these principles, courts have ordered the takedown of infringing listings by online auction sites and imposed obligations on intermediaries to engage in a measure of technological checking (such as filtering) to minimize future infringement.<sup>170</sup>

At some point, there is a risk that any measures—especially if pursued by numerous mark owners—could effectively amount to a general obligation on intermediaries to monitor the activity of their customers, violating the principles that are both enshrined in Article 15 of the E-Commerce Directive and behind the reluctance (in the United States and Europe) to create broad secondary liability.<sup>171</sup> German courts have been alert to this concern in applying the *Störerhaftung* doctrine, as was the Court of Justice in *L’Oréal*.<sup>172</sup> The *L’Oréal* court made clear that measures under Article 11 could not impose an obligation to actively monitor all of the “data of each of its customers in order to prevent any future infringement of intellectual property rights via that provider’s website.”<sup>173</sup> According to the court, this would not be fair and proportionate.<sup>174</sup> Indeed, the court also instructed national courts that measures could not create barriers to legitimate trade by effecting “a general and permanent prohibition on the selling, on that marketplace, of goods bearing those trademarks.”<sup>175</sup> (The district court in *Tiffany* suspected that the lawsuit was in part to stop the permissible resale of used goods.<sup>176</sup>)

169. See Kur, *supra* note 99, at 534, 536–37; see also Leistner, *supra* note 122, at 78–82; see, e.g., BGH Mar. 11, 2004, 158 BGHZ 236 (Ger.) (*Internet Auction I*), translated in 2005 EUR. TRADE MARK REP. 25, ¶ 41 (“In the event of an order on injunctive relief being issued, then the defendant would only be held liable for breaches if it committed a culpable act. . . . For trade mark infringements which cannot be recognized in the filtering procedure applied in advance (because, for example, a counterfeit Rolex watch is on offer at a price appropriate for an original, without reference to its counterfeit character), no fault would be attached.”).

170. See generally Leistner, *supra* note 122, at 79; see, e.g., BGH Mar. 11, 2004, 158 BGHZ 236 (*Internet Auction I*), translated in 2005 EUR. TRADE MARK REP. 25, ¶ 41 (“[E]very time that the defendant is notified of a clear breach of the law, it must not only block the concrete offer without delay . . . but also apply preventative measures to ensure as far as possible that no further trade mark infringements of this kind occur. In the case in dispute . . . a number of clearly recognisable trade mark infringements have occurred. The defendant must see these events as a reason to subject offers for Rolex watches to specific checking. . . . It may be possible for the defendant to make use of a software program in this connection to reveal the corresponding suspicious cases, with the relevant suspect points being perhaps the low price and also any reference to imitation.”).

171. The E-Commerce Directive recognizes that preventing recurring infringement may require some specific monitoring, and that if properly tailored this will not violate Article 15. See E-Commerce Directive, *supra* note 73, recital 48.

172. Kur, *supra* note 99, at 536–37; Leistner, *supra* note 122, at 79; see BGH Mar. 11, 2004, 158 BGHZ 236 (*Internet Auction I*), translated in 2005 EUR. TRADE MARK REP. 25, ¶ 40 (“A company which . . . operates a platform for third-party auctions on the internet cannot reasonably be expected to investigate every offer prior to publication on the internet to identify any possible breach of the law. Any such obligation would place in question the entire business model . . .”).

173. Case C-324/09, *L’Oréal SA v. eBay Int’l AG*, 2011 E.C.R. I-6011, ¶ 139.

174. *Id.*

175. *Id.* ¶ 140.

176. *Tiffany (NJ) Inc. v. eBay Inc.*, 576 F. Supp. 2d 463, 510 n.36 (S.D.N.Y. 2008) (“[T]here is at least some basis in the record for eBay’s assertion that one of Tiffany’s goals in pursuing this litigation is to shut down the legitimate secondary market in authentic Tiffany goods.”).

