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Liability for Trademark Infringement for Internet Service Providers

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ABSTRACT

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Katja Weckström*

At the wake of the millennium and the rise of the internet, legislative action was taken to shelter internet service providers (ISPs) from various forms of legal action. In the turmoil of chartering new and unregulated territory, such a safe harbor was deemed necessary to protect up-starting businesses. Today, these internet actors e.g. Google, Amazon and eBay have grown strong and powerful. Thus, intellectual property holders have started to challenge this privilege in court. Increasingly, owners of famous marks seek liability and damages for direct and indirect trademark infringement in courts around the globe. I focus on liability for ISPs, when a third party sells counterfeit merchandise on the service provider’s site.

Courts have reacted differently. Three theoretical approaches have emerged. One, e.g. some courts in France, imposes full liability for willful trademark infringement, if the sale of counterfeit goods is shown. Another, e.g. the German Federal Supreme Court, approaches the question as one of interference with property rights. If ISPs knowingly allow continued sale of counterfeit merchandise they can be found liable for damages. Yet another, e.g. in the United States, approaches the question from the perspective of what the ISP can reasonably be required to do in order to prevent the sale of counterfeit goods on their site.

This article compares the approaches above and considers what possible other considerations are relevant in determining ISP liability. It argues that trademark law today, is ill-equipped to handle questions of secondary liability or contributory infringement and concludes that the safe harbor for ISPs, as tailored in the European E-Commerce Directive, should be given a broad reading and the prohibition against imposing a general duty to monitor or actively seek facts in Article 15 remain absolute until the defects are remedied. In response to trademark owners’ legitimate concerns, it further argues that trademark owners should pool their resources, akin to that of Copyright Collective Societies, and form an agency, which, by cooperating with –instead of forcing – ISPs, could more efficiently and legitimately weed out infringing uses on the internet.
1 INTRODUCTION

At the wake of the internet two things were apparent; 1) borderless, wireless and classless communication challenges traditional societal and legislative structures and 2) the positive benefits of the internet also benefit criminal actors and organized crime, and disproportionally so, when legislation lags behind.¹ It is commonly known that organized

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¹ LL.M, LL.M in Int’l and Comp. Law, University Lecturer and LL.D. Candidate at the Faculty of Law at the University of Turku, Finland. The author would like to thank the participants of the Second Conference on Innovation and Communications Law on 13-14.8.2009 at the University of Louisville law School, Ky, U.S.A; the Seminar on Intellectual Property and Global Justice on 18-19.8.2009 at the University of
crime uses both technological high-jacking of personal computers as well as internet service providers to further their own goals. Internet service providers may serve as mere [technological] conduits of data, and nonetheless, allow illegal activity. Internet service providers may also serve as hosts of illegal material or allow illegal transactions on their sites.

Illegitimate trade, in which trademarks are exploited are commonly referred to as *trademark piracy* and *trademark counterfeiting*. The World Intellectual Property Organization, WIPO, defines trademark piracy as “the registration or use of a generally well-known foreign trademark that is not registered in the country or is invalid as a result of non-use”.2 For the sake of comparison, copyright piracy is “the unauthorized copying of copyright materials for commercial purposes and the unauthorized commercial dealing in copied materials”.3 Copyright, which is based on the exclusive right of authorization, is thus completely high-jacked. Trademark piracy, similarly, targets the trademark itself and high-jacks its value to sell the pirate’s own products. Article 6 bis of the Paris Convention offers a remedy for holders of globally well-known marks that are victims of trademark piracy and allows them to prevent registration and use of identical or similar marks for identical or similar products, although the mark has not been used or registered in the country in question.4

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4 Paris Convention on the Protection of Industrial Property of March 20, 1883, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967, and as amended on September 28, 1979. See also Kelbrick, Roshana, *The Term Well-Known in South African Trade-mark Legislation: Some Comparative Interpretations*, XXXVIII CILSA 2005 p. 435-452, at 436. Trademark piracy should not be confused with the extended protection granted to owners of famous marks against...
Counterfeiting, on the other hand, can be defined as “the unlawful forgery, copying, or imitation of an item, or the unauthorized possession of such an item, with the intent to deceive or defraud by claiming or passing the item as genuine.” While trademark counterfeiting often includes copying of the trademark itself, its primary object of copying is the product that is sold under that brand. An element of deceit is present in that the object of the counterfeiter is to tap into the market of the brand and to some extent pass off the fakes as the real merchandise. Unlike traditional trademark infringement and trademark dilution that are sanctioned by civil remedies, trademark counterfeiting and piracy are universally criminally sanctioned. For the purposes of the discussion in this article reference to illegitimate trade refers solely to instances of trademark counterfeiting.

Illegal trade such as child pornography, where both the buying, selling, soliciting or trading in material depicting child pornography is illegal, is relatively easy to deal with in legislative terms, although enforcement in practice remains difficult. Infringement of intellectual property rights presents a more difficult legal conundrum, since the sale of counterfeit goods is criminalized, while buying sometimes and in some forms is not. Furthermore, when we approach the question from the perspective of trademark law, the object of protection is not the good itself, but the label it is sold under. This is also true in cases of trademark counterfeiting, since trademark law does not protect the good itself. Therefore, legitimate trade under the same trademark is technically speaking identical to trademark dilution or tarnishment. While the former applies to trademarks that are not used in the territory in question, the latter requires registration or use in the country in which protection is sought.

6 WIPO Handbook at 2.496.
illegitimate trade, i.e. it stems from protection of a typed word-mark. Although modern trademark law recognizes several types of marks, in the context of the internet, our focus is directed at word marks and the scope of exclusivity.

In the world of 1s and 0s, concepts such as trademark use, nominative use, confusing similarity and even willful trademark infringement have a whole new meaning – that is, in practice they mean nothing at all or at least not what the concepts do in the real market. While somewhat useful in distinguishing other than protected uses from real market commerce, these artificial constructs become increasingly burdensome in the virtual context, at least, when attempting to force new uses into set molds. Thus, we run the risk of addressing the issue of third party liability, squarely as a question of direct infringement without considering the secondary nature of the tort. In a time, when the text of a directive from the year 2000 is outdated, efforts still seem focused on defining in technological detail what constitutes and what does not constitute infringement. At the same time, we know that organized crime adapts faster than restrictive measures are imposed. Still, questions of liability are decided in this framework using definitional bridges such as ‘actual knowledge’ and technical capacity.

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9 Efforts have been made to categorize uses on the internet according to these theoretical concepts. When applied to the acts of intermediaries, courts on both sides of the Atlantic, however, seem unwilling to adopt these concepts into trademark law. Tiffany v. eBay, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit at 102-103 and 113. Joined cases C-236/08 to 238/08, Google France SARL, Google Inc. v. Louis Vuitton Malletiere SA (C-236/08), Viaticum SA, Lucetiel SARL (C-237/08) and Centre national de recherché en relations humaines (CNRRH) SARL (C-238/08), March 23, 2010 (Grand Chamber).

10 On the difference between real market uses of trademarks and uses on the internet see Stacey L. Dogan & Mark Lemley, Grounding Trademark Law Through Trademark Use, 92 Iowa L. Rev. 1669 (2007) at 1672. The EUCJ and some American courts show their unease with the concepts of nominative or trademark use by simply refusing to adopt these doctrines. However, lacking better alternatives trademark practitioners and academics routinely refer to these constructs as tools in delimiting trademark law, as evidenced for example by the questions presented to the EUCJ for a preliminary ruling. At present, there is a sizable gap between trademark law on the books and trademark law in practice, and the two seem to be speaking different languages. If the law as set forth by the EUCJ is not understandable to national judges, since it refuses to adopt or reject concepts, how are they to interpret EU trademark law, balance competing interests and decide cases brought before them? See Annette Kur, Fundamental Concerns in the Harmonization of (European) Trademark Law 151-176 in Graeme Dinwoodie & Mark Janis Trademark Law and Theory, 2008 at 155.


12 See infra Chapter 4 and the Google Adwords –case at 3.1.2.
The most recent example of the tendency to address the issue on unsustainable grounds, is a preliminary draft for a pluri-lateral treaty: the Anti-Counterfeiting Trade Agreement (ACTA)\textsuperscript{13}, which in effect suggests that the legislative safe harbor in place in most national or in the case of the EU, regional laws in the world, should be fixed and restricted, and thus that the activities of internet service providers, would be opened to scrutiny under the respective intellectual property laws in place.\textsuperscript{14} The intellectual property laws however, tend not to distinguish between direct and indirect infringers, nor cap the use of a multitude of available remedies.\textsuperscript{15}

Another recent attempt at navigating this unmapped legal landscape was made by the European Union Court of Justice (EUCJ), as well as Advocate General \textit{Poiareas-Maduro} in three joined cases concerning Google’s Adwords-service and keyword advertising in general.\textsuperscript{16} The ruling answered broad questions such as whether trademark law can apply at all to the activities of internet service providers. It opened the possibility of a broad reading of outdated technological language in the E-Commerce Directive\textsuperscript{17} to include also Google’s activities. However, it could be interpreted to open the safe harbor in


\textsuperscript{14} While the EU officially states that its position when negotiating ACTA is that there will be no substantive change in EU intellectual property laws, the Commission admits that it bases its position on that of the Enforcement Directive. The protection available under the Enforcement Directive constitutes a higher level of protection than Member States have clearly adopted and thus presupposes a certain level of protection under substantive law. The Enforcement Directive clearly states that it should not apply to the question of ISP liability, since the provisions of the E-Commerce Directive should prevail there. See also European Commission Trade Press Release: Anti-Counterfeiting Trade Agreement: European Commission Welcomes Release of Negotiation Instruments, Brussels, April 21, 2010 available at http://trade.ec.europa.eu/doclib/press/index.cfm?id=552&serie=337&langId=en. Nevertheless, the negotiating text of ACTA includes a section regulating safe harbors for ISPs.


\textsuperscript{16} Joined cases C-236/08 to 238/08, \textit{Google France SARL, Google Inc. v. Louis Vuitton Malletiere SA (C-236/08), Viatricum SA, Lucetiel SARL (C-237/08) and Centre national de recherché en relations humaines (CNRHH) SARL (C-238/08)}, March 23, 2010 (Grand Chamber). Opinion of the Advocate General in C-236/08-238/08, \textit{Google v. Vuitton et. al.}, 22.9.2009.

practice, since the ruling hinges on the concept of ‘actual knowledge’, which is not defined in either the directive or in practice.

In practice, Article 15 of the directive, which includes the prohibition against imposing a general duty on internet service providers to monitor infringing activity on their sites, had been interpreted to require bona fide cooperation, e.g. with a notice-and-take down procedure, but nothing more.\textsuperscript{18} While actual knowledge remains undefined in practical terms and this discrepancy remains, internet service providers will face right holder pressure in court. This is because contemporary allegedly infringing internet service provider activity fits less and less neatly with the technological definitions underlying the legal provisions in place.

Legislation tailored to solve a general problem is now marginalized in favor of specific legislation tailored to right holder interests, or no legislation, with accompanying battles in court. The likely societal consequences can be measured by the remedies available to right holders, which include criminal sanctions or automatic damages for willful trademark infringement.\textsuperscript{19} The effect is enhanced, since trademark law today, in most countries, does not distinguish between indirect and direct trademark infringement. Courts and individual judges are left to balance established interests vested in trademark law against the vague and disproportionate interests of a disorganized group of internet service providers.

The latter interests are also constantly changing, since technological and other innovation constantly spurs new business ideas and models on the internet, and make others obsolete. The question becomes one of priority. Legislation allows innovation that spurs internet service providers to supply where there is demand, or legislation that allows right holders \textit{en groupe} to curtail innovation by a multitude of disproportionate threats of

\textsuperscript{18} Opinion of the Advocate General in C- 236/08-238/08, \textit{Google v. Vuitton et. al.}, 22.9.2009, at 47-51.

damages. This article suggests that we put the carriage back behind the horse and allow the horse to pull the carriage into the unknown.

More specifically, this article makes three suggestions. First, it is vital to prioritize in light not of current economic value and actors, but in light of preserving and stimulating continued economic growth, recognizing that growth may take place in new fields, and thus shift economic power in society. Without diminishing the importance of the legitimate interests of holders of intellectual property rights in, for example, combating counterfeiting and piracy, the recent technological breakthroughs should be allowed to reach their potential, and the overall social benefit of the activity of an internet service provider should weigh heavily against curtailment. Ex post legislation should therefore be preferred over ex ante legislation. This means that internet service providers should presumptively enjoy protection against individual law suits.

Second, substantive trademark law, and other intellectual property laws, should develop new tools to define trademark infringement on the internet. There are two sides to this argument. First, the virtual market differs from the real world market, and trademarks are utilized differently blurring the line between commercial and noncommercial use. What in the trademark is at the heart of protection; its distinguishing capacity in relation to competing goods or services, or its ability to invoke consumer recollection and consequently, its asset value? Consequently, when is, the technologically speaking identical act of reproducing the trademark allowed, and when is it not. Second, absolute protection of internet service providers is equally harmful to society as is too strong a protection of trademark owners’ interests. Thus, allowing recourse against internet service providers that predominantly trade in illegal goods, profit form infringement or openly defy current intellectual property laws is vital. Although, clear cases of abuse are being redressed successfully in court today, the gray area is growing.20

Due to the weighty and far-reaching interests at stake, courts, at least in Europe, are unsuitable to decide these cases, without legislative guidelines. To narrow the area of uncertainty, the determining of infringement both in terms of direct and indirect infringement is necessary. Only after recognizing indirect infringement as a separate offence with appropriately tailored remedies, can the question of third party liability be resolved. Substantive trademark law, thus, needs new parameters to define infringing use on the internet, and new tools to distinguish between direct and indirect infringers. In the meanwhile, society should err on the side of over-protection of internet service providers.

Third, instead of allowing direct legal redress, the right holders should be encouraged to pool their resources in fighting trademark counterfeiting and infringement on the internet. Nothing under current law prevents right holders from more efficiently policing their rights. As the well known jeweler Tiffany has proven, it is technologically possible to reach a state of enforcement that is higher than the one reached today, irrespective of the actions of the internet service provider. Optimal efficiency in utilizing the notice-and-take down –procedures can be reached without imposing liability on third parties. Overall efficiency is best reached, when the interested parties pool their resources to combat a common threat. Cooperation with internet service providers is already deeply rooted, and will likely prove even more fruitful, when self-protective measures can be removed. Most importantly, the bulk of the costs of combating trademark-pirate ingenuity and organized crime, and consequently, the ultimate risk of non-enforcement fall on the right holders, who are thus incentivized to put a larger amount of resources towards this cause, if they deem it necessary. The resources allocated to the endeavor are likely to be more proportionate to the overall harm of illegal trade in counterfeit goods, than if a third predominantly disinterested party, is forced to act under threat of liability.

Contemporary activities of a selection of internet service providers are described in Chapter 2 and present and future trademark law trigger-points are highlighted. Contemporary legislation that applies to the question of whether internet service

22 Calabresi & Melamed at 1094.
providers may be held liable for trademark infringement under EU law is presented in Chapter 3. Chapter 4 describes the approach of three national courts and sets the approaches in a theoretical context, when tackling the issue whether and to what extent eBay is liable for the sale of counterfeit merchandise on its site. Chapter 5 analyses the approaches of the national courts and presents proposals for future action.

