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TRADEMARK ENFORCEMENT IN CYBERSPACE

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Abstract

This thesis is a comparative study of the enforcement of trademark rights in cyberspace in the U.S. and Europe. It provides common law rules and principles which with the rise of the internet, have had to extend to protect trademark proprietors and e-consumers from various forms of infringements not covered before. It explains the new uses of trademarks in the digital world where there is a question of jurisdiction over the matters and there is no updated legal rules governing the advanced functions of trademarks. By analyzing court interpretations and decisions throughout case law, we figure out the scopes of protection in each jurisdiction. This shows the gaps in the holdings, and discusses the need for legislators to set defined principles as for the enforcement of trademark protection and liability on all levels.

Introduction

Trademark law has come a long way in the short time since the physical world entered the World Wide Web era. Since then, trademark and unfair competition law has continued to shape, and be shaped by developments in internet technology and its integration into all aspects of life. Intellectual Property Laws in general, and Trademarks Laws and Regulations in particular, existed long before the internet was around and thus, so they are lacking special provisions in regard to trademarks in the digital sphere. However, after the dot com bubble burst, the Paris Convention,¹ the Madrid Agreement of 1883 concerning the international registration of marks, the Lanham Act,² and the EU Directive 2008/95/EC for the approximation of the laws of the Member States relating to trademarks³ and other Directives, all had to face new sorts of issues related to trademarks.⁴ Meaning that IP laws and Conventions' mission of trademark's protection is no longer limited to the physical world but has been extended to govern the cyber-world as well. Likewise, by necessity, many international organizations like WIPO and courts have become increasingly familiar with legal and business issues related to the internet.

Before the evolution of the internet, trademark laws used to have a set of rules which applied to limited forms of infringement.⁵

In the internet era, however, the changes in the commercial significance of trademarks have influenced the views of courts, legislators, and legal scholars. Thus, it has caused the scope of trademark protection to vary accordingly. For example, the Lanham Act has provided that in

¹ See Paris Convention for the Protection of Industrial Property of March 20, 1883. WIPO Database of Intellectual Property.

² The Lanham Act of 1946. also known as the Trademark Act (15 U.S.C.A. § 1051).

³ Directive 2008/95/EC of the European Parliament and the Council of 22 October 2008. L 299/25.

⁴ § 43(d) (15 U.S.C. §§ 1125(c), 1125(d)), Lanham A.

⁵ i.e. Traditional trademark infringement occurs when one party adopts a trademark which is the same as or is so similar to that of another's, in relation to goods and services in the marketplace.

order to decide a case of infringement, trademarks should be ‘used in commerce’ and therefore trademarks’ use has always been associated with goods and services.⁶ Whereas when trademarks evolved in the digital atmosphere, they additionally became used as keywords, metatags, and domain names. Which raised doubts about, whether trademark’s uses on the internet, in metatags for example, would still be a considered a ‘use in commerce’. It also questioned national trademark laws’ efficiency in deciding trademarks-domain names’ disputes for example, especially that such types of disputes did not exist at the time legislators have set the rules. Furthermore, despite all national trademark laws’ aim to protect consumers and to avoid misleading practices, courts have always adopted a likelihood of confusion analysis in deciding trademark infringement. However, in cyberspace litigations, in the U.S, courts broadened this standard and found an ‘Initial Interest Doctrine’, whereby it has found cases of trademark infringement even when there is no confusion at the time of sale.⁷ Meaning that the, after this Doctrine was adopted, the possibility of finding a case of infringement in cyberspace has massively increased.

Moreover, before the internet world was discovered, trademark laws used to direct their protection in favor of consumers and trademark proprietors against infringing businesses. However, afterward, as the internet medium became a habitat for new intermediaries like Internet Service Providers (ISPs), courts had to decide several leading cases concerning intermediaries’ liability and exemption from liability.⁸

In sum, this paper aims to show the modern tools of trademark enforcement in cyberspace and how they should be applied into the digital world. It also seeks to clarify and

⁶ Lanham Act 15 U.S.C. § 1127.

⁷ *Brookfield Communications Inc. v. West Coast Entertainment Corp.* No. 98-cv-09074-CM-AJW (C.D. Cal. Nov. 30, 1998).

⁸ *Gucci America, Inc. v. Hall & Associates*, 135 F. Supp. 2d 409 (S.D.N.Y. 2001).

illustrate, through case law, how trademark laws are implemented by courts to govern cases of recent forms of infringements in cyberspace. The overall purpose is to examine to which extent EU and U.S. national trademark laws and regulations were efficiently applied by courts and been able to contemplate all trademark issues on the internet. This will let us in discover the gaps that national laws could not fulfill, and determine whether or not to call the legislators' to intervene with regard to trademark enforcement in cyberspace. And to find out whether there is an urgent need for legislators' to create an international trademark law of cyberspace thereto.

The first chapter of this paper addresses the functions and provisions of the U.S Trademark Law 'the Lanham Act' and the EU Trademark Directive and Regulation to illustrate how traditional trademark laws were expanded, interpreted and adjusted to adequately govern trademarks in cyberspace and protect the goodwill of the trademark proprietors. Subsequently, it draws a comparative analysis on how U.S and EU courts implemented those rules on cases of trademark enforcement whereby trademarks are used in advertising and e-commerce. The second chapter, explains the 'initial interest confusion' doctrine and its rationale, and shows the consequences of applying such doctrine by U.S. courts in relation with the Lanham Act in order to decide whether this doctrine is justifiable or not. At the end of this chapter we also analyze the implications of the absence of this doctrine in the EU. Finally in the third chapter, after talking about trademark proprietors and e-consumers, we talk about another intermediary which is the Internet Service Provider (ISP). We talk about the direct and contributory liability of ISPs with an insight through case law, and explain the limitations on ISPs liability.

Chapter 1

The name that a company selects for its goods and services has for many years formed an essential business asset, known as Trademark.⁹ A trademark can take the form of a word, symbol, or phrase, used to identify a particular manufacturer or seller's products and distinguish them from the products of another.¹⁰ Examples of trademarks are 'BMW' and 'Mercedes' for luxury cars, 'Chanel' and 'Prada' for women's luxuries and accessories, and 'Apple' for smart phones and laptops.