The operative principles found in German law, which are consistent with the Court of Justice's *L'Oréal* ruling, are similar to those considerations that might inform a lowest cost avoider or reasonableness analysis under U.S. tort law.<sup>177</sup> Indeed, the mechanism introduced by the Enforcement Directive is clearly motivated by that kind of normative principle.<sup>178</sup> As noted in Part II.A. above, similar considerations may be silently informing the application by U.S. courts of the doctrinally narrow *Inwood/Tiffany* standard. But to the extent that there are parallels in substance, two important distinctions must be kept in mind. First, the principles developed in Europe under Article 11 will be generated by courts transparently in a range of factual settings (although the precise transparency of measures taken under the MOU remains a matter of debate).<sup>179</sup> And, second, Article 11 will not—unlike secondary liability under implicit evolving U.S. doctrine—expose intermediaries to damages liability. This is not insignificant; as noted above, awards in excess of \$10 million have been made against online intermediaries found contributorily liable.<sup>180</sup>

*b. Article 8(3) of the Information Society Directive*

The Court of Justice has not had an opportunity to comment further on the application of Article 11 in the trademark context. And this might raise one further concern about the potential costs of this mechanism (especially if development of appropriate measures going forward occurs under the rubric of the MOU): legitimate and innovative business models might be chilled as much by the uncertainty of legal standards as by risk of monetary liability.<sup>181</sup> The experience of the German courts applying its *Störerhaftung* doctrine in trademark cases may provide only limited comfort.

However, Article 11 extended to all intellectual property the mechanism previously introduced into copyright law by Article 8(3) of the Information Society Directive.<sup>182</sup> The developing jurisprudence under that parallel provision should

177. See Leistner, *supra* note 122, at 88 (identifying as considerations relevant to the imposition of relief, based upon an analysis of European law: “[T]he degree of (objective) risk caused by the secondary infringer as well as the degree of control the secondary infringer has in relation to the acts of direct infringement . . . . Moreover, the (objective) design of a business model of an intermediary might establish tortious liability where the business model is specifically designed to profit from direct acts of infringement . . . .”); cf. *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 939 (2005) (relevance of design); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984) (extent of non-infringing use); Dogan, *supra* note 3, at 510 (discussing control).

178. See Information Society Directive, *supra* note 159, recital 59 (“In many cases, intermediaries are best placed to bring . . . infringing activities [of third parties using their services] to an end.”).

179. See *supra* note 45.

180. See *supra* note 96 and accompanying text.

181. This is not to say that the extent of possible monetary liability might not also be relevant to chilling effects. See, e.g., Michael Carrier, *No Statutory Damages for Secondary Liability*, DISRUPTIVE COMPETITION PROJECT (Jan. 30, 2014), <http://www.project-disco.org/intellectual-property/013014-no-statutory-damages-for-secondary-liability>. The EU model to some extent reflects this concern even more deeply by denying *any* monetary relief under the E-Commerce Directive and funneling all relief through Article 11 of the Enforcement Directive.

182. Information Society Directive, *supra* note 159.

perhaps give some further reassurance to those concerned that the mechanism is simply a back-door way of placing the burden of policing on intermediaries.

In that context, the Court of Justice has decided two cases brought by a Belgian collecting society (SABAM) seeking an order for an Internet service provider (Scarlet) and a social media network (Netlog) to install a filter system to help prevent future copyright infringement facilitated by their respective services.<sup>183</sup> In both cases, the court found that the immunities of the E-Commerce Directive were applicable to prevent full liability. And in both cases, the court found that Article 8(3) of the Information Society Directive was potentially applicable. But in both cases, the court found that the imposition of the filtering obligation that had been sought was not justified.

The court concluded that the question of the appropriate relief had to be considered in light of other European instruments, as well as general principles of European Union law and fundamental rights enshrined in the Charter of Fundamental Rights of the European Union. In particular, the court also looked to: (1) the E-Commerce Directive, which in Article 15 prohibits a general obligation on Internet service providers actively to monitor; (2) the general principle of EU law that any relief be proportionate and (3) the fundamental right to have “freedom to conduct a business” as guaranteed by Article 16 of the Charter.<sup>184</sup> The court found that the requested obligation to filter all data from all customers for any future infringement of intellectual property for an unlimited time violated each of these principles.<sup>185</sup>

183. Case C-360/10, *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v. Netlog NV*, 2012 E.C.R. I-00000, 2 C.M.L.R. 18 (2012); Case C-70/10, *Scarlet Extended SA v. Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM)*, 2011 E.C.R. I-11959.