2 INTERNET SERVICE PROVIDERS IN ACTION

2.1 The Purpose of This Section

The purpose of this section is to depict the activities of internet service providers that may give raise to concerns under trademark law. The services are depicted based on information provided by the company in question, such as a description of services provided, the technology used, and trademark policies and complaint procedures. Press releases or reported news on the size of the business, transactions and market volume are also cited. The aim is to place the internet service provider’s legitimate activity in a societal perspective before addressing trademark concerns.

While this article focuses on a line of cases involving trademark counterfeiting on eBay, this section is intended to bring forth other trademark law issues that are routinely (if not yet addressed in court) triggered in contemporary practice, and thus, will inevitably be addressed in law in the future. This article argues that the answer to the question of liability of internet service providers should necessarily be informed by contemporary practice.

2.2 Online Auction Sites: eBay

eBay operates an online auction site at www.ebay.com, which allows anyone to register in order to buy and sell goods to one another. Products are sold at auction, or through fixed price or “buy it now” listings.23 According to its own records24, the site contains 100 million listings at any given time, with a daily contribution of six million listings

more. EBay earns an “insertion fee” for each listing and a “final value fee” based on the final sale price for any sold item. While eBay does not sell items itself (nor has the physical good in its possession at any time) it connects buyers and sellers, and enables secure transactions between them.25 EBay also owns and operates PayPal, a company that offers secure payment services, and charges a fee for each transaction. EBay advertises its services, including availability of specific listed goods on its site, both on its own site and externally, for example, through Google’s Adword program.

Unlike a real world auction house, the entirety of eBay’s service is technically generated. The listings database is necessarily accompanied by a search engine. In addition, eBay actively develops technical tools to allow for specific sellers and buyers to more efficiently find each other on the site. It also provides seminars and workshops for sellers to help them increase their sales on eBay.26 ‘Powersellers’ receive even more assistance and guidance.27

Technically speaking eBay’s advertising is also highly automated. For example, when a potential buyer enters a search term in eBay’s internal search engine, it may trigger an automated advertisement “Find [brand keyword] items at low prices”. Likewise, eBay runs general ads like “great brands, great prices” or “Fall Fashion Brand Blowout”, which links the clicking buyer to listings entailing a reference to branded products. EBay also guides its buyers to the cheapest deals for any given product and advises them to take advantage of the high demand of branded merchandise.28 While eBay does not advertise particular listings, their advertisements tend to in effect promote the sale of counterfeit products, in their more general effort to improve the volume of legitimate sales in general, or in a niche market.

According to court record, eBay invests 20 million USD annually in tools to promote trust and safety on its website, including tools to combat anti-counterfeiting and facilitate removal of such listings. Roughly 4,000 of eBay’s total workforce of 16,000 people is devoted to trust and safety. Of a total of 2000 customer service representatives more than 10% are devoted exclusively to infringement issues. In addition, 70 people are employed to cooperate with law enforcement, which includes providing information necessary to arrest counterfeitors.²⁹

On the technological side, firstly, eBay operates several programs, commonly termed “eBay’s fraud engine”, in search for fraudulent listings, and spends in excess of 5 million USD annually, to maintain and enhance these technological tools that automatically search for listings by employing more than 13,000 search rules and complex models. EBay developed this technology in 2002, based on the results of two years of performing manual searches. Together, these programs flag thousands of listings daily, which customer service representatives review and remove according to internal guidelines designed to target violations of eBay’s policies.³⁰

Secondly, eBay maintains a procedure commonly referred to as the Verified Rights Owner Program (VeRO), which in effect is a notice-and-takedown system, serving approximately 14,000 right holders. By filing a Notice of Claimed Infringement (NOCI) via fax, email or the online VeRO Reporting Tool, a right holder can report an infringing listing. The program also provides tools to assist right owners in searching for infringing listings, including an automated search tool called “My Favorite Searches” that can repeat favorite searches daily and email the search results to the right holder.

Among thousands of listings reported weekly, each was, according to eBay’s policy, to be reviewed and removed within 24 hours, and in practice 70-80% of the listings are removed within 12 hours. Bidding on items in infringing listings is suspended and transactions retroactively cancelled. EBay also refunds all fees, and in some cases

²⁹ Tiffany (NJ) Inc. and Tiffany and Company v. eBay Inc., 576 F. Supp.2d.463 (S.D.N.Y. 2008) at 477. These numbers refer to the operation of the eBay.com site.
reimburses the buyer through its “Buyer Protection Program”. ³¹ Lastly, eBay provides an opportunity for right holders to create an “About Me” -page on the eBay web-site designed to inform eBay’s customers about their products, intellectual property rights and legal positions. ³²

Questions of trademark law that are triggered by eBay’s activity are, e.g.: 1) is eBay liable for direct trademark infringement for advertising for, promoting the use of brands in consumer searches and seller advertising, and failing to prevent listings for the sale of counterfeit goods; 2) is eBay liable for indirect trademark infringement for facilitating and enducing the sale of counterfeit goods; or 3) is eBay liable for dilution of a famous mark, when allowing and promoting searches using brands.

2.3 Search engines: Google

Google is the world’s largest search engine and the flagship of Google Inc., operating with a mission “to organize the world's information and make it universally accessible and useful.” ³³ The Google search engines operate at www.google.com and 150 other domains in different countries and languages. In addition, Google offers many other services ³⁴, applications ³⁵, software and search features ³⁶. Google services are mostly free for both private and business users, and Google finances its services through selling advertising space on its sites. ³⁷ For this purpose, Google operates Google Adwords, Google AdSense and supporting tools such as Google Analytics, Website Optimizer, Insights for Search and AdPlanner. ³⁸ The services that trigger questions of trademark law are described by AG Poiares-Maduro as follows:

“On entering keywords into [the] search engine, internet users are presented with a list of natural results. These natural results are selected and ranked according to their relevance to the keywords. This is done through the automatic algorithms underlying the search engine program, which apply purely objective criteria.

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³⁴ Google Maps, Google Books, Google News Archive.
³⁵ Gmail, Google Calendar and Google Docs.
³⁶ Google Toolbar, Google Chrome, Personalized Search.
Google also operates an advertisement system called ‘AdWords’, which enables ads to be displayed, alongside natural results, in response to keywords. Ads typically consist of a short commercial message and a link to the advertiser’s site; they are differentiated from natural results by being presented, under the heading ['Sponsored links'], either at the top of the page, against a yellow background, or on the right-hand side. Google’s main competitors (Microsoft and Yahoo!) operate similar advertising systems.

Through AdWords, Google allows advertisers to select keywords so that their ads are displayed to internet users in response to the entry of those keywords in Google’s search engine. Every time an internet user subsequently clicks on the ad’s link, Google is remunerated in accordance with a price agreed beforehand (‘price per click’). There is no limit to the number of advertisers that can select a keyword, and if all the ads relating to that keyword cannot be displayed at the same time they will be ranked according to the price per click and by the number of times that internet users have previously clicked on the ad’s link.

Google has set up an automated process for the selection of keywords and the creation of ads: advertisers type in the keywords, draft the commercial message, and input the link to their site. As part of this automated process, Google provides optional information on the number of searches on its search engine featuring the selected keywords, as well as related keywords, and the corresponding number of advertisers. Advertisers can then narrow down their selection of keywords in order to maximise the exposure of their ads.39

Although Google provides a ‘Trademark Complaint Procedure’, under which they investigate trademark complaints regarding the sponsored links, Google does not offer services akin to eBay’s Notice-and-Take down regime. Instead, Google encourages trademark owners to contact the individual advertiser that according to Google’s AdWords and AdSense Trademark Policy is responsible for the keywords selected. Google does not have a complaint procedure for trademark complaints regarding natural results.40

### 2.4 Virtual Worlds: Second Life

Internet service providers also operate outside mainstream commerce, when creating islands on the internet with their own contractually-based jurisdiction.41 Second Life, is a virtual world that mirrors the real world. Second Life is also to an ever-increasing extent

39 Opinion of the Advocate General in C- 236/08-238/08, Google v. Vuitton et. al., 22.9.2009, at 9-12. Footnote and paragraph numbering has been removed.
40 [http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=6118](http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=6118)
41 eBay is also such an island, since it requires the user to register and agree to its Terms of Service. While eBay has chosen an open approach, and deals in real world goods, Second Life, is a primarily closed system that deals in virtual goods.
a market, where real currency is used when trading in virtual property. According to Linden Lab, the first quarter of 2010 was “the best in the history of the Second Life "economy," with $160 million in user-to-user transactions and over 500,000 users actively involved in the virtual market.” In March 2010, the Second Life blogs upheld by Linden Labs reported new efforts to allow for in-world advertising in the Message-of-the-Day, under the heading ‘Advertising’. Thus, brands – wordmarks or the virtual image of a mark – are present on products, in services, and in advertising, but also when chatting, when complaining, when showing off, when trading and when deceiving.

However, the question of who owns marks and when and what uses infringe, is open, and subject only to general wording in the “Terms of Service” drafted by Linden Labs.

According to Section 7.8 of the Terms of Service

You agree to respect the Intellectual Property Rights of other users, Linden Lab, and third parties.

You agree that you will not upload, publish, or submit to any part of the Service any Content that is protected by Intellectual Property Rights or otherwise subject to proprietary rights, including trade secret or privacy rights, unless you are the owner of such rights or have permission from the rightful owner to upload, publish, or submit the Content and to grant Linden Lab and users of the Service all of the license rights granted in these Terms of Service.

You acknowledge that the Content of the Service is provided or made available to you under license from Linden Lab and independent Content providers, including other users of the Service (“Content Providers”). You acknowledge and agree that except as expressly provided in this Agreement, the Intellectual Property Rights of Linden Lab and other Content Providers in their respective Content are not licensed to you by your mere use of the Service. You must obtain from the applicable Content Providers any necessary license rights in Content that you desire to use or access.

Linden Lab and other Content Providers may use the normal functionality of the Service, including the permissions system and the copy, modify, and transfer settings, to indicate how you may use, reproduce, distribute, prepare derivative works of, display, or perform their respective Content solely In-World. You acknowledge and agree that the permissions system and other functionality of the Service do not grant you any license, consent, or permission to copy, modify, transfer, or use in any manner any Content outside the Service.

You agree that you will not copy, transfer, or distribute outside the Service any Content that contains any Linden In-World Content, in whole or in part or in modified or unmodified form, except as allowed by the Snapshot and Machinima Policy, or that infringes or violates any Intellectual Property Rights of Linden Lab, other Content Providers, or any third parties.

43 Notably similar to Google’s sponsored links.
Linden Lab reserves the right, but is not obligated to use technological measures designed to prohibit the copying, transfer, or distribution of Content outside the Service when we in good faith believe that such copying, transfer, or distribution would or might violate the Intellectual Property Rights of our users, Linden Lab, or third parties.

You copy and use Content at your own risk. You are solely responsible and liable for your use, reproduction, distribution, modification, display, or performance of any Content in violation of any Intellectual Property Rights. You agree that Linden Lab will have no liability for, and you agree to defend, indemnify, and hold Linden Lab harmless for, any claims, losses or damages arising out of or in connection with your use, reproduction, distribution, modification, display, or performance of any Content. 44

It is evident that the Terms of Service are written primarily with questions of privacy and copyright law in mind, be it from the standpoint of Linden Labs, the individual user, the user collective, or third parties. The focus is on the extent to which Linden Labs is liable to the individual user, other users or third party outsiders for its own actions and actions by others in Second Life. Linden Labs seems to take the same stance as Google, that is, it is not responsible for infringements on its site. At the same time Linden Labs maintain the right to remove material from its site, if infringement occurs. Linden Labs, thus, inadvertently places itself in the role of a potential gate keeper.

Linden Labs already faces pressure by trademark holders to recognize their real world rights and more inside Second Life, and accordingly allow them 1) preference over, and 2) to exclude other uses and users. 45 In the real world, however, trademark law only applies to uses of trademarks in commerce and for the purposes of distinguishing goods or services. Nevertheless, trademarks owners may, like in the cases of eBay and Google, bring Linden Labs to court for failing to prevent infringing uses on their site. Different questions of trademark law are triggered: 1) which real world trademark owner gets exclusive rights in Second Life (trademark rights are inherently territorial in nature); 2) are uses, other than for the purpose of distinguishing products infringing; 3) are all trademarks protected equally (famous vs. regular marks, or word marks and picture marks as opposed to other marks); and 4) is the basis for protection free-riding on the good will of a mark and thus, based on unfair competition law, not trademark law?

44 Second Life Terms of Service available at http://secondlife.com/corporate/tos.php#tos7

45 See Taser International vs. Linden Lab lawsuit filed (and dropped) alleging that Linden Lab allows its users to tarnish Tasers reputation, when hurting people with Taser-guns in Second Life. Available at http://www.massively.com/2009/05/06/taser-international-vs-linden-lab-lawsuit-dropped/
3 Legislative Basis

3.1 The E-Commerce Directive

3.1.1 Regulating the Issue of Liability for Intermediaries: The DMCA and the E-Commerce Directive

At the wake of the commercial explosion of the internet the need for regulation on the liability of internet service providers was apparent. In the United States, a vertical approach was chosen and the issue was addressed in 1998 under the Copyright Act and specifically focused on the rights and obligations of copyright owners and internet service providers. The Digital Millennium Copyright Act (DMCA) provides for a safe harbor for internet service providers under set circumstances. Internet service providers are required to develop and maintain a notice-and-take down (NTC) procedure for processing legitimate copyright complaints. Internet service providers are only required to act on specific complaints and there is no general duty to monitor sites for illegal information.

To this day, liability of internet service providers for trademark infringement remains unregulated although service providers routinely allow trademark owners access to NTC procedures in practice. Courts have found internet service providers under a similar duty to act as in copyright cases, when charged with direct or indirect trademark infringement.