This definition of trademark originated from trademark laws long before the internet and the digital revolution took place. It has been defined ever since businessmen and market merchants wanted to differentiate their products from those of other rivals in the same market. English law, for example, since the middle ages has required vendors to mark the swords and armor before selling them, so that consumers could easily report sellers of defective weapons.¹¹ So throughout the centuries, merchants used trademarks to protect their goodwill and obtain an exclusive right over their goods and services. This emphasizes that a trademark has always been associated and connected to various categories of goods and services. However, the functions of a trademark have expanded significantly over time and trademarks are currently used not only as designators of source of origin, guarantor of the quality of goods, embodiment of the trademark proprietor's goodwill, but also as advertising tools.¹² Thus, it remained undisputed that trademarks create a special identification for the goods in terms of quality, size, shape, price, options, and originality. And that it offer protection for both consumers and businesses.

⁹ Zhanna Kalistratova. *Modern Concepts of Trademark Protection and Their Application to Internet Uses*. Central European University, Master Thesis, (2007). Pg. 1;

¹⁰ 15 U.S.C. § 1127 of the Lanham Act, 1946.

¹¹ Shiveh Roxana Reed, *Sensible Agnosticism: an updated approach to domain-name trademark infringement*. Duke University School of Law, (2011). Pg. 214, available at <<http://scholarship.law.duke.edu/>>.

¹² Zhanna Kalistratova. *Op. cit.* Pg. 3;

However, what became questionable is which to value more; which of those two groups deserve more protection; is it the investor who has put a huge amount of money to distinguish and privilege his goods in a highly competitive market? Or it is the consumer who is the main target for manufacturers, and is the one wishing to purchase the best quality of goods, at the least price possible.

Each country examined trademark functions differently, the United States for example has not instituted comprehensive statutory protection for trademarks until 1946, and it was when the Lanham Act was found. Afterward, courts gradually became familiar with trademark protection concept. In 1916, in *Hanover Star Milling Co. v. Metcalf*,¹³ the United States Supreme Court admitted one of the trademarks' main functions, holding that 'the primary and proper function of a trademark is to identify the origin or ownership of the article to which it is affixed.'

¹⁴ This means that, trademarks in the nineteenth and early twentieth century functioned only to indicate the physical source of the goods and services.

Whereas today, trademarks are being used by online merchants from all parts of the world, targeting different customer segments from all over the globe through advertisements, web pages and E-commerce practices. This has inspired online intermediaries to take advantage of trademarks mainly for financial and commercial gains, to the detriment of trademark holder's goodwill. And this is what called courts and international organizations like WIPO to intervene and enforce the national tools of trademark protection, in cyberspace.

To date, many legal instruments were created to cope with the new developments in the internet world and to protect Intellectual Property Rights therein. I say 'new', but in fact it has

¹³ *Hanover Star Milling Co. v. Metcalf*. 240 US 403 (S.Ct 1916).

¹⁴ Zhanna Kalistratova. *Op. cit.* Pg. 4.

been more than ten years now that the internet has built itself as a whole borderless, independent world where human beings interact, invest their money, and handle all sorts of business activities.

The Digital Millennium Copyright Act of 1998 and the Anti-Cybersquatting Consumer Protection Act¹⁵ are two examples of legal tools covering both intellectual property rights (IPRs) and its enforcement in cyberspace. Those two acts were created to govern trademarks in cyberspace when it is improper to extend the Lanham Act's provisions to rule over a case of infringement committed by a foreigner defendant on the internet.

Meanwhile, the following section explains the legal provisions and functions of the Lanham Act and other European Directives. It nevertheless clarifies the new uses of trademarks in the digital world, and it elaborates on the reasons why there was a need to create more developed acts to cope with the internet globe. Noting that to date, there was no unified legal tool of protection for trademarks in cyberspace. One of the reasons why such tool is still lacking, is possibly because legislators believe that national trademark laws are flexible enough and therefore can be extended to govern the digital forum with regard to trademarks and thus, there is no pressing need for anything like an International Trademark Law of Cyberspace. But to make the image more clear, we shall first explain the principles of existing traditional trademark laws and how they are enforced.

In the U.S. - The Lanham Act

In the U.S, unlike patent and copyright law, trademark law is not grounded in the U.S constitution.¹⁶ Thus, particularly in 1946, Congress created a regulatory Trademark Act referred

¹⁵ The Anticybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d) (1999).

¹⁶ Shiveh Roxana Reed. *Op.cit.* Pg. 217. Available at <<http://scholarship.law.duke.edu/>>.

to as the ‘Lanham Act’. This act is a piece of legislation and has formed an overall framework for trademarks in the US. It was found to protect trademark rights and give remedies for trademark proprietors for the injuries they suffer in cases of infringement. Hence, one of the main goals of the act is to regulate different processes starting from trademarks’ registration all the way down to registration of any U.S mark used to identify a group of goods and services in the commercial market. This tells us that ever since the Lanham Act was created, the U.S trademark industry has enjoyed a great level of federal judicial protection. Trademark owners were rewarded for the huge amount of money they paid to protect their goodwill by being offered legal protection, an exclusive right over their goods and services, and remedies against infringement, dilution, false advertising, and other kinds of interferences.

Nonetheless, there is a set of legal requirements in which a trademark proprietor need to prove to be able to allege a cause of action for trademark infringement under the Lanham Act. The proprietor must show : 1) that it possesses a mark; 2) that the defendant used the mark; 3) that the defendant’s use of the mark occurred ‘in commerce’; 4) that the defendant used the mark ‘in connection with goods and services; and 5) that the defendant used the mark in a manner likely to confuse customers.¹⁷

Yet, after the World Wide Web became an attractive medium for electronic commerce, uses of trademarks became more advanced, and ways of trademark infringement took a different path; causing, as a result, a problem of trademark enforcement. For example, when an infringing act is stipulated outside the U.S. by a foreign defendant, a conflict between the extraterritorial enforcement of the Lanham Act and international legal principles will arise. This is actually what happens in real world. Hence, when infringements of IPRs’ were committed in the cyber-world,

¹⁷ Lanham Act 15 U.S.C. § § 1114, 1125 (a) (1946).

legislators and/or courts had to regulate the matter and decide when it is appropriate to apply the Lanham Act extraterritorially. This shows that the Lanham Act in appropriate cases can be applied extraterritorially.¹⁸ But neither the Lanham Act nor courts did explicitly specify what it is considered as appropriate. The standard of appropriateness varied in the eyes of court and this variation was reflected in courts' decisions throughout case law. *Steele v. Bulova Watch Co.*'s case for example,¹⁹ although it was dismissed by the court for lack of subject matter jurisdiction, in that case the court used a test known as 'The vanity fair test' which can be used to guide courts in deciding the matter by answering those questions: (1) whether the defendant is an American citizen, (2) whether the defendant's actions have a substantial effect on the United States commerce, (3) and whether relief would create a conflict with foreign law.²⁰ However, this prong test has not been given much weight or recognition afterward. And it has usually been the practice by courts to bring the subject matter jurisdiction under the Lanham Act only if the contested activities have a substantial effect on US commerce, viewed in light of the Lanham Act's goals.²¹

In *McBee v. Delica Co., Ltd*²² for instance, the United States Court of Appeal concluded that *McBee*'s claim for injunction against *Delica*'s posting of its internet website in a way that is visible and accessible by U.S. consumers is a call for an extraterritorial application of the Lanham Act. It held, that this application would only be appropriate if the plaintiff could prove the substantial effect of *Delica*'s acts on U.S commerce; the thing that *McBee* was reluctant to prove.