184. Similar considerations have informed German law applying the *Störerhaftung* doctrine. See Kur, *supra* note 99, at 527.

185. The Court of Justice may have been more solicitous of the fundamental rights of the Internet service provider than was the European Court of Human Rights in its first case addressing the liability of ISPs, handed down in October 2013. See *Delfi v. Estonia*, App. No. 64569/09, Eur. Ct. H.R. (2013), available at [http://hudoc.echr.coe.int/sites/fra/pages/search.aspx?i=001-126635#{"itemid":\["001-126635"\]}](http://hudoc.echr.coe.int/sites/fra/pages/search.aspx?i=001-126635#{). In that case, the Court of Human Rights held that it was not necessarily incompatible with the free expression guarantee of Article 10 of the European Convention on Human Rights for an Estonian news portal to be held monetarily liable as a result of anonymous (allegedly defamatory) comments posted on its Web site by users in response to a news story on the site. Indeed, the *failure* to contemplate such liability might implicate the rights of the defamed party under Article 8 of the Convention. See *id.* ¶ 91. The Court of Human Rights did not, however, need to have regard to the prohibition against general monitoring found in secondary EU law, and it likewise did not have to weigh in the balance the freedom to conduct business under Article 16 of the Charter of Fundamental Rights. Thus, although the Convention on Human Rights has been more clearly incorporated into EU law post-Lisbon Treaty, see Treaty on European Union, art. 6(3), 2010 O.J. (C 83-13) (“Fundamental rights, as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms and as they result from the constitutional traditions common to the Member States, shall constitute general principles of the Union’s law.”), the variety of norms at play in a case before the Court of Justice suggests that a different outcome might ensue under EU law. See *id.* art. 6(1) (“The Union recognises the rights, freedoms and principles set out in the Charter of Fundamental Rights of the European Union . . . which shall have the same legal value as the Treaties.”). This implicates the difficult relationship between the European Court of Human Rights and the Court of Justice of the European Union, which is beyond the scope of this Article. See generally Sionaidh Douglas-Scott, *The European Union and Human Rights After the Treaty of Lisbon*, 11 HUMAN RIGHTS L. REV. 645 (2011).

The SABAM cases thus establish an extremely balanced framework for courts thinking through the competing values at stake in these types of cases.<sup>186</sup> The court's most recent copyright case under Article 8(3), *UPC Telekabel Wien GmbH v. Constantin Film Verleih GmbH*, likewise exemplifies this nuance and balance.<sup>187</sup> There, owners of the copyright in cinematographic works applied to the Austrian courts for an order requiring an Austrian Internet service provider (ISP) to block the access of its customers to Web sites on which allegedly infringing copies of the plaintiff's works were available. The ISP against whom the orders were sought did not host the Web sites where the alleged infringements were available. Rather, the ISP provided Internet access to its customers, who were thus able to access the Web site where the infringements were occurring.<sup>188</sup> The order was sought pursuant to an Austrian procedure implementing Article 8(3) of the Information Society Directive. The Court of Justice was required to consider whether the order was of the type that member states were required by Article 8(3) to make available to copyright owners and whether the particular Austrian procedure—which resulted in a general order to the ISP to achieve a particular outcome without detailing specific measures by which to do so—was compatible with the fundamental rights of the ISP and its customers.<sup>189</sup>

The Court of Justice concluded that the particular Austrian procedure could, under certain conditions, fulfill Austria's obligations under Article 8(3) and be compatible with fundamental rights as enshrined in the Charter of Fundamental Rights of the European Union.<sup>190</sup> The court deduced these conditions from a

186. Cf. Kur, *supra* note 99, at 532–35 (discussing the German approach, which is commendable for its efforts to find a middle solution that strikes a fair balance between the interests involved; but, on the other hand, it burdens ISPs not only with specific monitoring duties but with insecurity about what precisely is required of them); Leistner, *supra* note 122, at 79 (suggesting that the solution found by the German courts “strikes a fair balance between IPRs and the interest of genuinely ‘neutral’ host providers”).