The European Union adopted a horizontal approach and regulated the issue of liability of internet service providers from the perspective of e-commerce as opposed to that of

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infringement of a specific right.\textsuperscript{50} As a consequence the regulation applies to all types of illegal activity. On June 8, 2000 the European Parliament and the Council passed the E-Commerce Directive, stating in its 3\textsuperscript{rd} and 4\textsuperscript{th} recital\textsuperscript{51} that

“…the Community legal order [is] a vital asset to enable European citizens and operators to take full advantage, without consideration of borders, of the opportunities afforded by electronic commerce; this Directive therefore has the purpose of ensuring a high level of Community legal integration in order to establish a real area without internal borders for information society services.”…

“It is important to ensure that electronic commerce could fully benefit from the internal market”.\textsuperscript{52}

The directive also recognizes that the existing and emerging disparities between Member States’ legislation and case-law concerning liability of service providers acting as intermediaries prevents the smooth functioning of the internal market.\textsuperscript{53} Therefore, the E-Commerce Directive was proclaimed to be the appropriate basis for the development of rapid and reliable procedures for removing and disabling access to illegal information, however, not precluding, but instead encouraging voluntary agreements and cooperation between interested parties. The E-Commerce Directive clearly proclaims to strike a balance between the different interests at stake and to establish principles upon which industry arrangements and standards can be based.\textsuperscript{54}

It is clear that service providers have a duty to act, and in particular to cooperate in the development and operation of technical systems of protection and identification. Upon obtaining actual knowledge or awareness of illegal activities the provider of an

\textsuperscript{50} The text is, nevertheless, strongly influenced by copyright concerns that were at the forefront at the time of adoption of the Directive.
\textsuperscript{51} While the recitals of a Directive are not formally binding on Member States nor on the institutions of the EU, they constitute a soft law source for its interpretation. Under Article 296 of the Treaty of the European Union (as consolidated by the Lisbon Treaty) the lawful exercise of Community powers is conditioned on a duty to give reasons. Opinion of the Advocate General in C- 236/08-238/08, Google v. Vuitton et. al., 22.9.2009, at paras. 131-135. See also Paul Craig - Grainne de Burca, EU Law Text, Cases and Materials, Fourth Edition at 85 and 87.
\textsuperscript{52} Directive 2000/31/EEC of the European Parliament and of the Council on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (E-Commerce Directive). Authors emphasis. According to Article 2 of the E-Commerce Directive it approximates “certain national provisions on information society services relating to the internal market, the establishment of service providers, commercial communications, electronic contracts, the liability of intermediaries, codes of conduct, out-of-court dispute settlements, court actions and cooperation between Member States.”
\textsuperscript{54} E-Commerce Directive 2000/31/EEC 41st recital.
information society service has to act expeditiously to remove or disable access to the
information concerned. However, this duty is limited by the provisions in the directive.
According to the 47th recital Member States are prevented from imposing a monitoring
obligation on service providers only with respect to obligations of a general nature and it
does not concern monitoring obligations in a specific case, and, in particular, does not
affect orders by national authorities in accordance with national legislation. The 42nd
recital was also included:

“The exemptions from liability established in this Directive cover only cases
where activity of the information society service provider is limited to the
technical process of operating and giving access to a communication network
over which information made available to third parties is transmitted or
temporarily stored, for the sole purpose of making transmission more efficient;
this activity is of a mere technical, automatic and passive nature, which implies
that the information society provider has neither knowledge or control over the
information transmitted or stored.”

Whether the 42nd recital should be read in conjunction with the 44th recital or
independently can be discussed.55

A service provider that deliberately collaborates with one of the recipients of his
service in order to undertake illegal acts goes beyond the activities of “mere
conduit” or “caching” and as a result cannot benefit from the liability exemptions
established for these activities.

Finally, the E-Commerce Directive does not affect the possibility of Member States
requiring service providers that host information provided by recipients of their service,
to apply duties of care, which can reasonably be expected from them and which is
specified by national law, in order to detect and prevent certain types of illegal
activities.56

The E-Commerce Directive seems to have many and sometimes conflicting goals. The
text of the recitals can be understood to tailor a narrow scope of application of both the
directive and the liability exemption. However, this interpretation seems inconsistent with

55 Joined cases C-236/08 to 238/08, Google France SARL, Google Inc. v. Louis Vuitton Malletiere SA (C-
236/08), Viaticum SA, Lucetiel SARL (C- 237/08) and Centre national de recherché en relations humaines
(CNRRH) SARL (C-238/08), March 23, 2010 (Grand Chamber) at 112-119. Opinion of the Advocate
General in C- 236/08-238/08, Google v. Vuitton et. al., 22.9.2009, at paras. 142-145.
the goal of providing a high level of integration and a real area of operation for information society services in the market for electronic commerce. It can also be read to set forth reconcilable principles based on free movement, freedom of speech, and a duty of care based on reasonable grounds. The strong, almost absolute language regarding passivity and lack of knowledge of the internet service provider, however, seems to preclude such an interpretation. National legislators and European and national courts are thus left with a difficult task in implementing and interpreting the E-Commerce Directive.

3.1.2 First Commission Report and the Google Adwords- case

The Commission gave its report on the application of the E-Commerce Directive in 2003 and concluded that most Member States had transposed the provisions of the Directive correctly, as well as, interpreted the provisions consistently in national case-law. The report recognized that the technological advancements had placed the directive in a new light and opened up a large variety of new opportunities for internet services. The commission specifically mentioned the fast growing on-line advertising sector and its ever-increasing importance on the electronic market. The ability for businesses to tailor product offers to individual customer requirements is given as one example of how technological innovation has revolutionized electronic commerce in only 3 years. The commission also recognized the distinct impact that online advertising, web-sites, e-mails

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57 Report from the Commission to the European Parliament and the European Economic and Social Committee (First Commission report) – First Report on the application of the Directive 2000/31/EC of the European Parliament and of the Council of June 8, 2000 on certain aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce) /*COM/2003/0702 final*/ at 26, 67 and 72. On 24 October 2005 the Commission established an Expert Group on Electronic Commerce (Commission Decision 2005/752/EC) with one (government official) member from each Member State. The Expert Group has convened 5 times, most recently on September 15, 2008. Its work has focused on the impact of the E-Commerce Directive, establishing working procedures and codes of conduct in different industries. Extensive discussion on liability for internet intermediaries based on presentations from different Member States, namely France and Germany seemed to have taken place, mostly focusing on hyperlinks, search engines and tool providers. No report or conclusions of the group have been published.

58 First Commission report at 9 and 14.

59 First Commission report at 16 and 18.
and search engine marketing has on the process of purchasing even when the product is not sold online.\textsuperscript{60}

Unlike the recitals to the E-Commerce Directive on integration, the First Commission Report states that “Community-level action was limited to what was deemed necessary to prevent such [different approaches emerging from the Member States and the resulting legal uncertainty give rise to obstacles to the free provision of cross-border services] a risk materializing.”\textsuperscript{61} The Commission implies that what deemed necessary at the time was to prevent Member States from creating additional conditions to be satisfied before an intermediary service provider can benefit from a limitation on liability as provided for in Articles 12-14 of the E-Commerce Directive. The E-Commerce Directive provides safe harbors for mere conduit, caching and hosting under the following circumstances:

Article 12: "Mere conduit"
1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, or the provision of access to a communication network, Member States shall ensure that the service provider is not liable for the information transmitted, on condition that the provider:
   (a) does not initiate the transmission;
   (b) does not select the receiver of the transmission; and
   (c) does not select or modify the information contained in the transmission.
2. The acts of transmission and of provision of access referred to in paragraph 1 include the automatic, intermediate and transient storage of the information transmitted in so far as this takes place for the sole purpose of carrying out the transmission in the communication network, and provided that the information is not stored for any period longer than is reasonably necessary for the transmission.

...\textsuperscript{62}

Article 13: "Caching"
1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the automatic, intermediate and temporary storage of that information, performed for the sole purpose of making more efficient the information's onward transmission to other recipients of the service upon their request, on condition that:

\textsuperscript{60} First Commission report at 19 citing a consumer study by DoubleClick Touchpoints: Effective Marketing Sequences in the Interactive Media Age, March 2003, available at http://www.interstrata.com/Papers%20and%20Opinions/dc_touchpoints_0303.pdf

\textsuperscript{61} First Commission report at 65.

\textsuperscript{62} Article 12 para. 3: This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.
(a) the provider does not modify the information;
(b) the provider complies with conditions on access to the information;
(c) the provider complies with rules regarding the updating of the information, specified in a manner widely recognised and used by industry;
(d) the provider does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information; and
(e) the provider acts expeditiously to remove or to disable access to the information it has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it has been disabled, or that a court or an administrative authority has ordered such removal or disablement.

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Article 14: "Hosting"
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
   (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.

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In contrast, to the equivalent regulation in the United States65, Member States were not required to institute or require of intermediaries to put in place notice-and take-down procedures. Instead, self-regulation by interested parties was expressly encouraged.66

63 Article 13 para. 2: This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.
64 Article 14 para. 3: This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information.
66 E-Commerce Directive Article 16 and recital 40. See also First Commission Report at 74-75. At the publication of the report only Finland had set out a copyright specific notice and take down procedure in legislation. All other Member States had left the issue to self regulation.
transmit or store, nor a general obligation actively to seek facts or circumstances indicating illegal activity.

2. Member States may establish obligations for information society service providers promptly to inform the competent public authorities of alleged illegal activities undertaken or information provided by recipients of their service or obligations to communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements.

Most Member States transposed Articles 12-14 literally into their national laws. In addition, some Member States provided limitations on liability for providers of hyperlinks and search engines.\(^{67}\) The First Commission Report accepts this development as being in line with the E-Commerce Directive, and encourages Member States to develop legal security for intermediaries on the internet.\(^{68}\) The report recognizes, albeit in reference to activity in Article 12-14 only, that the general monitoring of millions of sites and web pages would, in practical terms, be impossible and would result in disproportionate burdens on intermediaries and higher costs of access to basic services for users. There is not yet any technology, which could not be circumvented and that provides full effectiveness in blocking or filtering illegal and harmful information that at the same time avoids blocking entirely legal information. Over-protection by blocking entirely legal information inevitably results in violations of the freedom of speech of other users.\(^{69}\)

The European Union Court of Justice (EUCJ) gave its Grand Chamber ruling on March 23, 2010 on the question, whether search engines and hyperlinks are covered by Article 14 of the E-Commerce Directive and whether Google’s AdWords service constitutes hosting within the meaning of Article 14.\(^{70}\) Despite unofficial legislative history to the

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\(^{67}\) Spain and Portugal considered hyperlinks and search engines to fall under Article 14, while Austria and Liechtenstein placed search engines under Article 12, while hyperlinks were regulated by Article 14. In addition, Hungary and Poland have extended the protection granted to hosts in Article 14 to location tool providers, according to Dr. Stephen Ott on Links & Law update 44: November 1, 2006 available at [http://www.linksandlaw.com/news-update44.htm](http://www.linksandlaw.com/news-update44.htm), last visited June 2, 2010.

\(^{68}\) First Commission Report at 67 and 72.

\(^{69}\) First Commission Report at 73.

\(^{70}\) Joined cases C-236/08 to 238/08, Google France SARL, Google Inc. v. Louis Vuitton Malletiere SA (C-236/08), Viaticum SA, Lucetiel SARL (C-237/08) and Centre national de recherché en relations humaines (CNRRH) SARL (C-238/08), March 23, 2010 (Grand Chamber).
contrary\textsuperscript{71}, both the EUCJ and Advocate General \textit{Poiares-Maduro} concluded that Google’s AdWords program may be an “information society service” within the meaning of the E-Commerce Directive, since its service is provided at a distance, by means of electronic equipment for the processing and storage of data, at the individual request of a recipient of services, and normally in return for remuneration.\textsuperscript{72} This definition stems from the directive on providing information in the field of technical standards, and is arguably ill-fitting for internet service providers.\textsuperscript{73} For example, the requirement of remuneration in a strict sense is not typically satisfied by internet service providers, since these services are generally provided free of charge. In the instant case, AG \textit{Poiares-Maduro} solved this conundrum by stating that “the search engine is provided free of charge in the expectation of remuneration under AdWords”.\textsuperscript{74} Although not articulated in the present case, but instead passed in favor of a flexible interpretation, the definition of an ‘information society service’ fits poorly to the business model employed by internet service providers. Also the requirement of the service being ‘provided by individual request’ seems strained in the increasingly automated setting that consumers and service providers alike, operate in.\textsuperscript{75}

The court, however, was not satisfied with Google’s service falling within the definition of “information society service”. Indeed, to avail itself of the safe harbor in Article 14, \textsuperscript{71} Opinion of the Advocate General in C- 236/08-238/08, \textit{Google v. Vuitton et. al.}, 22.9.2009, at paras. 131-135. The AG noted that the Commission itself had changed its opinion on whether search engines and hyperlinks were covered by the E-Commerce Directive, since the First Commission Report.\textsuperscript{72} C- 236/08-238/08, \textit{Google v. Vuitton et. al.}, at para. 110. The Court based its determination on the description of Google’s AdWords service in para. 23 of the judgment: “In addition, Google offers a paid referencing service called ‘AdWords’. That service enables any economic operator, by means of the reservation of one or more keywords, to obtain the placing, in the event of a correspondence between one or more of those words and that/those entered as a request in the search engine by an internet user, of an advertising link to its site. That advertising link appears under the heading ‘sponsored links’, which is displayed either on the right-hand side of the screen, to the right of the natural results, or on the upper part of the screen, above the natural results.” \textsuperscript{73} Directive 98/48/EC of the European Parliament and of the Council of 20 July 1998 amending Directive 98/34/EC laying down a procedure for the provision of information in the field of technical standards and regulations.\textsuperscript{74} Opinion of the Advocate General in C- 236/08-238/08, \textit{Google v. Vuitton et. al.}, 22.9.2009, at paras. 131.\textsuperscript{75} WIPO-Workshop Keynote Paper, April 2005, Lilian Edwards and Charlotte Waelde, \textit{Online Intermediaries and Liability for Copyright Infringement}, available at http://www.era.lib.ed.ac.uk/bitstream/1842/2305/1/wipo-onlineintermediaries.pdf and http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1159640, at 6-7.
the service provider’s conduct must be limited to that of an information society service, that is, the activity is of a mere technical, automatic and passive nature, which implies both lack of knowledge and control over the information transmitted or stored.76 The role played by the service provider must be neutral.77 Neutrality is not impaired by the mere fact that the referencing service is subject to payment, nor that the service providers sets the payment terms or provides general information to its clients.78 Likewise, the identity of the key word and the search term selected by consumers does not in itself mean that the service provider has knowledge of, or control over, the data entered into its system and stored in the memory of its server.79 Instead, the role played by the service provider in drafting the commercial message, or in the selection of the key word, is relevant, when determining neutrality.80 Based on these considerations the national court must determine, whether the terms of service do in fact reflect a neutral information society service.