¹⁸ See *Steele v. Bulova Watch Co.* 344 U.S. 280, 73 S.Ct. 252, 97 L.Ed. 319 (1952).

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.* Pg. 488;

²² *McBee v. Delica Co., Ltd.*, 417 F. 3d 107 - Court of Appeals, 1st Circuit (2005).

The latter case emphasizes that the existence of a website, hosted overseas, which provides information that is accessible and visible by consumers in a forum state, is not enough, by itself, to give a forum state personal jurisdiction over a defendant. More concisely, the existence of a website on the internet does not necessarily mean that the business is directly targeting consumers in a particular state from which the website can be accessed. Similarly, it has been said that “allowing subject matter jurisdiction under the Lanham Act to automatically attach whenever a website is visible in the United State would eviscerate the territorial curbs on judicial authority that Congress is, quite sensibly, presumed to have imposed in this area.”²³

On the other hand, it is doubtful that the extraterritorial reach of the Lanham Act complies with other basic international legal principles like the provisions of the Paris Convention for the Protection of Industrial Property concluded in 1883. The Convention called for a harmonized protection of (IPR) and established the principles of national treatment, minimum rights, and most importantly it emphasized the principles of nationality and territoriality.²⁴ In fact, those principles, especially the principle of territoriality of trademarks, became no longer guaranteed when the dot com bubble burst. It is no longer surprising though, that trademarks overcame the geographical borders and are now floating in a borderless space. While trademark law maintained its territorial and national limits, trademarks have made their way beyond those borders into the cyberspace. As a consequence, many states including the U.S. have been seeking to extend their national laws beyond the territorial boundaries in a way that enables them to govern the far reaching international commerce. Also, their aim is to comply

²³ Paul Goldstein. *pg. 489*;

²⁴ Anna R. Popov. *The extraterritorial reach of the Lanham Act over trademarks on the internet*. The journal of internet law, vol. 8 (2005). Pg. 23;

with the technological development and all the negative and positive effects which foreign trade has on the national economy.²⁵

Trying to avoid conflicts with international law, the World Intellectual Property Organization (WIPO) and the assembly of the Paris Convention adopted a joint recommendation for the protection of marks and other industrial property rights in signs on the internet.²⁶ This document provided a clear legal framework for adjudicating international trademark disputes in the internet. And it provided guidelines for the application of existing national or regional industrial property laws to legal problems arising from international trademark disputes concerning the Internet.²⁷ Most importantly, it helped courts in measuring the effect a trademark has, on the market of a forum state; taking into consideration the consequences of using a trademark over the internet. However, as long as there will be no uniformed application of the Joint Recommendation among courts, all the provisions will be used only as guidelines for courts and will be reluctant to form a substantive international law.

For more than ten years, legal scholars have not given up on the idea of creating a substantive trademark law by relying on national trademark laws of member states as a base, and the terms of the Joint Recommendation as well. Although it has always been an idea only, but if developed, it will definitely be a real step forward to avoid the wrongful extraterritorial application of the Lanham Act and other treaties. Likewise, it will enable the U.S to file a trademark claim on behalf of its nationals before international bodies like the World Trade

²⁵ Anna R. Popov. *Op.cit.* Pg. 25;

²⁶ i.e. The Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs on the Internet. It aims to provide a clear legal framework for trademark owners who wish to use their marks on the Internet and to participate in the development of electronic commerce. They are intended to facilitate the application of existing laws relating to marks, and other industrial property rights in signs, on the Internet. *For details, see* <<http://wipo.int>>.

²⁷ Anna R. Popov. *Op. cit.* Pg. 26;

Organization (WTO) or the International Court of Justice (ICJ) and allow them to decide the issue.

In Europe - Directives and Regulations

The essential function of trademarks as referred to in traditional Trademark Laws and the Court of Justice of the EU (CJEU) is to guarantee the identity of the origin of the trade-marked product to the consumer or final user, by enabling him to distinguish without any possibility of confusion between that product and products which have another origin.²⁸ Meaning that, trademarks will be able to fulfill their function as long as other businesses are prevented from using confusingly similar marks for their goods. Therefore, article 5(1) of the Trademark Directive No. 2008/95/EC, obliges all EU member states to grant basic minimum level of trademark protection. The EU protection mission of the CJEU aims to avoid all forms of confusion on the side of consumers; including post sales confusion.²⁹ While according to the CJEU, the wide spreadness of trademarks on the internet requires a reconsideration of the balance between trademark protection and fundamental freedoms, i.e. commercial freedom of expression and freedom of competition. Meanwhile it held that referencing to trademarks in comparative advertising and parody for example, stipulates a cause of action under EU Trademark Law.³⁰ Noting that, the use of trademarks in keyword advertisements will be discussed further in the next chapter.

So what happens when there is a case of trademark infringement involving more than one member state? Which court of which country has jurisdiction over the matter? If those questions were to be answered due to international private law, it will be resolved on the basis of

²⁸ Senftleben, Martin R.F., *Keyword Advertising in Europe-How the Internet Challenges Recent Expansions of EU Trademark Protection*. (2011-2012), Pg. 40;

²⁹ *Id*, Pg. 45;

³⁰ *Id*, Pg. 61;

territoriality –either at the place of domicile of a person, the place of registration of an (IPR), or the place where the infringing incident took place. Those are the likely stressing questions when an infringing action takes place in the real world. But what will be the case if the infringing act took place in cyberspace? Which law should apply? Which court will have jurisdiction over the matter? ³¹ Although there cannot be a definite answer to those questions, we provide a historical and case law overview to help clarify the above mentioned matters.