187. See Case C-314/12, *UPC Telekabel Wien GmbH v. Constantin Film Verleih GmbH*, 2014 E.C.R. I-00000.

188. Recently, some trademark owners have also chosen ISPs as intermediary defendants. See, e.g., Juliette Garside, *Cartier and Montblanc Owner in Court Action to Stop Online Sale of Counterfeits*, *GUARDIAN*, May 29, 2014, <http://www.theguardian.com/business/2014/may/29/cartier-montblanc-owner-court-stop-sale-counterfeits-online> (reporting on action brought by trademark owner against broadband providers). Article 8(3) did not require a specific relationship between the alleged infringer and the intermediary against whom an injunction was sought. See *Telekabel*, 2014 E.C.R. I-00000, ¶¶ 35, 38. The Court did not address the suggestion by the Advocate-General that the principle of proportionality might, however, warrant the infringers or the host ISP being pursued first. See *Telekabel*, 2014 E.C.R. I-00000, ¶ AG 107 (“[I]t should be noted that the ISP is not in a contractual relationship with the operator of the copyright-infringing website. As a consequence . . . a claim against the ISP is, admittedly, not completely out of the question, but the originator must, as a matter of priority, so far as is possible, claim directly against the operators of the illegal website or their ISP.”).

189. The modalities of injunction practice under Article 8(3)—like Article 11 of the Enforcement Directive—are a matter of national law. So variation among member states is allowed subject to the constraints of EU law. See *Telekabel*, 2014 E.C.R. I-00000, ¶¶ 43–44. That is to say, the Court of Justice was considering whether the Austrian approach was permissible, and not whether that procedure was required in all member states. See *infra* note 195 (comparing the nature of blocking orders in the United Kingdom).

190. See *Telekabel*, 2014 E.C.R. I-00000, ¶ 64.

balancing of the three fundamental Charter interests implicated by this type of order, none of which were absolute: the interests of the intellectual property owner under Article 17; the freedom of the ISP to conduct business under Article 16 and the freedom of expression of Internet users under Article 11.<sup>191</sup> In the course of its judgment, the court fleshed out the content of the three Charter rights at issue in ways that suggest continuing sensitivity to the competing concerns expressed in the *SABAM* cases and earlier in this article.<sup>192</sup> And these considerations are surely transferable both to remedial mechanisms employed in other member states and with respect to orders involving other intellectual property rights under Article 11 of the Enforcement Directive.<sup>193</sup>

In short, the Court of Justice required that procedural protections be in place for ISP and user interests. The ISP's freedom to conduct business under Article 16 was not absolute, but it is obviously affected by the type of order at issue in the case.<sup>194</sup> And this may be exacerbated by the lack of specific measures in the outcome-based order imposed by the Austrian court, which may impose high uncertainty costs on the ISP.<sup>195</sup> However, the Court of Justice found the outcome-based order acceptable because, by leaving to the ISP the power to determine the measures to be taken to achieve the result desired, the ISP could "choose to put in place measures which are best adapted to the resources and abilities available to him and which are compatible with the other obligations and challenges which he will encounter in the exercise of his activity."<sup>196</sup> This reasoning, no doubt informed by the principle of proportionality—which overlays all enforcement questions under EU law—implicitly expresses some support for the sentiment that the measures appropriately imposed on one intermediary might differ from those to be implemented by another of quite different size and sophistication.<sup>197</sup> The proportionality of the Austrian procedure was also supported by the fact that it allowed the ISP to show that it had "taken all reasonable measures," ensuring that it would not be "required to make unbearable sacrifices,"<sup>198</sup> which would *have*

191. *See id.* ¶ 47.

192. *See supra* Part I.

193. Because different member states might implement their obligations under Article 8(3) or Article 11 in different ways, *see supra* note 189, the *precise* conditions that the court imposed on the Austrian courts might not apply to orders of a slightly different nature issued by other courts. For example, some of the detailed procedural protections identified in *Telekabel* flow from the outcome-based order issued by the Austrian court, and may not apply to orders detailing specific measures that have to be implemented. *See* Martin Husovec, *CJEU Allowed Website-Blocking Injunctions with Some Reservations*, 9 J. INTELL. PROP. L. & PRAC. 631, 633 (2014) (commenting upon applicability of *Telekabel* to orders that have been issued by the U.K. courts). But the broad principles announced by the Court of Justice will apply to slightly different orders issued by non-Austrian courts.