While the court did consider Google’s activity to be within the realm of hosting, the Advocate General did not. AG Poiares-Maduro reached this conclusion after comparing Google’s Adwords program to its [presumptively neutral] search engine. In determining whether the service was neutral, AG Poiares-Maduro relied not solely on the technical neutrality of the service, but the neutrality of Google’s interests affecting the provision of the service. While Google has no interest in displaying a specific natural result, Google has an interest in displaying specific results that optimize the number of clicks on sponsored links. Since the display of ads stems from Google’s relationship with advertisers AdWords is no longer a neutral information vehicle. AG Poiares-Maduro did not consider the technical features of the AdWords program in determining neutrality.81 Nevertheless, AG Poiares-Maduro reached the conclusion that Google in allowing

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76 C- 236/08-238/08, Google v. Vuitton et. al., at paras. 112-113 citing recital 42.
77 C- 236/08-238/08, Google v. Vuitton et. al., at para. 114.
78 C- 236/08-238/08, Google v. Vuitton et. al., at para. 116.
79 C- 236/08-238/08, Google v. Vuitton et. al., at para. 117.
80 C- 236/08-238/08, Google v. Vuitton et. al., at para. 118.
advertisers to select specific keywords did not infringe trademark rights, since there were many legitimate reasons for selecting a registered trademark as a key word.\textsuperscript{82}

3.2 European Trademark Law

3.2.1 Harmonization in Practice – Trademark-Specific Legislation

Trademark law, although not completely harmonized in the European Union, is increasingly influenced by centralized decision-making both by law and in practice. The trademark directive that includes provisions of substantive trademark law entered into force in 1989 and has since been implemented by old and new member states.\textsuperscript{83} The Community Trademark Regulation (CTMR) introduced a community-wide trademark right (CTM) in 1994 administered by the Office for Harmonization in the Internal Market (OHIM) in Alicante, Spain.\textsuperscript{84} The CTM that spans the entire European Union co-exists with national rights available in most Member States. Community-wide protection is only available to registered marks, thus, unregistered marks are protected under national laws of trademark or unfair competition. In substance, the Trademark Directive and the CTMR set forth the same provisions. In addition, the CTMR sets forth numerous procedural rules. Although, not directly and entirely intended for harmonization of national registration procedures the CTMR has in fact had a strong harmonizing effect on national registration practice. New and contested issues tend to proceed from the OHIM by way of appeal to the General Court and the EUCJ, the rulings of which are considered authoritative statements on the interpretation of the identical provisions in the Trademark Directive (which are binding on national registration authorities) as well.\textsuperscript{85}

\textsuperscript{82} Opinion of the Advocate General in C- 236/08-238/08, Google v. Vuitton et. al., 22.9.2009, at para. 152.
\textsuperscript{85} Guy Tritton- Richard Davis, Michael Edenborough, James Graham, Simon Malynicz, Ashley Roughton, Intellectual Property in Europe, Third Edition, at viii “In the field of trade mark, the ECJ and the CFI have been busy in handing down a cornucopia of decisions. This has led to considerable clarification of provisions of the Trade Mark Directive and Regulation. Indeed, it can be said that there is now a “bedrock” of case law relating to these provisions which is unlikely to be questioned or overruled. For institutions who have no \textit{stare decisis}, this is to be welcomed. The inconsistency of approach that in the past, characterized the Community court’s decisions has largely gone.”
The Trademark Directive is modeled on the traditional premise that affords an exclusive right to trademarks for the purpose of distinguishing goods or services in the course of trade. Protection is three-fold. Article 5.1(a) affords protection against the use of identical mark in relation to identical goods or services. The 10th recital of the Trademark Directive states that this protection is absolute, however, the EUCJ has in some landmark cases interpreted this provision to set forth a rebuttable presumption of infringement.\(^{86}\) These cases lie at the outskirts of traditional trademark law, where absolute rules may lead to results inconsistent with the traditional premise of trademark and EU law.\(^{87}\) However, in most cases at the core of trademark law, e.g. in cases of counterfeiting or using a competitor's trademark with only slight alterations, the protection is in fact absolute.

Article 5.1(b) affords protection for identical or similar marks for use on identical or similar goods or services, when there exists a likelihood of confusion on the part of the relevant public. The Trademark Directive broadened the traditional concept of likelihood of confusion, to include a likelihood of association. Thus, a trademark owner could receive protection although the consumers where not confused \emph{per se}, but may be confused in believing that the second user is connected by sponsorship or affiliation to the trademark owner. A likelihood of association as such is not however enough for a finding of infringement under Article 5.1 (b).

Article 5.2 provides that Member States may afford additional protection for marks with a reputation, when an identical or similar mark is used for dissimilar products provided that such use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark. The EUCJ has since confirmed that protection under Article 5.2 is available to marks with a reputation against uses on

\(^{86}\) C-17/06 Céline SARL v Céline SA, [2007] ECR I-07041, at 32.

identical or similar goods or services as well.\textsuperscript{88} Therefore, an owner of a reputed mark may thus enjoy almost absolute protection under Article 5.1 (a) and 5.2, which raises the question of what uses a trademark owner is entitled to prohibit. Although, discussed at length in legal doctrine the EUCJ has not accepted a ‘trademark use’ concept\textsuperscript{89} into European trademark law.\textsuperscript{90} Instead, it refers to the protected functions of a trademark, namely, to indicate the [albeit anonymous] origin of goods or services. Recently, in \textit{L’Oreal v. Bellure} the court recognized the investment and advertising function as protected under the Trademark Directive, which in effect waters down any filtering effect built into limiting the trademark right by functions.\textsuperscript{91}

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{88} C- 487/07, \textit{L’oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v. Bellure NV, Malaika Investments Ltd and Starion International Ltd}, unreported 18.6.2009, at 35 referring to C-292/00 \textit{Davidoff} \[2003\] ECR I-389, paragraph 30; \textit{Adidas-Salomon and Adidas Benelux}, paragraphs 18 to 22; and \textit{adidas and adidas Benelux}, paragraph 37.
\item \textsuperscript{89} Each contributor to the discussion seems to have a slightly different take on trade mark use as a theoretical phenomenon. Many look at trademark use in relation to a specific legal question; what is required to acquire a distinctive character (Arnaud Folliard-Monguiral, \textit{Distinctive Character Acquired through Use: The Law and the Case Law} and Anna Carboni, \textit{Distinctive Character Acquired through Use: Establishing the Facts} in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.; drawing the line to functional use; (Thomas Hays, \textit{Distinguishing Use versus Functional Use: Three dimensional Marks} in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.; drawing the line to denominative use (Neil J Wilkof, \textit{Third Party Use of Trade Marks} and Massimo Sterpi, \textit{Trade Mark Use and Denominative Trade Marks} in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.; or looking at trade mark use on the Internet (Spyros Maniatis, \textit{Trade Mark Use on the Internet} in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.). While chosen scope, labels, juxtapositions and categorizations differ, the substantive law recognized as relevant for the discussion on trade mark use covers the two general categories outlined below. Attempts to theorize on the problems surrounding trade mark use have been made by tying the concept to the user (Bojan Pretnar discussing the trademark owner’s use in \textit{Use and Non-Use in Trade Mark Law} and from the perspective of third parties, Jennifer Davies, \textit{The Need to Leave Free for Others to Use and the Trade Mark Common} in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005.; or to the context of acquisition and enforcement of rights as opposed to infringement analysis (Bojan Pretnar, \textit{Use and Non-Use in Trade Mark Law}). Stacey Dogan and Mark Lemley in \textit{Grounding Trademark Law through Trademark Use} (http://ssrn.com/abstract =961470 February 2007) look at the historical emphasis on the concept of trademark use in infringement analysis through the lens of the distinction between indirect and direct infringement. Graeme B Dinwoodie and Mark D Janis in \textit{Use, Intent to Use and Registration in the United States} in Trade Mark Use, Eds. Jeremy Phillips and Ilanah Simon, Oxford University Press, 2005, discuss the significance of the temporal dimension to the concept of trademark use in US trademark law. Most authors recognize the other dimensions of the concept, but choose to focus on a certain aspect of it.
\item \textsuperscript{90} C-206/01 \textit{Arsenal Football Club plc v Matthew Reed} \[2002\] ECR I-10273; C-408/01 \textit{Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.}, \[2003\] ECR I-12537; C-48/05 \textit{Adam Opel AG v Autec AG} \[2007\] ECR I- 01017.
\end{enumerate}
\end{footnotesize}
EU trademark law is tailored to real market commerce, and struggles with addressing new uses of trademarks as well as uses of trademarks on the internet. For example, Article 5.3 of the Trademark Directive expressly includes the acts of offering the goods, or putting them on the market or stocking them for these purposes under the protected sign, or offering or supplying services thereunder; importing or exporting goods under the protected sign and using the sign on business papers and in advertising, as acts that the trademark owner is entitled to prohibit. Although, clearly within the realm of the trademark owner’s right in territorially defined real market commerce, these traditionally commercial acts are mixed with other acts on the internet.\textsuperscript{92} The traditional one-on-one infringement setting in real market trademark law is increasingly challenged on the internet, where there may be one or millions of traditional infringers, but also intermediaries, who regardless of intent, in fact facilitate direct infringement of trademark rights. European trademark law entails no distinction between direct or indirect infringement, nor a safe harbor for intermediaries. The internet also blurs the territoriality embedded in trademark law: whose rights apply to acts on the internet and what acts can an intermediary be held accountable for? If all trademark owners of the world can bring suit in national court against acts occurring on the internet, is it not the worst case scenario recognized by the Commission fulfilled “that the general monitoring of millions of sites and web pages would, in practical terms, be impossible and would result in disproportionate burdens on intermediaries and higher costs of access to basic services for users?”\textsuperscript{93}

3.2.2 Harmonization in Practice- General Rules That Apply to Trademarks

Lastly, the Directive on the Enforcement of intellectual property rights (Enforcement Directive) applies to trademarks.\textsuperscript{94} Under Article 2, it does not affect Articles 12 to 15 of the E-Commerce Directive, and thus, does not affect the liability of information society

\textsuperscript{92} Eric Goldman, \textit{Online Word of Mouth and Its Implications for Trademark Law} 404-429 in Graeme Dinwoodie & Mark Janis Trademark Law and Theory, 2008 at 404-405.

\textsuperscript{93} First Commission Report at 73.

services. Nevertheless, the 23rd recital of the Enforcement Directive states that “right holders should have the possibility of applying for an injunction against an intermediary whose services are being used by a third party to infringe the rightholder’s industrial property right”. It is left to national law to determine the conditions and procedures relating to such injunctions. The Enforcement Directive, while not limited in application, targets counterfeiting and piracy and in substance provides for effective enforcement measures, such as measures for preserving evidence, the right to information (including names and addresses of infringers and distributors), provisional, precautionary and corrective measures as well as injunctions. Member States were required to implement the provisions of the Enforcement Directive by 29th of April, 2006. The EUCJ rendered judgment against Sweden on May 15th, 2008 for failing to introduce measures that implement the provisions of the Enforcement Directive.

The EUCJ has, albeit in a copyright setting, ruled on how the seemingly conflicting provisions of different directives should be interpreted and what obligations and rights are set forth. After all, the directives in the end leave to the national laws of the Member States to strike a fair balance between the fundamental interests at stake. In the Promusicae –case the court held that Article 8 of the Enforcement Directive does not lay down an obligation to communicate personal data in order to ensure effective protection of copyright in the context of civil proceedings. However, the court also held that the same provision does not preclude Member States from imposing an obligation to disclose to private third parties personal data relating to Internet traffic in order to enable them to bring civil proceedings for copyright infringement. It is for the national court, when presented with a justified and proportionate request, to determine whether a right of

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95 Recital 23 to the Enforcement Directive 2004/48/EC.
96 Articles 3-11 of the Enforcement Directive 2004/48/EC.
98 EU copyright law places Internet service providers under stricter scrutiny than does the E-Commerce Directive standing alone. Thus, if this duty is limited in copyright law it would logically follow that internet service providers are not under a stricter duty under trademark law, which is regulated only on a general level.
99 C-275/06, Productores de Musica de Espana (Promusicae) v. Telefonica de Espana SAU 29.1.2008 OJ C 64 of 08.03.2008, p.9 at 55.
100 C-275/06, Productores de Musica de Espana (Promusicae) v. Telefonica de Espana SAU 29.1.2008 OJ C 64 of 08.03.2008, p.9 at 54. The ruling was confirmed by order in C-557/07, LSG-Gesellschaft zur Wahrnehmung von Leistungsschutzrechten, 19.2.2009 OJ C 113 of 16.05.2009, p.14.
information is appropriate.\textsuperscript{101} In this determination the national courts (and national regulators when transposing the directives) are required to balance the fundamental rights at stake and choose the interpretation of EU legislation that strikes a fair balance between competing interests.\textsuperscript{102}

Not only are national courts left with determining when a request for information is justified, but also when requiring it, is proportionate to the wrong at hand. This exercise is to be completed via fundamental rights balancing, an act which most judges in the civil law tradition arguably is ill-equipped to perform absent fairly specific guidelines from the legislator.\textsuperscript{103} In this setting, where a general duty to protect privacy is pitted against a specific provision requiring access to information, the risk for over-protection of right holders is apparent. Here, the requirement of the request being justified and proportionate may easily be reduced to scrutiny not of the basis of the request, but the content of the request. In my view, the EUCJ in \textit{Promusicae} requires scrutiny of both whether the request is justified and proportionate, and whether the extent of the request is justified and proportionate.

\subsection*{3.3 Summary}

While the EU has reached an exceptionally high level of harmonization of laws in the field of trademark law, protection of non-registered marks, trade names and good will remain in the legislative domain of the Member States. Principles of unfair competition and questions of civil liability are regulated by national law and left outside the purview of the Trademark Directive.\textsuperscript{104} Nevertheless, the protection afforded under Article 5.1 against uses of an identical mark on identical products, or an identical or similar mark on

\begin{footnotesize}
\begin{enumerate}
\item\textsuperscript{101} C-275/06, \textit{Productores de Musica de Espana (Promusicae) v. Telefonica de Espana SAU} 29.1.2008 OJ C 64 of 08.03.2008, p.9 at 58.
\item\textsuperscript{102} C-275/06, \textit{Productores de Musica de Espana (Promusicae) v. Telefonica de Espana SAU} 29.1.2008 OJ C 64 of 08.03.2008, p.9 at 68-69.
\item\textsuperscript{103} See also Annette Kur, \textit{Fundamental Concerns in the Harmonization of (European) Trademark Law} 151-176 in Graeme Dinwoodie & Mark Janis Trademark Law and Theory, 2008 at 170 arguing that legislative reform is required to find solutions to balancing of fundamental interests within trademark law proper and thus, avoid having to refer to external grounds.
\item\textsuperscript{104} 6th recital of the Trademark Directive 89/104: “…this directive does not exclude the application to trademarks of provisions of law of the Member States other than trade mark law, such as the provisions relating to unfair competition, civil liability or consumer protection.”
\end{enumerate}
\end{footnotesize}
identical or similar products, is completely harmonized from which the Member States may not derogate. Similarly, Member States that have implemented Article 5.2 of the Trademark Directive affording extended protection to marks having a reputation may not derogate from the interpretation of that provision given by the EUCJ. All Member States have implemented Article 5.2. Thus, Member States may not afford protection based solely on a likelihood of association, nor require a likelihood of confusion under Article 5.2. However, under Article 5.5 of the Trademark Directive Member States are free to grant additional protection for well-known marks for example under the rules of unfair competition.

The Trademark Directive does not include provisions on secondary liability or contributory infringement. In the Google Adwords –case Advocate General Poiares-Maduro discussed this issue and found that the concept of contributory infringement is foreign to European trademark law, where these concerns are traditionally regulated under the rules on civil liability. Article 12-15 in the E-Commerce Directive addresses the issue of liability for internet service providers, and exempts certain uses; mere conduit, caching and hosting, from liability, where the internet service provider is passive, lacks actual knowledge and is neutral. While the EUCJ did read Article 14 broadly and included Google’s Adwords service as potentially falling under its exemption for hosting, it was left to national courts to decide, whether Google’s activities did indeed constitute those of a neutral information society service. It was for the national court to balance the competing interests at stake and ultimately to strike a fair balance, if in fact it was presented with a “justified and proportionate” request. The issue of whether the request is justified and proportionate is inevitably influenced by the provisions of the

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107 See also Annette Kur, Fundamental Concerns in the Harmonization of (European) Trademark Law 151-176 in Graeme Dinwoodie & Mark Janis Trademark Law and Theory, 2008 at 169.

Enforcement Directive, which although not meant to apply to these provisions of the E-Commerce Directive, nevertheless, allows a trademark owner to demand and courts to issue an injunction against intermediaries.