The 1990s' marks a splendid boom in the technological world because of the innovation of the internet and the flourishing development of internet commerce and online transactions therewith. Many ISPs have offered consumers and manufacturers unique services along the digital supply chain. But this technological revolution has its costs, gaps and side effects. Courts have faced real difficulties dealing with wholly new borderless atmosphere which has its own drawbacks over intermediaries. That is especially because the factors which determine intermediaries' liabilities for violations of (IPR), became de-personalized. ³²

So it is undisputed that cases of infringement taking place in cyberspace call for special judicial and legislative considerations. Those acts happening on the internet more often are subject to more than one courts' jurisdiction. While the plaintiff is entitled to choose the court before which he wants to file a claim for protection, from among member states. After all, the

³¹ Zuzana Slováková. *Journal of International Commercial Law and Technology: International Private Law Issues regarding Trademark Protection and the Internet within the EU*. (Vol. 3, Issue 1, 2008); Pg. 76;

³² i.e it could be a server or a robot that is behind the screen and not necessarily a person. See Stefan Bechtold, *Google AdWords and European Trademark Law*. Available online at <<http://ehis.ebscohost.com/eds/pdfviewer/pdfviewer?vid=5&sid=310cb23d-317c-478e-a799-26c3433f86d2%40sessionmgr4&hid=16>>; (vol. 54, no. 1, January 2011). Pg. 30;

Regulation 1215/2012 governs the matter of jurisdiction and the recognition and enforcement of judgments in civil and commercial litigations in EU member states.³³

At the EU level, nonetheless, the European Parliament and Council Directive 2004/48/EC on the Enforcement of Intellectual Property Rights have put so much effort in enhancing trademark rights' status on a community level. The Directive has set out standards, procedures, and remedies for the enforcement of (IPR) among member states. But, in order for the Directive itself to be enforced, each member state shall implement it in its national laws. Only then, courts can rely on the Directive to decide against an infringing party. This could be handled by imposing injunctions or equitable damages against the infringing party and/or ordering him to pay financial compensation.³⁴

Nonetheless, the dangers of courts' reliance on European Trademark Law cannot be fully described, unless we analyze courts' interpretations on case to case basis of trademark infringements in cyberspace. Taking into consideration, of course, that an infringement act can take different forms, since it can potentially occur through different digital channels (domain names, websites, keywords, advertisement, metatags, etc.) holding the infringing party and/or the Internet Service Provider (ISP) contributorily, and/or victoriously liable. Therefore, a comprehensive analysis of case law will help us understand how the U.S. and the EU courts have dealt with different forms of infringement and what are the remedies they tend to offer the litigating party by means of enforcing trademark law in cyberspace and not only in real world.

³³ Zuzana Slováková. *Op. cit.* Pg. 79;

³⁴ *Id.*

Law in Action - Common Ways of Trademark infringement in Cyberspace

Claims of trademark infringement became increasingly common on the Internet and the World Wide Web. Most of these claims are legitimate complaints, made against web users who misuse the internet facilities and violate the law. The number of trademark allegations involving the Internet increased due to the attractiveness of the internet to manufactures and its efficiency in making financial gains and promoting businesses. Due to its importance for trade and commerce; manufacturers' tend to maintain it as a habitant through which they use others' trademarks in their infringing practices, usually by advertising in bad faith. The first advertising tool used for trademark infringement in cyberspace is known as keyword. It is used with a referencing service provider in order to have an advertisement appear as 'sponsored links' on users' screens following the entry by internet users of a search term corresponding to the trademark selected as 'keyword'. The second tool is keyword metatag, whereby business's use of competitor's trademarks in metatags leads to trademark infringement, misleads consumers, and violates the goodwill of the trademark holder. However, the third category of internet tools of infringement which got significant attention by commentators is domain names (DNs); whereby even the electronic alphanumeric strings of the internet were employed to commit trademark infringement. Next, throughout case law, and given an updated approach of trademark infringement tools, we shall see how trademark laws and directives have been put in action.

The use of Trademarks as Keywords and Banner Advertisements (Ads) for Advertising Purposes

The development in communication technology has been associated with new marketing tools for businesses and (ISPs). The most commonly used marketing strategies are “pop up” advertisements and spam e-mails, as well as banner advertisements. Though in this section we only focus on banner advertisements and keywords.

Banners advertising operate in a way that when a consumer uses trademarks as keywords in the search engine e.g (Google/Yahoo), he will either be directed to the advertiser’s web page or will have the advertisement displayed somewhere on his screen. Hence, some businesses have challenged those banner advertisements and have considered them as a threat to their goodwill and causes infringement of their trademark rights.³⁵ In the past 15 years, both the U.S and the EU were debating the matter of using trademarks in AdWords system.³⁶ Particularly, they were questioning the common practice of Google as a service provider for operating an AdWords system, and whether this practice constitutes a violation of trademark rights. In fact, the landmark case of *Louis Vuitton v. Google France*³⁷ will help us to understand the formula of how AdWords’ referencing service involves trademarks in their operation. First of all, Google offers AdWords as a paid referencing service which enables any economic operator, by means of the reservation of one or more keywords to obtain the placing of an advertising link to it site, whenever one or more of those words and that/those entered in the search engine by an internet user corresponds. That advertising link, known as ‘sponsored link,’ appears 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). In principle, the advertiser is free to select any keyword for his

³⁵ Kurt M. Saunders. *Confusion is the key: A trademark law analysis of keyword banner advertisement*. Fordham Law Review, (Vol.71 2002). Pg. 103;

³⁶ i.e It is Google's flagship advertising product and main source of revenue see www.google.com.

³⁷ *Google France SARL v. Louis Vuitton*. ECJ (C-236/08), (23 March 2010).

advertising links, and a number of advertisers may also reserve the same keyword. The order in which their advertising links are then displayed is determined by the paid amount of fee per click, the number of previous clicks on those links and the quality of the ad as assessed by Google.³⁸

Vuitton is particularly a well known luxury bags and leather goods' company. It is the proprietor of the Community Trademark '*Vuitton*' and of the French national trademarks '*Louis Vuitton*' and '*LV*'. In 2003, *Vuitton* found out that every time e-consumers enter the terms of its trademarks into Google's search engine, 'sponsored links' pop up on their screens, showing links to sites offering fake *Vuitton* products. Plaintiff also established that Google additionally offered advertisers the possibility of selecting those keywords in combination with expressions indicating imitation, such as 'imitation' and 'copy'.³⁹ In 2005, regional court of Paris held Google liable of infringing LV's trademark. However, after Google appealed the decision, the highest court had to limit its judgment as to whether by using AdWords consisting of 'LV's' trademarks, Google had violated French Trademark Law.