194. *See Telekabel*, 2014 E.C.R. I-00000, ¶¶ 50–51.

195. In other countries (such as the United Kingdom) orders issued under the relevant provisions have been far more specific, and have been framed in terms of the measures to be implemented rather than the general outcome to be achieved. *See infra* note 203 (listing U.K. cases). In those countries, mechanisms devised by the court to deal with the principle of legal certainty will be less crucial to ensuring compliance with the fundamental rights of the ISP.

196. *See Telekabel*, 2014 E.C.R. I-00000, ¶ 52.

197. *See supra* text accompanying notes 8–9.

198. *See Telekabel*, 2014 E.C.R. I-00000, ¶ 53.

interfered with the essence of its Article 16 right to conduct business. Moreover, lest uncertainty serve to disrupt this balance, the court emphasized that it had to be possible for the ISP “to maintain before the court, once the implementing measures which he has taken are known and before any decision imposing a penalty on him is adopted, that the measures taken were indeed those which could be expected of him in order to prevent the proscribed result.”<sup>199</sup>

Perhaps more intriguingly, the court gave substantial weight to the free expression interests of Internet users (the customers of the ISP).<sup>200</sup> Indeed, it required the *ISP* to take account of those interests when it chooses the measures to be adopted in order to comply with the injunction, requiring that such measures be “strictly targeted, in the sense that they must serve to bring an end to a third party’s infringement of copyright or of a related right but without thereby affecting internet users who are using the provider’s services in order to lawfully access information.”<sup>201</sup> Moreover, it insisted that national courts must be able to check on compliance with that obligation, requiring “national procedural rules [that make it possible] for internet users to assert their rights before the court once the [ISP’s measures] are known.”<sup>202</sup>

*Telekabel* thus suggests that the Court of Justice will give a reading to Article 11 of the Enforcement Directive that is properly attentive to the range of interests involved in cases alleging (what some would call) secondary liability for trademark infringement. And developments in the U.K. courts applying Article 8(3) are largely consistent with this prediction. Although Mr. Justice Arnold was not required to hand down any opinion in *L’Oréal* on remand because the case settled, he has tackled the question in the copyright context, first in *Twentieth Century Fox Film Corp. v. British Telecommunications PLC (Newzbin II)*.<sup>203</sup> As *Newzbin II* was

199. *Id.* ¶ 54.

200. Typically, in copyright cases involving the direct interpretation of copyright legislation, the Court of Justice views copyright as a “right” of authors and treats limitations thereon designed to further user freedoms as interests or exceptions. This is a debate about the juridical character of user interests that can be seen worldwide. But when filtered through the balancing mechanisms of a fundamental rights analysis, the user interests are put on a par with those of intellectual property owners, and with those of intermediaries. The effects of injecting fundamental rights discourse into intellectual property adjudication on a routine basis remain to be seen. But one possible effect might be the readjustment of the conceptual relationship between author and user interests.

201. *See Telekabel*, ¶¶ 55–56. This requirement appears to suggest that measures resulting in over-enforcement may be problematic, although it is not clear how much over-enforcement would violate fundamental user rights. The Court of Justice seemed less concerned with under-enforcement, a consideration that has prompted some national courts to deny relief on the basis that futile measures are not proportionate. The court’s conclusion is to some extent the result of recognizing that intellectual property rights are themselves not absolute. *See id.* ¶ 58–60. According to the court, effective protection of the Article 17(2) right requires that measures “must have the effect of preventing unauthorised access . . . or, at least, of making it difficult to achieve and seriously discouraging internet users who are using the services [from accessing the infringing work made available in violation of Art 17(2)], thus largely rejecting the futility argument.” *Id.* ¶ 63.