4 The Conflict in Practice – Three Approaches

4.1 Property Rules and Contributory Infringement

4.1.1 France: Hermes v. eBay

On June 4, 2008 a French court found eBay directly responsible for allowing the sale of counterfeit Hermes bags on www.ebay.fr. In a joint action against eBay and the seller of two counterfeit bags, the court held that both eBay and the seller “committed acts of counterfeiting and imitation of French brand names to the detriment of Hermes International”…”by selling Hermes bags, and by failing to act within their powers to prevent reprehensible use of the site”.¹⁰⁹

The court dismissed eBay’s claim that it was only hosting information. Instead, it viewed eBay both as a host and a website editor that controls the page layout and makes profits from the exploitation of ads hosted. The fact that eBay offers the technical means for classifying content and makes profit, is, however, not enough, when the content is provided by users, not by eBay. Insofar, as eBay makes available tools to vendors to develop sales, present objects and establishes rules of operation and architecture of the auction service, it should be regarded as a publisher of an online communications service (website editor) that is subject to brokerage. Unlike on other such publishers, the court did not impose strict liability on eBay. It did however remove the exemption from liability, when the website is used for illegal purposes, i.e. the sale of counterfeit goods.

The court recognized that a reliable technological tool for finding infringing content in listings is not available today. Nonetheless, it imposed on eBay the duty to seek by all

means sellers that use the trademark in combination with the product number, serial number, model number or a certificate of authenticity to identify the object sold. EBay also must take all measures to notify the buyer and seller that they accept the terms of service including the civil and penal consequences for acts of counterfeiting, potential authenticity checks by right holders and possible transmission of personal data to them. Even though, the seller had assured authenticity of the goods sold to eBay, it had for failing to assure compliance by other means, not fulfilled its duty to ensure the absence of improper use of the site.

The Court ordered eBay to pay damages 1,500 euro per instance of infringement and to publish the decision on its homepage for three months on pain of a daily penalty of 1500 Euros and in four journals and magazines of the plaintiff’s choice. Since then, other French courts have rendered similar decisions on the same grounds. EBay has yet to succeed on any of its appeals.110

4.1.2 The Approach of the Court

The French courts approach the question as one of direct infringement, including contributory infringement. This means that where an underlying act of direct infringement is established, it determines the scope and intensity of the wrong.111 The acts of the infringer and contributor are equally reprehensible, and therefore, equally punished. All measures available to the right owner against a direct infringer are available against a contributor. While some limitations are found in what acts constitute contributing to direct infringement, these considerations do not affect available measures once it is deemed that they do in fact contribute to the infringement. The fact that counterfeit goods are sold on the auction site, therefore determine whether and what liability arises. Consequently, the trademark owner must prove sale of counterfeit goods and acts that contribute to the sale of counterfeit goods.

In determining what acts constitute unlawful direct contributory infringement the French courts use the safe harbors for internet intermediaries in French and European law as guidance. It assessed whether the claimed infringing acts constitute hosting or whether a general duty to monitor is imposed. It also noted that uses for illegal purposes are generally exempted from the prohibition against placing hosts under a general duty to monitor or actively seek facts. While generally restricted to crimes against humanity, inciting racial hatred, child pornography, incitement to violence and injury to the dignity of the human person, the French court applies this obligation to put in place targeted surveillance measures to cases of trademark counterfeiting. Thus, French law places a duty to actively monitor and seek facts of illegal trademark counterfeiting upon hosts and other internet intermediaries. While this duty may be fulfilled by imposing technical surveillance measures, this is not always the case. The ultimate liability of the intermediary or host is determined by whether the actual sale of counterfeit products persists. The standard is one of zero tolerance, that is, no acts attributable to the intermediary may contribute to the sale of counterfeit goods.

4.2 Liability Rules: Duty to Act

4.2.1 Germany: Rolex v. eBay and Ricardo

The German Federal Supreme Court (Bundesgerichtshof, BGH) has on several occasions held internet auction sites potentially liable for allowing vending of counterfeit goods on their site. The owner of the trademark ROLEX has brought suit against the German online auctioneer Ricardo and the globally and nationally active eBay (www.ebay.de) for failing to preemptively block listings offering counterfeit ROLEX merchandise. In its

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112 Hermes International/eBay et autres, Tribunal de grande instance de Troyes Chambre civil Jugement du 4 juin 2008.
113 Hermes International/eBay et autres, Tribunal de grande instance de Troyes Chambre civile Jugement du 4 juin 2008. See the distinction the court makes in determining whether eBay is a host, where they view eBay a neutral host regarding acts attributable to users (content of listings), while services rendered to sellers for payment are attributable to eBay, and thus can result in liability.
114 BGH, Urt. v. 11.3.2004 – I ZR 304/01 (Rolex v. Ricardo); BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay); and BGH, Urt. v. 30.4.2008, Az. I ZR 73/05 (Rolex v. eBay).
2004 ruling, the BGH considered whether the German Tele Services Act\textsuperscript{115}, which implemented the E-Commerce Directive, prevented suit against an internet auctioneer for allowing vending in counterfeit products. The court recognized that the hosting safe harbor applies, when an intermediary does not have influence over the text of the infringing listing. However, the court held that the E-Commerce Directive does not prevent Member States from imposing further obligations on intermediaries for dereliction of duty, as long as they do not amount to a general duty to monitor or actively seek facts indicating infringement. Likewise, the safe harbor under the interpretation of the BGH only prevents injunctive relief, not a claim for damages.\textsuperscript{116}

Thus, the safe harbor does not apply to a claim for damages against intermediaries that fail to act, when it is reasonably within their control to prevent infringement.\textsuperscript{117} It should be noted that this form of liability is not a form of indirect trademark infringement, since no proof of trademark infringement is required. Instead the tort is based on a dereliction of duty. In the view of the BGH, the Community Trademark Regulation allows the German premise for liability, since it remains silent on the issue of indirect or vicarious liability.\textsuperscript{118} However, the Enforcement Directive, according to the BGH, not only allows, but specifically calls for this type of remedy for trademark owners.\textsuperscript{119}

This position has been reiterated in later decisions.\textsuperscript{120} For the court the threshold seems reached when the intermediary has actual knowledge of past infringements and it is technically possible and reasonable to require them prevent future infringements.\textsuperscript{121} More specifically, the court targeted filtering out uses of words like “replica” or “copy” in combination with a well-known trademark. The burden of showing that reasonable steps have been taken is on the defendant, that is, the internet intermediary.\textsuperscript{122}

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{115} The Teledienstgesetz was replaced by the Telemediagesetz in xxx, without addressing this issue. Bird & Bird
\item \textsuperscript{116} BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 14.
\item \textsuperscript{117} BGH, Urt. v. 11.3.2004 – I ZR 304/01 (Rolex v. Ricardo) at 27-36.
\item \textsuperscript{118} BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 35.
\item \textsuperscript{119} BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 36 and 38.
\item \textsuperscript{120} BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay); and BGH, Urt. v. 30.4.2008, Az. I ZR 73/05 (Rolex v. eBay).
\item \textsuperscript{121} BGH, Urt. v. 11.3.2004 – I ZR 304/01 (Rolex v. Ricardo) at 19-20.
\item \textsuperscript{122} BGH, Urt. v. 30.4.2008, Az. I ZR 73/05 (Rolex v. eBay) at 46.
\end{itemize}
\end{footnotesize}
The BGH emphasized that the intermediary cannot be under a duty to act that includes performing acts that are technically impossible or acts that would endanger its business model. Fault\textsuperscript{123} on the part of the intermediary must be present before a claim for damages can succeed.\textsuperscript{124} The BGH indicated that the use of filtering software and performing manual checks of the results are reasonable to ask from the intermediary. The absence of reliable filtering software does not however excuse the failure of the intermediary to act.\textsuperscript{125} The court dismissed the claim that it was unreasonable that the software would flag legitimate claims for removal, since a claim for damages would only succeed in respect of failure to remove infringing content.\textsuperscript{126} On remand, eBay avoided liability by introducing filtering software that automatically removes listings that use the most common expressions used in counterfeit listings.\textsuperscript{127}

### 4.2.2 The Approach of the Court

The court based its decision on the *Störerhaftung*-doctrine. It can be defined as follows:

In German law liability for nuisance covers responsibility for interference by act, by state or by fellowship. The nuisance liability is regulated by general rules in the field of property law (§ 1004 BGB) and by administrative law. Without being an infringer or participant, anyone, who in any way by dereliction of duty deliberately contributes to (according to rules of causality) the violation of a protected good, may be enjoined as an interferer with a property right.\textsuperscript{128}

\textsuperscript{123} The degree of required negligence remains unclear. However, the standard is not gross negligence. BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 47.

\textsuperscript{124} BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 47.

\textsuperscript{125} BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 46.

\textsuperscript{126} BGH, Urt. v. 19.4.2007 - I ZR 35/04 (Rolex v. eBay) at 46. The trademark owners claim that listings with an offered price lower than 800 EUR would also be automatically filtered was deemed reasonable and the court dismissed objections of over-protection of legitimate content on the ground that no damages would issue when no violation was present.

\textsuperscript{127} 26.2.2009 – OLG Düsseldorf, Az: I-20 U 204/02 (Rolex v. eBay).

The term *Störerhaftung* implies indirect acts, that is, omissions and does not cover direct acts of interference or violation of property rights. A willful omission that contributes to – according to set rules on causality (adequät kausal) – the violation of a property right triggers potential liability. A duty to act, in the case of internet intermediaries can be triggered by a specific notification. The trademark owner can claim *Störerhaftung* without proving specific direct infringement or a causal connection to direct infringement, i.e. indirect infringement. Instead, the trademark owner must prove that the intermediary has actual knowledge of past infringements. While not held liable, the intermediary is placed under a duty to act, and thus held potentially liable for similar future infringements.

After the duty has been triggered and the intermediary thus has actual knowledge, it is no longer sufficient to remove the specific infringing listing notified, but this in fact results in a duty to monitor the site for trademark-specific infringements under a threat of damages.\(^\text{129}\) Although, the duty itself is general, it is limited by a rule of reason, which is applied on a case-by-case basis. If the property owner is obligated to tolerate the omission by law, the *Störerhaftung* claim is preempted.\(^\text{130}\) This explains why the BGH carefully explained its interpretation of the E-Commerce Directive and other applicable rules of EU law.

### 4.3 Liability Rules and Safe Harbors

#### 4.3.1 The United States: *Tiffany v. eBay*

On July 14, 2008 the US District Court of the Southern District of New York gave its ruling in *Tiffany (NJ) Inc. and Tiffany and Company v. eBay, Inc.*, where the plaintiff had brought suit for direct and indirect trademark infringement and dilution, unfair competition and false advertising on the grounds that eBay facilitated and allowed the sale of counterfeit products on its site [www.ebay.com](http://www.ebay.com).\(^\text{131}\) The plaintiff argued that although eBay was not responsible for the listing and selling of counterfeit items they

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\(^{129}\) BGH Urteil vom 30.4.2008 –Az. I ZR 73/05 at 51.

\(^{130}\) BGBl § 1004 (2).

were on notice, which obligated them to investigate and control the illegal activities of these sellers, by 1) refusing to post any listing offering five or more Tiffany items; and 2) immediately suspending sellers upon notified by Tiffany of potentially infringing behavior.\textsuperscript{132} The case ultimately boiled down to the question of who bears the burden of policing the mark that is, monitoring eBay’s site for infringing listings. The District Court held that this burden rests on the trademark owner. On Appeal the Second Circuit agreed, although the claim for false advertising was remanded for a new trial.\textsuperscript{133}

Unlike in copyright law, there is no legislation regulating the liability of internet intermediaries for trademark infringement. In practice, internet intermediaries themselves have interpreted the safe harbor of the DMCA to extend to trademark law as well and made available procedures to right holders for expedited processing of infringement claims.\textsuperscript{134} The Lanham Act is also silent on the issue of indirect infringement.\textsuperscript{135} The U.S. Supreme Court has addressed the issue of contributory trademark infringement in \textit{Inwood Laboratories v. Ives Laboratories}, where it held that “if 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.”\textsuperscript{136}

\textit{Inwood} concerned the use of a trademark on goods, and targeted distributors and manufacturers. While some courts have found that the \textit{Inwood}-test applies to services, \textit{eBay v. Tiffany} is the first to apply the test to an online market place.\textsuperscript{137} The District Court, following the reasoning of the Ninth Circuit in \textit{Lockheed Martin Corp. v. Network

\begin{footnotes}
\item[132] Tiffany v. eBay, 576 F.Supp.2d 463 (S.D.N.Y. 2008) at 470. Tiffany also alleged direct trademark infringement for eBay’s use of TIFFANY’s trademarks on its web-site and by purchasing sponsored links for advertising, as well as argued that EBay and sellers of counterfeit goods were jointly and severally liable.
\item[133] Tiffany v. eBay, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit.
\item[134] EBay’s VeRO program is open to trademark owners as well.
\item[136] Inwood Laboratories v. Ives Laboratories, 456 U.S. 844 (1982).
\item[137] Tiffany v. eBay, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit at 105.
\end{footnotes}
Solutions, Inc. concluded that the Inwood test applies to service providers, if it exercises sufficient control over the infringing conduct. On appeal, eBay conceded that it is subject to the Inwood test. Therefore, the Second Circuit assumed likewise, without adopting the test itself. Similarly, the court only addressed one prong of Inwood, that is, whether eBay was liable for “continuing to supply its service to one who it knows or has reason to know is engaging in trademark infringement”. Whether eBay intentionally induced others to infringe a trademark is not at issue in this case.

The Second Circuit affirmed the District Court ruling in requiring more than general knowledge of counterfeiting occurring on the site, since eBay did in fact immediately remove listings of known counterfeiters. They therefore did not continue supplying to those who they knew as infringers, although the sale of counterfeits [by others] continued. This finding is supported by another Supreme Court case, Sony Corp. of America v. Universal City Studios, Inc., where the Supreme Court discussed Inwood and concluded that its narrow standard would have required knowledge by Sony of “identified individuals” engaging in infringing conduct.