Eventually, In March 2010, the ECJ found the manufacturer or the advertiser of fake LV products is liable for violating trademark law if-only his 'keyword-backed advertising link'⁴⁰ makes the consumer assume that those goods are actually produced by the same manufacturer. Meanwhile, the ECJ did not give a clear cut answer as to whether the fake product producer was actually violating trademark law. The court mentioned that an exemption of liability will be likely under Article 14 of Directive 2004/31 if the intermediary took a neutral role, meaning that his role was absolutely technical, automatic and passive. Or that he has not taken any active role

³⁸ *Google France SARL v. Louis Vuitton*. ECJ (C-236/08), (23 March 2010).

³⁹ *Id.*

⁴⁰ Stefan Bechtold. *Op. cit.* Pg.30;

leading to knowledge or control of the data it stores. It also pointed that European Trademark Law does not entitle trademark owner to prevent all means of utilizing and using a trademark by third parties. In other words, the court stated that *Google*'s offers of keywords' selection service – AdWord does not constitute a case of trademark infringement and therefore is not actionable. Anyway, the ECJ's decision of 2010 regarding the role played by Google is still to be re-examined by Paris Court of Appeal. So generally, each national court will have to decide on the liability of search engines like Google for its AdWords system in view of its own law. And as mentioned earlier, the challenge remains in courts' different interpretations of EU Trademark Law.⁴¹ Thus, this is one of the gaps in EU trademark law which as a result affects trademark enforcement in Member states and makes it less definite. However, trademark proprietors have the preference to bring a claim under tort law against an online server provider if after becoming aware of the infringing data on his page the latter do not expeditiously remove such data.⁴²

As a consequence of the latter case, Google was encouraged it to review its European AdWords' trademark policy. By maintaining the advertisers' freedom of choice of trademarks as keywords when registering advertising links, *Google* took the responsibility to remove the advertising link in which the trademark is actually used in a confusing manner contested by the owner.⁴³ Thereupon, Google AdWords' specialists make sure to review all advertisements before displaying it on its network. Besides, it directs advertisers to its Content Policy which prohibits advertisements for 21 specific categories ranging from alcohol to counterfeit designer goods to weapons.⁴⁴ This practice by Google illustrates how much search engines have fought to protect

⁴¹ *Stefan Bechtold. Op. cit. Pg. 32;*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ Lauren Troxclair. *Search Engines and Internet Advertisers: just one click away from Trademark Infringement?* Vol. 62, (2005) . Available at <http://scholarlycommons.law.wlu.edu/wlulr/vol62/iss3/11/>

this highly profitable revenue stream. As of Google's \$23.6 billion gross revenues in 2009, about \$22.9 billion came from advertising.⁴⁵ While recent reports in 2013 show that Google derives most of its value from advertising and achieves a 20% increase in its advertising revenues, as it primarily compete with Microsoft, Yahoo and Facebook.⁴⁶

In the same context of trademark infringement by imitation, in *Interflora v. Marks & Spencer plc and Flowers Direct Online Ltd*⁴⁷ the ECJ stated that in order for a trademark proprietor to succeed in his claim, he has to evidence an adverse effect on the function of indicating origin, *i.e.* the function of indicating origin, the advertising function or the investment function of his valuable trademark.

Another case showing the close relationship between banner ads and trademarks is *Playboy Enterprises, Inc. v. Netscape Communications Corp.* Courts' analysis in this case was remarkably simple. In part because its facts are somehow limited, and because Playboy did not sue the advertising firms, rather, it sued only the search engines 'Netscape Communication'. In this case the court took the likelihood of confusion caused by an advertising activity as a standard to decide trademark infringement under certain circumstances. The court emphasized that the trademarks 'Playboy' and 'Playmate' in question, are generic terms and cannot be offered the protection of inherently distinctive or famous trademarks. Despite the questionable finding of court that defendants were not using the terms as trademarks, we still have to assess the amount of confusion-if any- caused by keyword banner ads.⁴⁸

⁴⁵ Bechtold, Stefan. *Op.cit.* Pg 31;

⁴⁶ Forbes *Google Earnings: Ad Revenues Jump Helped by Mobile Push*. (1/23/2013 at 2:56PM), <http://www.forbes.com/sites/greatspeculations/2013/01/23/google-earnings-ad-revenues-jump-helped-by-mobile-push>.

⁴⁷ *Interflora v. Marks & Spencer plc and Flowers Direct Online Ltd*. C-323/09 (22 September 2011).

⁴⁸ Kurt M. Saunders. *Op.cit.* Pg. 122;

In its analysis, the court distinguished between the latter case and *Brookfield* and metatagging. As will be discussed in details later, there is a definite likelihood of consumer confusion when by using metatags, a competitor's website appears among the search results. By exemplifying *Brookfield*, the court aims to say that *Playboy's* case lacks this type of confusion and most consumers are likely to ignore banner ads and will not expect it to be related to the trademark entered as the search query. The court continued to prove the less likelihood of consumer confusion based on the level of consumer sophistication, so the outcome remained the same, and it was considered not to be a case of trademark infringement.⁴⁹ Noting that, the matter and likelihood of confusion will be further discussed ahead later.

To support the fact that banner ads quite often lead to cases of trademark infringement, we turn to an additional case between *Government Employees Insurance Company and Google, Inc., et all*. Whereby, the plaintiff (Geico) brought eight complaints against the defendant (Google again as a search engine) for their use of plaintiff's trademarks in selling advertising keywords on their internet search engines. The plaintiff alleged that the defendant sale of ads directly related to their trademarks causes a direct violation of the Lanham Act.⁵⁰ While to bring a claim of trademark infringement under the Lanham Act, The plaintiff should prove 1) that it owns the mark 2) that the defendant used the mark 3) the defendant's use of the mark was in the line of 'commerce' 4) it was used in connection with goods and services 5) the defendant used the mark in a manner likely to confuse consumers.⁵¹ In the latter case, defendants contested the meaning of 'use in commerce' and supported their argument with cases whereby courts found that trademarks use in Internet advertisements does not merely constitute 'trademark use'. However,

⁴⁹ Kurt M. Saunders *Op. cit.* Pg. 123;

⁵⁰ *Government Employees Insurance Co. and Google, Inc., et all. U.S Dist. Lexis 18642 (E.D. Va., August 8, 2008).*

⁵¹ 15 U.S.C. §§ 1114, 125 (a) Lanham Act.

the district court recognized that Geico not only alleged the use of the trademark in internal computer coding but it also alleged the financial gains *Google* obtained from the sale of trademarks to advertisers as a way to link advertisements to users' search engine results. Ultimately, the court rejected *Google's* arguments and concluded that the latter's use of trademarks, and the financial gains he consequently made are enough to justify holding it liable for contributory and vicarious infringement – those two forms of secondary liability will be explained in details in chapter 2.