202. *Id.* ¶ 57; *cf.* 17 U.S.C. § 512(g) (West 2014) (counter notice possibility for those on whom DMCA takedown notices are served).

203. *Twentieth Century Fox Film Corp. v. British Telecommc’ns PLC (Newzbin II)*, [2011] EWHC 1981 (Ch) (Eng.); *see also* *Dramatico Entm’t Ltd. v. British Sky Broad. Ltd.*, [2012] EWHC 1152 (Ch) (Eng.); *Golden Eye v. Telefonica*, [2012] EWHC 723 (Ch) (Eng.); *Twentieth Century Fox v.*

decided just a few weeks after *L'Oréal* was handed down by the Court of Justice, Mr. Justice Arnold was able to rely on *L'Oréal* in interpreting Article 8(3).<sup>204</sup> In *Newzbin II*, he held that an order to an ISP to block access to pirate Internet sites was permissible, provided that the order was clear and targeted—that is to say, proportionate.<sup>205</sup> It was extremely important to him that the cost of implementation to the ISP would be modest and proportionate.<sup>206</sup>

This case law has developed most substantially in the context of copyright law.<sup>207</sup> However, as Mr. Justice Arnold indicated in *Newzbin II*, the principles applicable to determine appropriate measures under Article 11/Article 8(3) (and whether such measures comply with European law) transcend intellectual property law. As noted above, U.S. courts have resisted the temptation to assimilate the standards for secondary liability under copyright and trademark law.<sup>208</sup> And some European scholars have questioned whether European trademark law should so readily adopt a system of notice and takedown that mimics that found in copyright law.<sup>209</sup> But to the extent that secondary liability trademark claims raise similar concerns about chilling technological development and about the dangers of over-enforcement of rights where technologies are used for both infringing and non-infringing purposes, a horizontal approach does not seem wholly inappropriate.

The fact that the mechanism (or the general normative goal) is the same in copyright and trademark cases does not mean that Article 11 and Article 8(3) will be applied in exactly the same fashion in both types of disputes.<sup>210</sup> There are

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Newzbin Ltd. (*Newzbin I*), [2010] EWHC 608 (Ch) (Eng.).

204. “Section 97A [which implements Article 8(3)] must be interpreted and applied consistently with the Court of Justice’s guidance in *L’Oréal v eBay*. In my judgment the court’s reasoning demonstrates that the jurisdiction is not confined to the prevention of the continuation, or even repetition, of infringements of which the service provider has actual knowledge. On the contrary, an injunction may be granted requiring the service provider ‘to take measures which contribute to . . . preventing further infringements of that kind.’ Although such measures may consist of an order suspending the subscriber’s account or an order for disclosure of the subscriber’s identity, the Court of Justice makes it clear that these examples are not exhaustive, and that other kinds of measures may also be ordered.” *Newzbin II*, [2011] EWHC 1981, [156].

205. *See id.* at [177].

206. *Id.* at [200] (“The order is a narrow and targeted one, and it contains safeguards in the event of any change of circumstances. The cost of implementation to BT would be modest and proportionate.”). In some other EU member states, courts have arguably taken a more skeptical view of efforts to require blocking orders. *See, e.g.,* Gerechtshof [Hof] [court of appeals] The Hague, Jan. 28, 2014, No. 200.105.418-01, (*Ziggo/Brein*) (Neth.), available at <http://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:GHDHA:2014:88> (describing blocks as both “ineffectual” and—perhaps inconsistently—“an infringement of people’s freedom to act in their discretion”).

207. Indeed, it has developed sufficiently far under Section 97A of the U.K. Copyright, Design and Patents Act 1988, that the Deregulation Bill 2014–15 would repeal Sections 17 and 18 of the Digital Economy Act 2010, which had allowed for the adoption of regulations requiring ISPs to disconnect certain customers using their accounts to infringe. *See* Deregulation Bill 2014–15, H.L. Bill 33 cl. 41 (U.K.) (second reading H.L. July 3, 2014).

208. *See supra* note 4.

209. *See* Martin R.F. Senftleben, *An Uneasy Case for Notice and Takedown: Context Specific Trademark Rights* (Mar. 16, 2012), available at [www.ssrn.com/abstract=2025075](http://www.ssrn.com/abstract=2025075).