The Second Circuit agreed with the District Court that there is no second product involved in eBay’s use of the TIFFANY marks. Therefore, there can be no dilution by blurring or tarnishment. The Lanham Act has since 1996, included a cause of action against dilution for owners of famous marks. Dilution by blurring is an association arising form the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition or of actual economic injury. Dilution by tarnishment is an association arising from the similarity between the mark or a trade name and a

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138 *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980 (9th Cir 1999)
139 *Tiffany v. eBay*, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit at 105-106.
140 *Tiffany v. eBay*, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit at 108-109.
142 *Tiffany v. eBay*, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit at 112.
143 15 U.S.C. § 1125 (c) (1) and (2) (B).
famous mark that harms the reputation of the famous mark.\textsuperscript{144} The inferior quality of the goods, a use for illegal purposes or in an unflattering context can cause dilution by tarnishment.\textsuperscript{145} A successful claim of dilution targets a blurring or tarnishing use of the famous mark for the purpose of distinguishing goods or services, and cannot be claimed where there is no second mark or product.\textsuperscript{146} The claim of contributory dilution, without establishing that such a cause of action exists, was nevertheless rejected by the District court on the facts at issue, and not claimed and therefore not addressed by the Second Circuit.\textsuperscript{147}

Section 43 (a) of the Lanham Act allows a cause of action for false advertising against:

\begin{itemize}
  \item [(1)] Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which-- ...
  \item [(B)] in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.\textsuperscript{148}
\end{itemize}

According to the Second Circuit proving a claim of false advertising requires proving that the statement is false on its face, or while not literally false, the advertisement is likely to mislead or confuse consumers.\textsuperscript{149} Only when the advertisement is literally false can the use be enjoined without reference to the impact on consumers, otherwise the plaintiff must prove confusion or that a significant part of consumers are being mislead.\textsuperscript{150} Since authentic TIFFANY products are sold on eBay’s site, its advertisement “Find tiffany items at low prices” was not literally false. They were not misleading either according to the District Court, because 1) eBay’s use of the mark was a nominative use, 2) Tiffany had not proven specific knowledge of individual illegal listings and 3) the falsity of the

\textsuperscript{144} 15 U.S.C. § 1125 (c) (2) (C)
\textsuperscript{145} Deere & Co. v. MTD Prods., Inc., 41 F. 3d 39 (2d. Cir. 1994) at 43.
\textsuperscript{146} Tiffany v. eBay, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit at 112.
\textsuperscript{147} Tiffany v. eBay, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit at 112.
\textsuperscript{148} 15 U.S.C. § 1125 (a) (1) and (a) (1) (B).
\textsuperscript{149} Time Warner Cable Inc. v. DIRECTTV, Inc., 497 F.3d 144 (2d Cir. 2007) at 153.
advertisement was contributable to the sellers, not eBay.\textsuperscript{151} While affirming the District court’s conclusion that the advertisement was not literally false, it remanded the issue of whether the consumers were confused or mislead, for reconsideration based on empirical evidence. The Second Circuit thus, rejected the District court’s treatment of this issue as a question of law. Instead the determination of the court should be founded upon, and bound by, extrinsic evidence of fact.\textsuperscript{152} The Second Circuit recognized the potential deterring effect of such a ruling, however, it indicated that a disclaimer might suffice to remove liability, if in fact, consumers were mislead.\textsuperscript{153}

4.3.2. The Approach of the Court

There is no federal legislation imposing liability for contributory or vicarious trademark infringement and neither is there legislation removing liability of internet service providers for trademark infringement. The Supreme Court has, however, recognized a cause of action against intermediaries that induce others to infringe or where they continue to supply when aware of specific instances of infringement. The trademark owner must prove specific instances of infringement and that the intermediary continues to supply despite actual knowledge. The requirement of proving actual knowledge and specific instances of infringement establishes a standard of reasonableness for intermediaries. Thus, proof of infringing acts, and that these acts contribute to further infringement does not suffice. Secondary liability is determined on a different premise, and the societal interest to preventing trademark infringement is balanced against other societal interests, namely access to and availability of internet services to consumers, in the overall analysis.

In determining what acts are unlawfully contributing to the phenomenon of trademark counterfeiting recognized defenses in trademark law apply. Likewise, it is of importance, whether trademarks are used truthfully or falsely to indicate the availability of authentic goods. Most importantly, however, the legality of the acts of intermediaries is determined

\textsuperscript{151} Tiffany v. eBay, 576 F.Supp.2d 463 (S.D.N.Y. 2008) at 521.
\textsuperscript{152} Tiffany v. eBay, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit at 113 citing Time Warner Cable Inc. v. DIRECTTV, Inc., 497 F.3d 144 (2d Cir. 2007) at 153.
\textsuperscript{153} Tiffany v. eBay, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit at 114.
by what could reasonably be required of them in practice in light of known technological tools. It is at this point of the assessment that a balance between the competing interests is struck, and consumer interests weigh against finding the intermediary liable.

5 Analysis and Proposals

5.1 Liability for Internet Service Providers

The expansion of trademark law has made the definition of harm insufficiently certain to serve as a basis for defining the outer limits of trademark law.\textsuperscript{154} Limits on trademark rights are however crucial in ensuring that the limited purposes for which the exclusive right was granted do not undermine other societal interests.\textsuperscript{155} There are many ways to ensure that trademark rights in effect are limited; with expressed or open-ended exceptions to the exclusive right, or proscribing the scope of application of the exclusive right by e.g. limiting doctrines such as the likelihood of confusion-test. While the former is used and well-litigated in copyright law, few countries have chosen inclusion of affirmative defenses in trademark law. Instead, negative rights are afforded with implied limits in the pre-requisites for a showing of infringement.\textsuperscript{156} In comparing copyright and trademark law in this regard, Professor Graeme Dinwoodie observes that fair use provisions in copyright law, generally further the same interests as protecting copyright in the first place, while in trademark law, it is commonly held that the confusion-test encapsulates the societal interest that trademark law intends to protect, and therefore, fair use provisions or defenses are superfluous.\textsuperscript{157} It is clear that this view is deceptive, since other values have long-since expanded trademark law over, through and under the likelihood of confusion -standard, however, it explains why and where trademark law is

\textsuperscript{154} Graeme Dinwoodie, Developing Defenses in Trademark Law, 13 Lewis & Clark L.Rev. 99 (2009) at 101. This is true whether you argue for limiting doctrines, articulated defenses or fair use provisions in trademark law.
\textsuperscript{155} Graeme Dinwoodie, Developing Defenses in Trademark Law, 13 Lewis & Clark L.Rev. 99 (2009) at 102.
\textsuperscript{156} Graeme Dinwoodie, Developing Defenses in Trademark Law, 13 Lewis & Clark L.Rev. 99 (2009) at 102-104.
today.\textsuperscript{158} In addressing our current concern, the limiting doctrine is proscribed in expressed and limited causes of action encapsulating secondary liability for trademark infringement of internet service providers accompanied with an external fair use provision (safe harbor).\textsuperscript{159}

Advocate General Poiares –Maduro addresses the issue of contributory infringement based on property rules and liability rules purely based on a tort in his opinion in the Google Adwords case.\textsuperscript{160} First, an attempt at defining the separate grounds for responsibility must be made. Black’ Law Dictionary offers the following definitions:

First, Infringement is an act that interferes with one of the exclusive rights of a patent, copyright or trademark owner. Contributory infringement can be defined as the act of participating in, or contributing to, the infringing acts of another person.

\textbf{Patents:} The act of aiding and abetting another person’s infringement by knowingly selling a non-staple item that has no substantial non-infringing use and is esp. adapted for use in a patented combination or process. 

\textbf{Copyright:} The act of either 1) actively inducing, causing, or materially contributing to the infringing conduct of another person, or 2) providing the goods or the means necessary to help another person infringe (as by making facilities available for an infringing performance).

\textbf{Trademark:} A manufacturer’s or distributor’s conduct in inducing others to infringe or knowingly supplying, for resale, goods bearing an infringing mark.\textsuperscript{161}

While both the copyright and trademark definitions are based on common law doctrine and tort law, the cause of action for contributory patent infringement has been developed at common law, but is today statutorily based. Under the principle of inducement liability, it recognizes intentional and active inducement of patent infringement as a separate offence from contributory infringement that is, aiding and abetting patent

\textsuperscript{158} Graeme Dinwoodie, Developing Defenses in Trademark Law, 13 Lewis & Clark L.Rev. 99 (2009) at 108.

\textsuperscript{159} While affirmative defenses are common in common law countries, they do not serve the same function in the civil law tradition.

\textsuperscript{160} AG Opinion joined cases C-23 Opinion of the Advocate General in C- 236/08-238/08, Google v. Vuitton et. al, 22.9.2009, at 48-50.

\textsuperscript{161} These definitions based on US statutory and common law serve as examples with the sole intention of highlighting the complexity of the issue. Black’s Law Dictionary, 8th Abridged Edition completed with relevant case law standard. Although the US Supreme Court in Inwood recognized a cause of action against those who induce others to infringe trademark rights, this standard has never been litigated in the online context.
infringement.\textsuperscript{162} Actively inducing both patent and copyright infringement are considered and punished as direct infringement.\textsuperscript{163} In contrast the term contributory infringement in copyright seems to refer to a lesser offence. Still, lesser would be an act incurring vicarious liability, where the basis is not infringement but dereliction of duty. Neither, form of contributory infringement is based squarely on the interference with property rights, since they place additional requirements on liability than proof of direct infringement. Therefore, despite the history and use of the term contributory infringement, we are closer to the law of torts that requires consideration of also other interests than those of the property owner.\textsuperscript{164} In comparison, the French courts seem to use the term contributory infringement to cover acts of direct infringement akin to both intentionally inducing, and aiding, abetting and facilitating, all in one category that turn on the showing of direct infringement.

Second, vicarious infringement is a person’s liability for an infringing act of someone else, even though the person has not directly committed an act of infringement. Liability is imposed where a third party \textit{controls} the infringer’s actions and receives a \textit{financial benefit} from the infringement\textsuperscript{165}

\begin{itemize}
\item 35 U.S.C. § 271 (b) Whoever actively induces infringement of a patent shall be liable as an infringer. c)
\item Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer. Lemley, Mark A., \textit{Inducing Patent Infringement}, 39 U.C. Davis L.R. 225 (2005), at 227. Allen N. Dixon, Liability of users and third parties for copyright infringements on the Internet: overview of international developments 12-42 in Alain Strowel (Ed.) Peer-to-peer File Sharing and Secondary Liability in Copyright Law (2009) at 15 (original emphasis).
\item See Jane Ginsburg, \textit{Separating the SONY Sheep from the GROKSTER Goats: Reckoning the Future Business Plans of Copyright-dependent Technology Entrepreneurs} (version of Feb. 16, 2008), Columbia Law School Public Law & Legal Theory Working Paper Group, Paper Number: 08-166, at 4-5 “Copyright infringement is a tort. So is intentionally enabling or inciting another to infringe. Decisions dating back several decades recognize two bases of derivative liability, contributory infringement and vicarious liability. As the Supreme Court in \textit{Grokster} summarized, “One infringes contributorily by intentionally inducing or encouraging direct infringement, and infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it.” In addition, one who supplies the means to infringe and knows of the use which the means will be put (or turns a blind eye) can be held liable for contributory infringement.”
\end{itemize}
Third, liability is defined as the quality or state of being legally obligated or accountable; legal responsibility to another or to society, enforceable by civil remedy or criminal punishment, that is, liability for injuries caused by negligence. Secondary liability is liability that does not arise unless the primarily liable party fails to honor its obligation.

Advocate General Poiares-Maduro, in response to the trademark owners’ claim of contributory infringement, finds the origin of this concept in the United States and the Lanham Act. Under this theory, all acts that may contribute to a trademark infringement are connected, and therefore, one instance of infringement, especially counterfeiting, taints all uses of AdWords in relation to that site, and should be within the realm of acts that the trademark owner is entitled to prevent relying on its property right. Otherwise, third parties could freely facilitate infringement and interfere with property rights without consequences. The Advocate General rejects this theory as foreign to trademark protection in Europe. In Europe, this issue is traditionally addressed through the laws on liability and tort. It should be noted, as the AG also stresses that the Supreme Court of the United States has interpreted the Lanham Act to require more than a showing of contributory infringement, and thus in effect adopted a liability regime based on tort law.

Depicted much like in the above cited French rulings, the Advocate General rejects also an attempt to expand protection even further, by enforcing the property right in instances where there is merely a possibility that a system may be used for infringing purposes. This would in effect mean that any use of a trademark as a keyword would be precluded under the trademark right. The Advocate General emphasizes that regardless of even


168 AG Opinon joined cases C-23 Opinion of the Advocate General in C- 236/08-238/08, Google v. Vuitton et. al., 22.9.2009, at 49.
the strongest protection, the protection is never absolute, and must be balanced against other interests such as freedom of expression and freedom of commerce.169

Thus, the issue of liability of internet service providers is in Europe and around the world discussed under the secondary liability –heading, presupposing tort-based accountability.170 Unlike, the strict definition of secondary liability in the United States, a primary conviction for direct infringement is not required, although the presence of such an underlying act of direct infringement is necessary. While, rules in the United States are patent, copyright or trademark specific they tend to be based on more general common law or civil law rules elsewhere.171 Particularly, in civil law countries liability is based on a general tort rule from which a duty of care can be derived.

Trademark rights are entitlements protected by property rules. Additional protection is also afforded to new entitlements172 with liability rules. While trademark rights are alienable, that is can be freely transferred, some aspects of the exclusive right are inalienable.173 The entitlement that prohibits compulsory licensing of trademark rights is inalienable and designed to protect the initial entitlement or even to define the trademark right itself.174 The inalienability of trademark rights in this respect distinguishes them from other forms of intellectual property rights, namely copyrights and patents.175 One

172 Stacey L. Dogan & Mark Lemley, Grounding Trademark Law Through Trademark Use, 92 Iowa L. Rev. 1669 (2007) at 1670 arguing that the pop-up and keyword cases giving rise to the trademark use debate involve attempts at allowing trademark holders to “assert a new and unprecedented form of trademark infringement claim” and in effect imposing “third-party liability under the guise of direct infringement suits”.
175 See Stacey Dogan & Mark Lemley, A Search-Costs Theory of Limiting Doctrines 65-94 in Graeme Dinwoodie & Mark Janis Trademark Law and Theory, 2008 at 82 discussing assignment in gross and
significant consequence of this inherent difference is that the application of liability rules to entitlements in trademark law, that is, allowing transfer of entitlements based on willingness to pay\textsuperscript{176}, becomes problematic. If the exclusive control\textsuperscript{177} of the exclusive use of a trademark is inalienable, that is, not permitted between a willing buyer and a willing seller\textsuperscript{178} it is hardly possible to allow release of the entitlement without destroying the initial grant. While measuring the cost of this forced use of the entitlement (by analogy from copyright law) by way of assessing voluntary trademark licensing fees, is possible, it does not excuse the underlying flaw in the replacement of an inalienability rule with a liability rule, when none is warranted. Thus, unlike patent or copyright law, the remedy of allowing the use of a valid trademark under a compensatory scheme\textsuperscript{179} is not available in trademark law, since it would dilute the distinguishing function of the trademark, which in turn is at the heart of trademark protection. While the heart does not enjoy absolute legal protection, it is the core without which the construct of trademark rights could not exist.\textsuperscript{180} This fact explains the trademark owner’s ‘all or nothing’ approach.

Internet service providers, on the other hand, can like other market actors easily be regulated by liability rules and be made to answer to a property owner wronged, when negligent. However, economic efficiency, distributional equality and dynamic efficiency, the apparent consistency with new entitlements and the relative worthiness of them, may require us to rethink our additional entitlement to trademark owners. Liability rules, we

\textsuperscript{176} Calabresi & Melamed at 971.

\textsuperscript{177} While trademarks can be freely sold or licensed, a valid trademark requires a trademark owner that controls it. This is because the trademark owner may lose its exclusive right, if it does not control the use of the trademark by licensees. A trademark cannot distinguish the goods and services of an entity, if its use is not coherent and centrally managed. A mark that loses its distinguishing function is no longer a trademark. This requirement was added, when the prohibition of transferring the trademark separately from the firm was removed.

\textsuperscript{178} Calabresi & Melamed at 971 and 1111.