Trademarks as Keyword Metatags

This part illustrates how trademarks are unlawfully used, and how this use can cause detriment for both consumers and trademark holders; mainly through keyword metatag. The issue of keyword metatags raises some questions like what happens if a consumer enters a company's name via a search engine and get several results; will he think that company's business is more diversified than he thought? If a consumer, after entering the name of the company he wanted to check, has got as a result, sites of competitor enterprises of very similar goods, will he remain loyal for the targeted company and not do any further search of the other company nor will he purchase its products? If the answers were in the affirmative then the trademark holder will not suffer any losses. However, if the answers were in the negative, then this constitutes a case of trademark infringement.⁵²

Due to the invisibility of metatags, regular consumers may not know what metatags are. 'Metatags' are software parameters of Hypertext Markup Language ("HTML"), which is the invisible language used to create a Web site. Because they are embedded within HTML,

⁵² Shannon Moyer. *Frustrating the internet consumer and the purposes behind trademark law: the unauthorized use of trademarks as metatags*; AILPA Quarterly Journal, (1999). Pg 338;

metatags are neither visible to computer users nor intended to be visible.⁵³ Hence, metatags most likely contain information regarding the page's content, and most search engines operators rely on metatags to help them identify and retrieve their Web pages. Now, the question is how do metatags as previously identified, lead to trademark infringement? ⁵⁴

The information contained in the search engine influences the order in which a particular web site will appear in a search. And because a site which appears near the top of a search engine list will likely be visited more frequently by users, web authors have a great incentive to use all variety of terms they assume users are most likely going to enter as keywords via search engine. The common purpose from the aforementioned practice by websites' authors is to promote and increase exposure to their competing and non competing products. Noting that web revenues are driven by the number of 'hits' or times a certain website is accessed. However, web authors may go further than they should and tend to acquire related and unrelated keywords including trademarks of others, to guarantee having their sites appear on the top list of results.⁵⁵ They may improperly use trademarks of others as metatags to direct searchers to sites that are unrelated to the intended target of the search. This unfair practice frustrates the intended descriptive purpose of metatags and makes the web sites and the internet in general, a less reliable source of information. Consequently, trademark owners are entitled to bring an infringement and/or dilution claim under the Lanham Act under a set of eight conditions, but the most important one is the likelihood of confusion of consumers.⁵⁶ In *Playboy Enterprises, Inc. v. Calvin Designer Label*,⁵⁷ the District Court found that defendant's use of *Playboy's* trademarks within the visible

⁵³ Shannon Moyer. Pg. 339;

⁵⁴ *Id.* Pg. 340;

⁵⁵ *Id.* Pg 341;

⁵⁶ *Id.* Pg 343

⁵⁷ *Playboy Enterprises, Inc. v. Calvin Designer Label*. No. C 97-3204. 985 F.Supp. 1218 (1997).

text of the Web site in domain names and as metatags demonstrates a case of trademark infringement, unfair competition, and dilution. It considered that the use of the alleged trademarks in that form is likely to cause confusion therewith. As a result it, it enjoined the defendant from using the trademarks in any manner which could possibly create the erroneous belief that said goods or services are authorized by, sponsored by, licensed by or are in some way associated with the proprietor's trademarks.⁵⁸

Simultaneously, the Lanham Act provides that the use of metatags in good faith and sticking to the descriptive function of metatags does not cause any trademark infringement. In *Playboy enterprises, Inc. v. Terri Welles*,⁵⁹ despite the defendant's use of the terms 'Playboy' and 'Playmate' within her site's text and as metatags, the district court declared that Welles did not act in bad faith and was not attempting to mislead searchers into believing it was a *Playboy* site and thus denied plaintiff's motion for a preliminary injunction. In that particular case, the 'fair use' defense was applicable because Welles use of trademarks on her site was merely descriptive and most of the pages of defendant's site contain a disclaimer that the site is not affiliated with or sponsored by the plaintiff. The court took the same approach in many case e.g *Nat'l Baseball Hall of Fame and Museum, Inc. v. All Sports Promotions Group, Inc.*. It emphasized that the use of another's trademarks as metatags of a certain web site, is not enough to constitute infringement in bad faith.⁶⁰ In sum, exciting case law clearly illustrates that deceptive metatagging consists a violation of existing trademark law and therefore, necessitates

⁵⁸ Lisa E. Cristal & Neal S. Greenfield. *TRADEMARK LAW AND THE INTERNET*; (2nd edition, 2001). Pg. 356;

⁵⁹ *Playboy v. Terri Welles*, No. 98-CV-0413-K (S.D. Cal. April 21, 1989)

⁶⁰ Lisa E. Cristal & Neal S. Greenfield. *Op. cit.* Pg. 356;

Congressional intervention to prevent it.⁶¹ Having established that unauthorized use of trademarks contradicts both the Lanham Act and the internet, both state and federal law acted on that ground and provided relief in the case of trademarks used as deceptive metatags. It follows that as long as metatags, domain names, and the like are components of Web pages, it is considered to be 'used' in commerce.⁶²

In the context of metatags, confusion takes several forms. It includes confusion as to source, as to affiliation, sponsorship and connection of a product. Trademark proprietors contest the unauthorized use of a trademark as a metatag arguing that it mischaracterizes the nature of the metatagging's web site and the products and services contained therein. They also argue that it confuses consumers and make them believe that the metatagging's goods are affiliated with those of the trademark owner. They further argue that even though the consumer's confusion may ultimately be dispelled in metatag cases, a sufficient injury will still be caused by initial interest confusion of consumers, and that is why they demand a greater warranted trademark protection.⁶³

On the contrary, *BigStar Entm't v. Next Big Star, Inc.*⁶⁴ is a case where the plaintiff, Big Star, sought to enjoin Next Big Star from using the domain name nextbigstar.com relying on the Brookfield case and claiming injury for negative erroneous impression of association of the two sources. However, the court denied the plaintiff's motion on the grounds that Next Star did not

⁶¹ Tom Monagan. *Trademark & Internet Metatags*. Ohio St. L.J. 984, vol 62:97362 (2001); Available on HeinOnline at <<http://www.heinonline.org/HOL/Page?handle=hein.journals/ohslj62&div=35&?&collection=journals?>> Pg. 350-353

⁶² *Id.* Pg. 354;

⁶³ *Id.* Pg. 357;

⁶⁴ *BigStar Entm't v. Next Big Star, Inc.* 105 F. Supp. 2d 185, 191 (S.D.N.Y. 2000).

use Big Star's marks in metatags for the purpose of diversion and that the marks were not identical and both parties' businesses are not sufficiently related.⁶⁵