210. Nor does it mean that measures appropriate outside the context of intellectual property should, for mere reasons of practical convenience and minimal cost, apply to copyright cases under Article 8(3) of the Information Society Directive or trademark cases under Article 11 of the

important differences in both the factual and legal contexts in which the applicable provision would be invoked in the two different regimes.<sup>211</sup> For example, as a factual matter, file-matching technology is more likely to be able to accurately identify copyright-infringing files, and thus can be implemented at lower cost than the human-intensive assessments that might be required in the case of trademark claims. It may be that the costs of identifying infringements should fall more heavily on mark owners than on copyright owners in weighing the variables relevant to a reasonable compromise of duties.<sup>212</sup> Article 11 is based on the normative principle of lowest-cost-avoider, which—in its full force—has been rejected by the U.S. courts.<sup>213</sup> That principle surely allows for such context-specific assessment. As a legal matter, the range of permissible uses may vary between copyright and trademark, altering the calculus of effect on the conduct of legitimate business.<sup>214</sup>

### III. CONCLUSION

Secondary liability of online intermediaries for trademark infringement revolves around different doctrinal devices internationally. But both commercial practice and legal doctrine are coalescing around approaches built upon the mechanism of notice and takedown. This is occurring through common law development of the secondary infringement standard in the United States, which effectively is constructing a safe space for intermediaries. In Europe, it is occurring through the interaction of a directive designed to ensure effective enforcement and a directive explicitly designed to create room for innovative online actors (which, by negative implication, defines the scope of potential trademark liability).

Even if this is the entire sum of current law, there are genuine questions to be

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Enforcement Directive. Thus, in reaching the conclusion that some of the orders issued against intermediaries under Section 97A of the Copyright, Designs and Patents Act 1988 were appropriate, Mr. Justice Arnold appears to have been influenced by the fact that the ISPs in question already maintained a list of sites blocked in order to prohibit access to child pornography, and that it would be minimally burdensome to add to that list sites hosting copyright infringements. *Newzbin II*, [2011] EWHC 1981. As a pragmatic matter, this seems thoroughly sensible. Viewed through the prism of weighing conflicting normative values, as occurs in the context of fundamental rights, it is not so obvious that the weight attaching to the social interest implicated in restricting access to child pornography is the same as that to be afforded to the protection of copyright.

211. There may also be differences between the types of measures appropriate in counterfeiting cases and those appropriate in cases of trademark infringement, again because the factual and legal context may be different, as evident perhaps from the decision of the drafters of the MOU to focus on counterfeiting. *See supra* text accompanying note 31.

212. The factual context may also vary over time. Thus, while most trademark cases will now involve some form of payment processing and shipment of a physical article, it is not clear how 3D printing might alter online practices with respect to counterfeit goods. *See Kur, supra* note 99, at 528–29.

213. *See supra* notes 63–65, for a discussion of the district court's and Second Circuit's rejection of the lowest cost avoider analysis in *Tiffany*.

214. *See* Senftleben, *supra* note 209, at 2 (focusing on the more limited nature of trademark rights). In fact the relationship between the strength of copyright and trademark rights may be less linear than Professor Senftleben suggests. But the basic point that the systems are different is well-taken.

asked regarding whether the United States should put this notice and takedown system on a statutory footing, as it did with Section 512 of the Copyright Act after initial judicial creation.<sup>215</sup> In the United States, the relationship between the tests for secondary infringement of copyright and trademark has been the subject of skeptical comment by both courts and scholars. In *Sony*, the U.S. Supreme Court rejected assimilating secondary liability in copyright and trademark law.<sup>216</sup> But in Europe, many of the relevant principles, as well as the basic structure of analysis, are applied more horizontally to both copyright and trademark claims, which properly reflects the different concerns at play in secondary liability cases. And some scholars have presciently noted that common principles seem to inform U.S. copyright and trademark law.<sup>217</sup> It should not be beyond the courts to recognize the different nature (factual and legal) of trademark claims in applying these principles to questions relevant to both secondary liability and appropriate injunctive relief.