\textsuperscript{180} See Stacey Dogan & Mark Lemley, A Search-Costs Theory of Limiting Doctrines 65-94 in Graeme Dinwoodie & Mark Janis Trademark Law and Theory, 2008 at 82 discussing assignment in gross and naked licensing of trademarks. See also the case law of the EUCJ on the essential function of trademarks. Note what the inclusion of protection of the investment and advertising function, recognized in L’oreal v. Bellure does to bring protection closer to being absolute for owners of famous marks.
know, are often used to protect entitlements, when there is uncertainty regarding which entitlement most efficiently can attain economic efficiency.\textsuperscript{181}

Thus, for our purposes, when it is unsure whether enforcing a property right in a new setting, that is, granting an additional entitlement, increases economic and distributional efficiency, a liability rule is to be preferred. However, when transaction costs are high on both sides, a granted entitlement that has been proven wrong, that is, does not increase economic efficiency, will not be corrected by the market place.\textsuperscript{182} Therefore, it is better to entitle one actor to be free from a nuisance with a liability rule, than entitle another to create a nuisance with a liability rule, since the latter can pay the former for loss of the privilege were it efficient and leave the former to enjoy the privilege in peace, were it not.\textsuperscript{183} Allowing recourse to trademark owners for contributory infringement or inducement is a question of granting a new entitlement. So is granting internet service providers freedom from individual lawsuits. Thus, when there is a choice between two liability rules the latter should be preferred.

If however, we are certain that economic and distributional efficiency demands an entitlement that protects internet service providers from a multitude of claims, we should choose a property rule to protect this entitlement.\textsuperscript{184} A property rule can be used to protect both private and public property. In this instance, the entitlement to communal property, (maintaining public access and use of internet auction sites, search engines and virtual worlds), can give rise to a communal property right that takes the form of a safe harbor for internet service providers.

In instances, where liability rules are relatively cheap to circumvent, and where a large number of actors thus choose to avail themselves of the possibility to infringe and pay (or

\textsuperscript{181} Calabresi & Melamed at 1119.
\textsuperscript{182} Calabresi & Melamed at 1119. See also Stacey Dogan & Mark Lemley, A Search-Costs Theory of Limiting Doctrines 65-94 in Graeme Dinwoodie & Mark Janis Trademark Law and Theory, 2008 at 66 arguing therefore that “trademark law reflects a continual balancing act that seeks to maximize the informational value of marks while avoiding their use to suppress competitive information.”
\textsuperscript{183} Calabresi & Melamed at 1119.
\textsuperscript{184} An inalienability rule may even be preferred to prevent actors from self-regulating under right holder pressure.
get away with it), we either have chosen the incorrect entitlement and the market selfcorrects to reach economic efficiency, or although the initial choice to protect and entitlement is correct, we have tailored the entitlement poorly or chosen the wrong rules to protect it. The latter situation will allow high-jacking of the entitlement by whoever is strongest. In a situation, where transaction costs are high on both sides, the market will entrench the right of the stronger entity/ies and will not allow the market forces to readjust and correct the wrong. In the current market for internet service providers, transaction costs are relatively high in maintaining a lawful practice, including creating, and maintaining technical tools and providing a service that manually filters and removes infringing listings. Allowing trademark owners with relatively low transaction costs the right to sue internet intermediaries for contributory infringement would raise these costs even more, including costs for defending the entitlement not to act in court.

Thus, it is preferable that the law prevents interference with the entitlement of intermediaries ex ante, as opposed to, allowing them remuneration for interference ex post. Since exposing internet service providers to a multitude of claims that demand high transaction costs to settle seems clearly inefficient and disproportionate in relation to the actual loss due to trademark counterfeiting that the individual trademark owner suffers, an entitlement in the form of a safe harbor for internet service providers should prevail. After all, trademark owners are free to enforce their property right in alternative ways that may lead to an equally, if not more, efficient overall result.

5.2 Pooling Resources and Enhancing Cooperation

The approach of the German Federal Supreme Court, Störerhaftung, seems close to the above definition of vicarious infringement. Protection stems not only from a protected property right, but society’s response to protect this right against mass-infringement. Thus, the property right and the aggravated nature of the wrong together give rise to responsibility of key actors that control the infrastructure of the real or virtual markets.

185 Calabresi & Melamed at 1091.
Once the decision has been made to protect, it is common in property law to place a duty to act, not necessarily on the party that is at fault, but on the party that is best suited to repair the injury. However, such cases tend to focus on repairing past wrongs, not the prevention of future wrongs. The German Federal Supreme Court, thus, placed the actor with the technical capacity to correct the wrong under a duty to act on pain of damages.

The suitability of this form of liability in the current setting, where there is not one trademark owner, but thousands, and there is true uncertainty regarding whether the measures will ever be successful in reducing instances of infringement, can be questioned. While the German Federal Supreme Court indicated that the internet auction sites would only be held liable for failing to remove listings containing replica, copy, imitation or the like, the duty to act was nevertheless, left open-ended. The deterring effect on the legitimate acts; removal of legitimate sites, the proportion of limited resources channeled to fight counterfeiting, seem at odds with the principle of proportionality, bearing in mind that there is no fault on the part of the intermediary.

Weight should be given to alternative ways of achieving the same goal that is, decreasing the sale of counterfeit goods. Likewise, it seems disproportionate to have the intermediaries bare the whole risk of non-enforcement, since it is unlikely that counterfeiting will seize entirely, regardless of efforts by third parties or property owners. The ultimate risk of non-enforcement should lie on the property owner, who thus, is incentivized to put a proportionate amount of resources towards the harm it suffers.

Trademark owners, much like copyright collective societies, should pool their resources to reach a higher state of economic efficiency. In *Tiffany v. eBay*, the trademark owner Tiffany had hired two employees that focused exclusively on searching for infringing listings for one year preceding the lawsuit. In that year, the employees found 19,000 listings that gave rise to concern, filed notices for claims of infringement to eBay, who expeditiously removed the infringing listings. While the trademark owner in this instance

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187 Calabresi & Melamed at 1090, after society makes its decision to protect, it needs to enforce the decision, sometimes by granting new entitlements to protect the underlying entitlement. This is done without reassessing the value or worth of the initial entitlement.
chose to discontinue this at least partially successful attempt at combating trademark counterfeiting, it shows that a higher level of enforcement is attainable, if resources are allocated to the endeavor. Tiffany’s frustration, although not acceptable as a ground for shifting the duty to police the mark, is understandable, since the sale of counterfeit merchandise persisted regardless of their effort. If trademark owners, even only brands most harmed by trademark counterfeiting, were to pool their resources and together hire employees to create and improve filtering software, to manually sort through flagged listings, and to cooperate with internet service providers, a higher level of enforcement should ultimately follow. Internet service providers have already shown that such action has a positive effect in combating counterfeiting.

Internet auction houses have also seemed quite willing to share their experience and knowledge in developing better filtering tools. Pressure to do more than what is reasonable, will likely increase self-protective measures and decrease voluntary cooperation. Since the ultimate duty to police the mark lies on the trademark owner, it should be in every brand owner’s interest to cooperate and also to utilize resources to develop better technology. This is vital for further development, since there are other internet service providers, like e.g. Second Life, that need be wooed into cooperation in the future. Not only are there many smaller actors that cannot afford efforts like those of eBay, but there are also new forms of intermediaries and new forms of infringement occurring on the internet all the time. Trademark owners could incentivize adoption of filtering software and infringement policies by commissioning the creation of or purchasing filtering software and distributing it and updates to intermediaries for free.

188 On the policy issue of where to place the enforcement burden, Professor Jane Ginsburg has argued that monitoring sites for infringing listings can be unduly burdensome for the individual copyright owner and therefore, shifting the enforcement burden to internet service providers, especially in instances of recurring infringement despite notices and take-downs. Her argument seems to presuppose technological development in the area of filtering software, and is presented in the context of user-generated content. Jane Ginsburg, *Separating the SONY Sheep from the GROKSTER Goats: Reckoning the Future Business Plans of Copyright-dependent Technology Entrepreneurs* (version of Feb. 16, 2008), Columbia Law School Public Law & Legal Theory Working Paper Group, Paper Number: 08-166, at 29-30. Although, the notion of the ‘individual’ can be debated in the copyright context, it must clearly be rejected in the trademark context, since trademarks are part of doing business. Shifting the inherent risk in doing business from one entity to another requires more than mere inefficiency, or lack of resources on the part of the property owner.

189 Unlike eBay that chose the path of cooperation, other internet service providers, no doubt informed by eBay’s constant pressure from right holders and battles in court, have chosen the path of tailoring their policies so as not to involve themselves at all as intermediaries. See for example, Google and Second Life.
Remuneration would be received by a decrease in counterfeiting on the site of a cooperating internet intermediary.

Trademark owners, in establishing the pooling organization, are best equipped to measure the appropriate level of enforcement and thus, the amount of allocated resources, to correct the wrong or harm they suffer. Such an organization would likely gather the most interested actors, that is, those who suffer most from trademark counterfeiting. The success in combating trademark counterfeiting, especially long-term, would likely be greater than imposing liability on a primarily disinterested party. Tailoring the agency to the demands of the internet, that is adopting a global focus and a conciliatory approach to intermediaries, will likely reduce litigation costs on a global scale. While legal enforcement against organized crime and sales of counterfeit merchandise will remain important, the proposed agency could soften the public image of the “all or nothing”-approach\(^\text{190}\) by including informing, aiding and providing tools to intermediaries in order to preemptively combat organized crime.

6 Conclusion

It is true that internet service providers or intermediaries are not what they were at the wake of the millennium: up-starting businesses at the frontier of societal and technological revolution. The generation of internet service providers that have benefited from legislative safe harbors are today, extremely successful, powerful and wealthy enterprises. However, wealth and success alone are not grounds for increasing liability.\(^\text{191}\) At the same time, those businesses that attempted to profit from infringement of the rights of others are bankrupt\(^\text{192}\) or struggling\(^\text{193}\) today. Thus, fears of mass-infringers on

\(^{190}\) By the “all-or-nothing” –approach I refer to advertising campaigns targeting consumers with threatening messages such as the consequences of buying counterfeit merchandise or law suits against intermediaries for willful trademark infringement.


\(^{192}\) Napster, Inc. closed its site after the Supreme Court found them liable for copyright infringement.

\(^{193}\) Since the criminal convictions rendered by the District court of Stockholm, the owners of Pirate Bay have opened the site off and on without long-term success.
the loose, because of internet service provider immunity, are groundless. The issue of internet service provider liability is not one of intent, since those who intentionally attempt to infringe or profit from infringement by others are held liable across the globe.

In the trademark context, the question, today, is one of enforcement in combating organized crime, but beneath the surface lies the fundamental question of exclusive or open use of trademarks on the internet. So far, extending trademark rights to all uses of a protected trademark on the internet has been squarely rejected. However, attempts at preventing offering or advertising using a protected trademark comes very close to permanently blurring the line between protecting the distinguishing function of a trademark to allowing absolute protection of the investment and advertising function of a trademark. Therefore, it is imperative to tread carefully in this domain and refrain from allowing actions of direct or indirect infringement against internet service providers absent clear evidence of fault.

As long as, the internet service provider provides an infrastructure that primarily benefits society and reasonably cooperates with right holders that present justified and proportionate claims, it should presumptively enjoy immunity from individual right holder law suits and expanded statutory or case law- based duties of care. We should be careful to tailor liability rules based on the acts of a few strong internet service providers and pit them against the interests of trademark holders. Instead, in fashioning liability rules, we should look to what rules enabled us to have a thriving market place, and thus, that would allow continued growth of technologically savvy and primarily infringement neutral technologies. All potentially infringing uses of trademarks in internet service provider domains are not known to us today neither are the impact of the up-starting

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195 *Tiffany v. eBay*, 08-3947-cv, decided April 1, 2010 by U.S. Court of Appeals for the Second Circuit. Joined cases C-236/08 to 238/08, *Google France SARL, Google Inc. v. Louis Vuitton Malletiere SA (C-236/08), Viaticum SA, Lucetiel SARL (C-237/08) and Centre national de recherché en relations humaines (CNRRH) SARL (C-238/08)*, March 23, 2010 (Grand Chamber).
businesses of today and tomorrow.\textsuperscript{196} Rather than focusing solely on the old generation of internet service providers, policy-making should take account of the market place as a whole. The standards for duty of care should also be tailored with small and medium-size businesses in mind.\textsuperscript{197} Developing a culture of sharing and cooperation between right holders and internet service providers, e.g. filtering software, best practices etc., would likely improve the overall effectiveness in combating the sale of counterfeit merchandise and optimize the use of allocated resources.

New tools should be developed within trademark law that specifically establish the prerequisites for indirect infringement and narrowly tailor appropriate remedies. This would aid judges in the difficult task of balancing fundamental interests properly. Until then, preserving consumer access to services, consumer and business utilization of technological tools, competition, expressive freedom and freedom of enterprise are weighty interests that outweigh the trademark owners’ interests in combating trademark counterfeiting and new forms of infringement.\textsuperscript{198}

Allowing internet service providers a presumptively wide safe harbor would not preclude trademark owners from utilizing alternative means to reaching a higher rate of combating trademark counterfeiting in the online environment, namely pooling their resources and establishing a global agency for utilizing the notice and take down procedures already in place. The burden of enforcement would then lie on the mostly interested parties that are best suited to allocate the appropriate level of resources in relation to the actual harm caused by trademark counterfeiting.

\textsuperscript{198} First Commission report at 19 citing a consumer study by DoubleClick Touchpoints: Effective Marketing Sequences in the Interactive Media Age, March 2003, available at http://www.interstrata.com/Papers\%20and\%20Opinions/dc_touchpoints_0303.pdf
1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:
   a. any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
   b. any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.
2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.
3. The following, inter alia, may be prohibited under paragraphs 1 and 2:
   a. affixing the sign to the goods or to the packaging thereof;
   b. offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;
   c. importing or exporting the goods under the sign;
   d. using the sign on business papers and in advertising.
4. Where, under the law of the Member State, the use of a sign under the conditions referred to in 1 (b) or 2 could not be prohibited before the date on which the provisions necessary to comply with this Directive entered into force in the Member State concerned, the rights conferred by the trade mark may not be relied on to prevent the continued use of the sign.
5. Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.
Article 12
"Mere conduit"
1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, or the provision of access to a communication network, Member States shall ensure that the service provider is not liable for the information transmitted, on condition that the provider:
(a) does not initiate the transmission;
(b) does not select the receiver of the transmission; and
(c) does not select or modify the information contained in the transmission.
2. The acts of transmission and of provision of access referred to in paragraph 1 include the automatic, intermediate and transient storage of the information transmitted in so far as this takes place for the sole purpose of carrying out the transmission in the communication network, and provided that the information is not stored for any period longer than is reasonably necessary for the transmission.
3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

Article 13
"Caching"
1. Where an information society service is provided that consists of the transmission in a communication network of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the automatic, intermediate and temporary storage of that information, performed for the sole purpose of making more efficient the information's onward transmission to other recipients of the service upon their request, on condition that:
(a) the provider does not modify the information;
(b) the provider complies with conditions on access to the information;
(c) the provider complies with rules regarding the updating of the information, specified in a manner widely recognised and used by industry;
(d) the provider does not interfere with the lawful use of technology, widely recognised and used by industry, to obtain data on the use of the information; and
(e) the provider acts expeditiously to remove or to disable access to the information it has stored upon obtaining actual knowledge of the fact that the information at the initial source of the transmission has been removed from the network, or access to it has been disabled, or that a court or an administrative authority has ordered such removal or disablement.
2. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement.