Another interesting case is *Nissan Motor Co. v. Nissan Computer Corp.*, in which the court of the Ninth Circuit took a different approach. It expressly permitted the defendant to continue using the word 'Nissan' as a metatag, despite finding that this word being used as a domain name infringes the plaintiff's registered mark 'NISSAN'. It believed that the likelihood of confusion in this case should be mitigated by less restrictive measures than initially sought by the plaintiff. Hence, it required the defendant to display a disclaimer of any affiliation with the plaintiff on the first page of its website. But after all this was a preliminary injunction case between two significantly irrelevant types of business, and such holding of the court cannot be applied to other cases.⁶⁶

In conclusion, it is unfortunate that search technologies along with strong financial incentives have given rise to the infringement of trademarks through deceptive metatagging. Causing detriment to the trademark holder and frustrating the reliability of the internet and the web. That is why redirecting internet users to other's web sites for profitable purposes is prohibited and constitutes infringement under the Lanham Act and other trademark statutes. It is also offered injunction as a typical remedy in addition to attorney's fees and/or damages in willful cases. To the extent that it does not frustrate the principal of fair competition.⁶⁷

⁶⁵ *Tom Monagan. Op. cit.* Pg. 358;

⁶⁶ *Id.*

⁶⁷ Lisa E. Cristal & Neal S. Greenfield. *Op. cit.* Pg. 368, 358;

Trademarks as Domain Names

A very significant use of trademarks in cyberspace is through Domain Names (DN). A domain name is defined as an 'easy to remember name' which helps users locate computers on the internet. As well as trademarks, domain names are deemed by court to be used as a tool of identification of an entity that owns a web site.⁶⁸ Thus, every computer connected to the internet is given an Internet Protocol (IP) address in the form of numbers that are difficult to be memorized by individuals. The Domain Name System (DNS) makes sure that a valid IP address is located. In other words, a domain name can be anything that follows the '*http://www.*' Or '*http://*' part of a Uniform Resource Locator (URL).⁶⁹

This section aims to address some problems which arise when companies are unable to register their primary trademarks as their second level domain names because it has already been registered by other manufacturers. For example, the popular global jewelry company (*Pandora*) was not able to establish a web site at '*pandora.com*' because that domain name was already registered by a different known company operating in a wholly different field offering radio services.⁷⁰

As a brief historical overview, beginning in the 1990s, U.S. trademark owners began to bring trademark-infringement actions against domain name registrants under section 32 and 43 (a) of the Lanham Act. Under those sections, an action can be brought when a likelihood of confusion exists; even absent bad faith intent on the part of the infringer.⁷¹ At that time a dilemma between technology and the protection power of law needed to cope with the illegal acts began to start. This is the reason why trademark policing became really important. It was

⁶⁸ Lisa E. Cristal & Neal S. Greenfield. *Op. cit.* Pg. 225;

⁶⁹ Shiveh Roxana Reed. *Op. cit.* Pg. 222; i.e the address of a World Wide Web page.

⁷⁰ Lisa E. Cristal & Neal S. Greenfield. *Op. cit.* 224;

⁷¹ *Id.* Pg. 229;

structured to provide trademark protection as an indicator of exclusive source and to prevent losses caused by infringement, dilution or misuse of trademark. The obligation to police trademarks, however, shall be reasonable under the given circumstances. The U.S courts for instance, do not require trademark owners to strictly police all infringing acts nor does it oblige them to take action against trademark infringers all at once. In other words, trademark proprietors are not required to go to every web page and make sure that the infringing goods are not being sold on the internet.⁷²

In 1992, the United States government granted Network Solutions, Inc. (NSI) the right to register three generic top level domain names, gTLD, which are *.com*, *.net*, and *.org*. Particularly, NSI registration of domain names was on a first come-first served basis without specific restrictions on the use of domain names. By the end of 1999, the first complaint under ICANN's Uniform Dispute Resolution Policy (UDRP) was filed. In 2001, over 4,500 complaints representing over 7,200 domain names have been filed with one of the four Dispute Resolution Providers. Thus UDRP is a binding policy for all domain name registrants created by ICANN (Internet Corporation for assigned names and numbers). The main purpose of the UDRP is to resolve disputes between a domain name registrant and a third party in case of abusive registration and use of a domain name in one of the listed gTLDs or ccTLDs, in an efficient way in terms of money and time. ICANN is also obliged to follow the recommendations given by the World Intellectual Property Organization (WIPO) in a dispute resolution process. To make a claim, a third party must show that it has a legitimate right over a trademark or a service mark, it should prove that the registered domain name is identical or confusingly similar to the owner's

⁷² Lisa E. Cristal & Neal S. Greenfield. *Op. cit.* Pg 274;

mark, and that the domain name registrant has no legitimate interest in the domain name and assure that the domain name has been registered and used in bad faith.⁷³

In the mid 1990's, commercial users after learnt that a single domain name cannot be shared among other entities, and they were rushing to obtain domain names of themselves especially in the .com TLD. Many businesses known as 'cybersquatters' had quickly registered marks corresponding to the trademarks and names of other businesses in order to block the latter's use of those names and force them to purchase it for a great amount of money. Back in that period, legal remedies against cybersquatters were very limited, and the increasing electronic abuse created significant problems for trademark owners. In response to cybersquatting complaints, Congress enacted the Anticybersquatting Consumer Protection Act (ACPA), which prohibits the registration of a domain name that is confusingly similar to a registered or even an unregistered mark with a bad faith intent to profit.⁷⁴ Consequently, intellectual property scholars and states' governments became aware of the need for monitoring and policing trademarks on the internet.⁷⁵ At the end of 2000, the United States released a report on the subject.⁷⁶ Given below a brief reproduction of some of the key issues mentioned in that report which reads, 'Intellectual property theft today is faster, costlier and more dangerous than ever. These trends will continue unless law enforcement and rights holders recognize that the threat crosses national borders- and resolve to work collectively to defeat the increasingly more organized efforts of the perpetrators. Among our concerns are the following:

⁷³ Lisa E. Cristal and Neal S. Greenfield. *Op. cit.* Pg. 276;

⁷⁴ Shiveh Roxana Reed. *Op. cit.* Pg 230;

⁷⁵ Lisa E. Cristal and Neal S. Greenfield. *Op. cit.* Pg. 141-142;

⁷⁶ Available at <<http://www.cybercrime.gov/AGdigitaltheft.htm>>.