Extending Section 512 of the Copyright Act to trademarks might jeopardize judicial ability to adapt if stated in immense detail,<sup>218</sup> but it would enhance certainty about what counts as notice.<sup>219</sup> And it might allow the incorporation of mechanisms, such as counter-notification, which would address to some extent the possible chilling effect of over-enforcement that notice and takedown might create. If no action is taken, we can expect commercial practices, rather than treaties such as ACTA, to occupy the space.

More fundamentally, it is not apparent that the state of current U.S. doctrine—as opposed to what might really be going on behind the formal doctrine—is sufficiently flexible to accommodate the range of concerns that one finds in secondary infringement cases. Business models driven by technological innovation are not always definitively good or evil; they occupy a spectrum. Likewise, not every online intermediary has the resources or sophistication of eBay or Google. It might behoove the United States also to consider supplementing notice and takedown with the type of measure now found in Article 11 of the Enforcement

215. There may be hidden dangers for rights owners seeking to commandeer the Section 512 regime in the fight against trademark infringement absent legislative reform. See *CrossFit, Inc. v. Alvies*, No. 13-3771 SC, 2014 WL 251760 (N.D. Cal. Jan. 22, 2014) (invoking Section 512 to remedy trademark claims may give rise to liability under Section 512(f)).

216. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984)

217. See Dogan, *supra* note 3, at 503, 505.

218. Indeed, some might argue that further legislative delineation of the notice and takedown regime would be useful in Europe too, where the E-Commerce Directive is stated at a greater level of generality. As Annette Kur has observed, “[T]he German Federal Supreme Court has given certain guidelines as to when a notification is to be considered as serious and plausible enough to give rise to removal and prevention claims, but those guidelines inevitably remain fairly vague and general.” Kur, *supra* note 99, at 534; see also BGH Aug. 17, 2011, 191 BGHZ 19, (Ger.) (*Perfume Stick*), translated in 44 INT’L REV. INTELL. PROP. & COMPETITION L. 123, 128, ¶ 28 (2013) (“This requires that the notice be worded so concretely as to allow the addressee of the notice to detect the violation easily—meaning without a thorough legal or factual examination. The amount of effort to be expected of an operator of an internet trading platform in performing any such examination depends upon the circumstances of the individual case, especially upon the gravity of the reported infringements on the one hand and the operator’s opportunities to learn of them on the other hand.”).

219. Cf. Mostert & Schwimmer, *supra* note 6, at 265 (noting that at present intermediaries would be advised to respond even to notices that were “written in crayon”).

Directive.

The European model may be complex, but in resisting a binary approach, it allows courts to develop a spectrum of relief dynamically as technological and social change occurs. Observing the ways that EU courts use these Article 11 powers in the coming years will help U.S. legislators assess whether such powers can be used in an effective and balanced way that is not so uncertain that it creates undue transaction costs.

Of course, U.S. courts could develop in this direction simply by being true to their own statements and looking back to the common law of torts for inspiration, as the Supreme Court did in *Grokster*. As Mark McKenna has suggested, the claim being advanced by Tiffany was essentially one of negligence, for which it would not be unknown in tort law to consider the complexities of the lowest cost avoider analysis.<sup>220</sup> Such an analysis could over time generate a sense of conduct applicable to a different range of differently situated defendants. This does seem to be the impulse that underlies some of the analysis in *Tiffany*—and later cases too, perhaps—and it may not be a bad thing for the doctrine to match reality.<sup>221</sup> This might still allow eBay to prevail in cases such as *Tiffany*, but less diligent and less reasonable defendants may fare less well.

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220. See McKenna, *supra* note 60.

221. The “willful blindness” caveat in *Tiffany* may reach the same result, but it seems to do so far less transparently. See Dogan, *supra* note 3, at 518 (“[W]illful blindness, paired with the ‘reasonable response’ analysis in *1-800 Contacts*, suggest that even those with only generalized knowledge of infringement have a duty to act responsibly in conducting their business. The contributory infringement standard in *Inwood*—complemented by a robust doctrine of willful blindness—thus offers a balanced and normatively grounded approach to intermediary liability online.”). And it does so under the threat of substantial monetary liability.