Article 14
Hosting
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
(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.

3. This Article shall not affect the possibility for a court or administrative authority, in accordance with Member States' legal systems, of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information.

Article 15
No general obligation to monitor

1. 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.

2. Member States may establish obligations for information society service providers promptly to inform the competent public authorities of alleged illegal activities undertaken or information provided by recipients of their service or obligations to communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements.

**Digital Millenium Copyright Act (17 U.S.C. § 512 c)**

§ 512. Limitations on liability relating to material online

(a) Transitory Digital Network Communications. — A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider's transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or by reason of the intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections, if —

1. the transmission of the material was initiated by or at the direction of a person other than the service provider;
2. the transmission, routing, provision of connections, or storage is carried out through an automatic technical process without selection of the material by the service provider;
3. the service provider does not select the recipients of the material except as an automatic response to the request of another person;
4. no copy of the material made by the service provider in the course of such intermediate or transient storage is maintained on the system or network in a manner ordinarily accessible to anyone other than anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary for the transmission, routing, or provision of connections; and
5. the material is transmitted through the system or network without modification of its content.

(b) System Caching.—

1. Limitation on liability. — A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the intermediate and temporary storage of material on a system or network controlled or operated by or for the service provider in a case in which —

A the material is made available online by a person other than the service provider;
(B) the material is transmitted from the person described in subparagraph (A) through the system or network to a person other than the person described in subparagraph (A) at the direction of that other person; and
(C) the storage is carried out through an automatic technical process for the purpose of making the material available to users of the system or network who, after the material is transmitted as described in subparagraph (B), request access to the material from the person described in subparagraph (A), if the conditions set forth in paragraph (2) are met.
(2) Conditions. — The conditions referred to in paragraph (1) are that —
(A) the material described in paragraph (1) is transmitted to the subsequent users described in paragraph (1)(C) without modification to its content from the manner in which the material was transmitted from the person described in paragraph (1)(A);
(B) the service provider described in paragraph (1) complies with rules concerning the refreshing, reloading, or other updating of the material when specified by the person making the material available online in accordance with a generally accepted industry standard data communications protocol for the system or network through which that person makes the material available, except that this subparagraph applies only if those rules are not used by the person described in paragraph (1)(A) to prevent or unreasonably impair the intermediate storage to which this subsection applies;
(C) the service provider does not interfere with the ability of technology associated with the material to return to the person described in paragraph (1)(A) the information that would have been available to that person if the material had been obtained by the subsequent users described in paragraph (1)(C) directly from that person, except that this subparagraph applies only if that technology -
(i) does not significantly interfere with the performance of the provider's system or network or with the intermediate storage of the material;
(ii) is consistent with generally accepted industry standard communications protocols; and
(iii) does not extract information from the provider's system or network other than the information that would have been available to the person described in paragraph (1)(A) if the subsequent users had gained access to the material directly from that person;
(D) if the person described in paragraph (1)(A) has in effect a condition that a person must meet prior to having access to the material, such as a condition based on payment of a fee or provision of a password or other information, the service provider permits access to the stored material in significant part only to users of its system or network that have met those conditions and only in accordance with those conditions; and
(E) if the person described in paragraph (1)(A) makes that material available online without the authorization of the copyright owner of the material, the service provider responds expeditiously to remove, or disable access to, the material that is claimed to be infringing upon notification of claimed infringement as described in subsection (c)(3), except that this subparagraph applies only if —
(i) the material has previously been removed from the originating site or access to it has been disabled, or a court has ordered that the material be removed from the originating site or that access to the material on the originating site be disabled; and
(ii) the party giving the notification includes in the notification a statement confirming that the material has been removed from the originating site or access to it has been disabled or that a court has ordered that the material be removed from the originating site or that access to the material on the originating site be disabled.
(c) Information Residing on Systems or Networks at Direction of Users.—
(1) In general. — A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider -
(A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
(B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and
(C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.
(2) Designated agent. — The limitations on liability established in this subsection apply to a service provider only if the service provider has designated an agent to receive notifications of claimed infringement described in paragraph (3), by making available through its service, including on its website in a location accessible to the public, and by providing to the Copyright Office, substantially the following information:
(A) the name, address, phone number, and electronic mail address of the agent.
(B) other contact information which the Register of Copyrights may deem appropriate.
The Register of Copyrights shall maintain a current directory of agents available to the public for inspection, including through the Internet, in both electronic and hard copy formats, and may require payment of a fee by service providers to cover the costs of maintaining the directory.
(3) Elements of notification. —
(A) To be effective under this subsection, a notification of claimed infringement must be a written communication provided to the designated agent of a service provider that includes substantially the following:
(i) A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.
(ii) Identification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site.
(iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.
(iv) Information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available, an electronic mail address at which the complaining party may be contacted.
(v) A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.
(vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.
(B)(i) Subject to clause (ii), a notification from a copyright owner or from a person authorized to act on behalf of the copyright owner that fails to comply substantially with the provisions of subparagraph (A) shall not be considered under paragraph (1)(A) in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent.
(ii) In a case in which the notification that is provided to the service provider's designated agent fails to comply substantially with all the provisions of subparagraph (A) but substantially complies with clauses (ii), (iii), and (iv) of subparagraph (A), clause (i) of this subparagraph applies only if the service provider promptly attempts to contact the person making the
notification or takes other reasonable steps to assist in the receipt of notification that substantially complies with all the provisions of subparagraph (A).

(d) Information Location Tools. — A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link, if the service provider —

(1)(A) does not have actual knowledge that the material or activity is infringing;

(B) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(C) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

(2) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(3) upon notification of claimed infringement as described in subsection (c)(3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity, except that, for purposes of this paragraph, the information described in subsection (c)(3)(A)(iii) shall be identification of the reference or link, to material or activity claimed to be infringing, that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate that reference or link.

(e) Limitation on Liability of Nonprofit Educational Institutions. — (1) When a public or other nonprofit institution of higher education is a service provider, and when a faculty member or graduate student who is an employee of such institution is performing a teaching or research function, for the purposes of subsections (a) and (b) such faculty member or graduate student shall be considered to be a person other than the institution, and for the purposes of subsections (c) and (d) such faculty member's or graduate student's knowledge or awareness of his or her infringing activities shall not be attributed to the institution, if —

(A) such faculty member's or graduate student's infringing activities do not involve the provision of online access to instructional materials that are or were required or recommended, within the preceding 3-year period, for a course taught at the institution by such faculty member or graduate student;

(B) the institution has not, within the preceding 3-year period, received more than 2 notifications described in subsection (c)(3) of claimed infringement by such faculty member or graduate student, and such notifications of claimed infringement were not actionable under subsection (f); and

(C) the institution provides to all users of its system or network informational materials that accurately describe, and promote compliance with, the laws of the United States relating to copyright.

(2) For the purposes of this subsection, the limitations on injunctive relief contained in subsections (j)(2) and (j)(3), but not those in (j)(1), shall apply.

(f) Misrepresentations. - Any person who knowingly materially misrepresents under this section —

(1) that material or activity is infringing, or

(2) that material or activity was removed or disabled by mistake or misidentification, shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer, by any copyright owner or copyright owner's authorized licensee, or by a service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it.

(g) Replacement of Removed or Disabled Material and Limitation on Other Liability.—
(1) No liability for taking down generally. — Subject to paragraph (2), a service provider shall not be liable to any person for any claim based on the service provider's good faith disabling of access to, or removal of, material or activity claimed to be infringing or based on facts or circumstances from which infringing activity is apparent, regardless of whether the material or activity is ultimately determined to be infringing.

(2) Exception. — Paragraph (1) shall not apply with respect to material residing at the direction of a subscriber of the service provider on a system or network controlled or operated by or for the service provider that is removed, or to which access is disabled by the service provider, pursuant to a notice provided under subsection (c)(1)(C), unless the service provider —

(A) takes reasonable steps promptly to notify the subscriber that it has removed or disabled access to the material;

(B) upon receipt of a counter notification described in paragraph (3), promptly provides the person who provided the notification under subsection (c)(1)(C) with a copy of the counter notification, and informs that person that it will replace the removed material or cease disabling access to it in 10 business days; and

(C) replaces the removed material and ceases disabling access to it not less than 10, nor more than 14, business days following receipt of the counter notice, unless its designated agent first receives notice from the person who submitted the notification under subsection (c)(1)(C) that such person has filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material on the service provider's system or network.

(3) Contents of counter notification. — To be effective under this subsection, a counter notification must be a written communication provided to the service provider's designated agent that includes substantially the following:

(A) A physical or electronic signature of the subscriber.

(B) Identification of the material that has been removed or to which access has been disabled and the location at which the material appeared before it was removed or access to it was disabled.

(C) A statement under penalty of perjury that the subscriber has a good faith belief that the material was removed or disabled as a result of mistake or misidentification of the material to be removed or disabled.

(D) The subscriber's name, address, and telephone number, and a statement that the subscriber consents to the jurisdiction of Federal District Court for the judicial district in which the address is located, or if the subscriber's address is outside of the United States, for any judicial district in which the service provider may be found, and that the subscriber will accept service of process from the person who provided notification under subsection (c)(1)(C) or an agent of such person.

(4) Limitation on other liability. — A service provider's compliance with paragraph (2) shall not subject the service provider to liability for copyright infringement with respect to the material identified in the notice provided under subsection (c)(1)(C).

(h) Subpoena to Identify Infringer.—

(1) Request. — A copyright owner or a person authorized to act on the owner's behalf may request the clerk of any United States district court to issue a subpoena to a service provider for identification of an alleged infringer in accordance with this subsection.

(2) Contents of request — The request may be made by filing with the clerk —

(A) a copy of a notification described in subsection (c)(3)(A);

(B) a proposed subpoena; and

(C) a sworn declaration to the effect that the purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of protecting rights under this title.

(3) Contents of subpoena. — The subpoena shall authorize and order the service provider receiving the notification and the subpoena to expeditiously disclose to the copyright owner or person authorized by the copyright owner information sufficient to identify the alleged infringer.
of the material described in the notification to the extent such information is available to the service provider.

(4) Basis for granting subpoena. — If the notification filed satisfies the provisions of subsection (c)(3)(A), the proposed subpoena is in proper form, and the accompanying declaration is properly executed, the clerk shall expeditiously issue and sign the proposed subpoena and return it to the requester for delivery to the service provider.

(5) Actions of service provider receiving subpoena. — Upon receipt of the issued subpoena, either accompanying or subsequent to the receipt of a notification described in subsection (c)(3)(A), the service provider shall expeditiously disclose to the copyright owner or person authorized by the copyright owner the information required by the subpoena, notwithstanding any other provision of law and regardless of whether the service provider responds to the notification.

(6) Rules applicable to subpoena. — Unless otherwise provided by this section or by applicable rules of the court, the procedure for issuance and delivery of the subpoena, and the remedies for noncompliance with the subpoena, shall be governed to the greatest extent practicable by those provisions of the Federal Rules of Civil Procedure governing the issuance, service, and enforcement of a subpoena duces tecum.

(i) Conditions for Eligibility.—

(1) Accommodation of technology. — The limitations on liability established by this section shall apply to a service provider only if the service provider —

(A) has adopted and reasonably implemented, and informs subscribers and account holders of the service provider’s system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider’s system or network who are repeat infringers; and

(B) accommodates and does not interfere with standard technical measures.

(2) Definition. — As used in this subsection, the term “standard technical measures” means technical measures that are used by copyright owners to identify or protect copyrighted works and —

(A) have been developed pursuant to a broad consensus of copyright owners and service providers in an open, fair, voluntary, multi-industry standards process;

(B) are available to any person on reasonable and nondiscriminatory terms; and

(C) do not impose substantial costs on service providers or substantial burdens on their systems or networks.

(j) Injunctions. — The following rules shall apply in the case of any application for an injunction under section 502 against a service provider that is not subject to monetary remedies under this section:

(1) Scope of relief. — (A) With respect to conduct other than that which qualifies for the limitation on remedies set forth in subsection (a), the court may grant injunctive relief with respect to a service provider only in one or more of the following forms:

(i) An order restraining the service provider from providing access to infringing material or activity residing at a particular online site on the provider's system or network.

(ii) An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is engaging in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order.

(iii) Such other injunctive relief as the court may consider necessary to prevent or restrain infringement of copyrighted material specified in the order of the court at a particular online location, if such relief is the least burdensome to the service provider among the forms of relief comparably effective for that purpose.

(B) If the service provider qualifies for the limitation on remedies described in subsection (a), the court may only grant injunctive relief in one or both of the following forms:
(i) An order restraining the service provider from providing access to a subscriber or account holder of the service provider's system or network who is using the provider's service to engage in infringing activity and is identified in the order, by terminating the accounts of the subscriber or account holder that are specified in the order.

(ii) An order restraining the service provider from providing access, by taking reasonable steps specified in the order to block access, to a specific, identified, online location outside the United States.

(2) Considerations. — The court, in considering the relevant criteria for injunctive relief under applicable law, shall consider —

(A) whether such an injunction, either alone or in combination with other such injunctions issued against the same service provider under this subsection, would significantly burden either the provider or the operation of the provider's system or network;

(B) the magnitude of the harm likely to be suffered by the copyright owner in the digital network environment if steps are not taken to prevent or restrain the infringement;

(C) whether implementation of such an injunction would be technically feasible and effective, and would not interfere with access to noninfringing material at other online locations; and

(D) whether other less burdensome and comparably effective means of preventing or restraining access to the infringing material are available.

(3) Notice and ex parte orders. — Injunctive relief under this subsection shall be available only after notice to the service provider and an opportunity for the service provider to appear are provided, except for orders ensuring the preservation of evidence or other orders having no material adverse effect on the operation of the service provider's communications network.

(k) Definitions.—

(1) Service provider. — (A) As used in subsection (a), the term “service provider” means an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received.

(B) As used in this section, other than subsection (a), the term “service provider” means a provider of internet services or network access, or the operator of facilities therefor, and includes an entity described in subparagraph (A).

(2) Monetary relief. — As used in this section, the term “monetary relief” means damages, costs, attorneys' fees, and any other form of monetary payment.

(l) Other Defenses Not Affected. — The failure of a service provider's conduct to qualify for limitation of liability under this section shall not bear adversely upon the consideration of a defense by the service provider that the service provider's conduct is not infringing under this title or any other defense.

(m) Protection of Privacy. — Nothing in this section shall be construed to condition the applicability of subsections (a) through (d) on —

(1) a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, except to the extent consistent with a standard technical measure complying with the provisions of subsection (i); or

(2) a service provider gaining access to, removing, or disabling access to material in cases in which such conduct is prohibited by law.

(n) Construction. — Subsections (a), (b), (c), and (d) describe separate and distinct functions for purposes of applying this section. Whether a service provider qualifies for the limitation on liability in any one of those subsections shall be based solely on the criteria in that subsection, and shall not affect a determination of whether that service provider qualifies for the limitations on liability under any other such subsection.