- Criminal organizations appear to be using the proceeds of IP-infringing products to facilitate a variety of enterprises, including guns, drugs, pornography and even terrorism. Invariably, when there is intellectual property crime, there is tax evasion and money laundering.
- The Internet, while promoting knowledge-based industries and commerce, also makes it easier to steal, produce and distribute merchandise such as software, music films, books and games.⁷⁷

At a minimum, this shows the U.S.'s growing awareness of the dangers that will be accumulated and the great losses suffered, if the U.S government does not act quickly and efficiently to create protective tools and legal policies to govern IPRs in cyberspace.⁷⁸

Another type of infringement through domain name, takes the form of Typosquatting. It occurs when a registrant intentionally registers a common misspelling of a trademark as a domain name. It becomes a problem of Typosquatting when a misspelling of a domain name typed in a search engine by a consumer transforms him to an alternate site. *AltaVista Company v. Stoneybrook*,⁷⁹ a WIPO case, was deemed to be a case of Typosquatting, because the court held that the defendant deliberately and in bad faith attempted to divert users to an alternate site if the latter unintentionally misspelled the complainant's trademark.⁸⁰

Moreover, the use of a geographic term in connection with a well known trademark also causes infringement because it does not eliminate the confusion in the minds of users regarding the domain names in question. In *Wal-Mart Stores Inc. v. Walmarket Canada* case for

⁷⁷ Available at <http://www.cybercrime.gov/AGdigitaltheft.htm>.

⁷⁸ Lisa E. Cristal and Neal S. Greenfield. *Op. cit.* Pg. 311;

⁷⁹ *AltaVista Company v. Stoneybrook*. No. D2000-0886, (Oct. 26 2010).

⁸⁰ *Id.* Pg. 312;

example,⁸¹ the court found that the use of a geographical indication with the domain name, failed to avoid the confusing similarity between the said domain name and the trademark and has eventually caused trademark infringement.⁸²

Generally, anyone can register his legal surname and use it as domain name. For famous people, however, a problem arises when others register famous person's name as their own domain name. In *Julia Fiona Roberts v. Russel Boyd*,⁸³ Julia Robert, the star, brought a UDRP complaint against a party who registered the domain name *juliaroberts.com* and used it on a web site containing photographs of another woman. The court held that although the complainant had no formal trademark registration, the complainant's name was sufficiently famous to let her enjoy common law rights over her name. Finding that the registrant had no legitimate right to the domain name and that it was registered and used in bad faith.⁸⁴ However, it is important to note that there is a fair use exception that offers a registrant the ability to claim a legitimate, non commercial use of a domain name. For example, in *Bridgestone Firestone Inc. v. Jack Myers*,⁸⁵ the panel found the respondent's use of the domain name *bridgestone-firestone.net* to designate a web site for criticism and commentary about the complainants to be falling within the fair use exception under section 4 (c)(iii) of the Policy.⁸⁶ It is especially true that the panel has made the aforementioned decision after ensuring that the web site was not used for commercial purposes.⁸⁷

⁸¹ *Wal-Mart Stores Inc. v. Walmarket Canada*. WIPO Case (No.D2000-0150).

⁸² Lisa E. Cristal and Neal S. Greenfield. *Op. cit.* Pg. 314;

⁸³ *Julia Fiona Roberts v. Russell Boyd*. WIPO Case No. D2000-0210.

⁸⁴ Lisa E. Cristal and Neal S. Greenfield. *Op. cit.* Pg. 315;

⁸⁵ *Bridgestone Firestone Inc. v. Jack Myers*. WIPO Case No. D2000-0190.

⁸⁶ Lisa E. Cristal & Neal S. Greenfield. *Op. cit.* Pg.322;

⁸⁷ *Id.*

Now we realize how trademark uses were developed with the rise of internet. They are no longer limited to goods and services, but they are being used in advertising as keywords, keyword metatags, and domain names. In all cases, courts have all the legitimate reasons to extend trademark laws and regulations' provisions to enforce trademark rights of a proprietor against any wrongful use. And it remains convenient for courts to set new rules and adopt new analysis when it faces cases of infringement that cannot be governed by national substantive rules.

Chapter 2

Initial Interest Confusion

The main purpose of trademark law is to protect intellectual property rights and goodwill of trademark owners from unfair competition, by preventing free-riding and avoiding consumer confusion over the source, origin, and sponsorship of goods or services. And pursuant to section (32) of the Lanham Act, any likelihood of confusion, deception or mistake which constitutes an act of infringement is prohibited. Thus the likelihood of confusion in this context varies according to the degree of similarity between the marks and the subject matter goods and other factors like the sophistication of the consumers, and other possible factors that courts deem relevant.⁸⁸

In 1962, Congress amended the Lanham Act, creating a doctrine of pre-sale confusion known as "initial interest confusion."⁸⁹ Some refer to it as a bait-and-switch approach. Hence, the outcome was that defendants were held liable absent actual confusion with respect to goods or services. For example, a case of trademark infringement and unfair competition becomes an issue when a designed website appears as a search result when another business's trademarked term was entered into a search engine like Google/ Yahoo.⁹⁰ Based on this doctrine, defendants may be found liable for selling or displaying sponsored or pop-up advertisements constituting of other's trademark even if there was no confusion or in circumstances where only initial confusion is likely to be quickly remedied,⁹¹ as it was the case in *Playboy Enterprises v. Netscape Communications*.

⁸⁸ Priya Singh. *Abolish trademark law's initial interest confusion and permit manipulative internet search practices*. Pepperdine Journal of Business, Entrepreneurship & the Law, (2009).

⁸⁹ *Id.*

⁹⁰ *Id.*

⁹¹ *Id.*

It is undisputed that the initial interest doctrine was driven primarily by the development and the integration of the internet. However, this doctrine was contested on different levels by commentators and IP scholars on a common ground that it is superfluous and insufficient to amount to trademark infringement in cyberspace.⁹² Thus courts, Congress, the online and offline business communities, and the public shall keep in mind the main purposes of trademarks and the rationale of the Lanham Act and be aware of the negative outcomes of over broadening trademarks' protection on the expense of fair competition and other legitimate practices.⁹³ For now, as the initial interest doctrine is still valid, it is worth analyzing some primary cases which highlight the adoption of the doctrine and trace its expansion.

The first case at which the initial interest confusion doctrine was the case between *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. And Steinway & Sons*.⁹⁴ This case concerns a German piano maker named *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf* who filed a declaratory judgment holding that he is not committing any infringement to the name of the "Steinway" pianos by Steinway & Sons by attaching it on its pianos.⁹⁵ The Second Circuit Court of Appeals held that 'even though there was no confusion as to who manufactured the piano at the time of sale, a customer might *initially* think there was some relationship between Grotrian-Steinweg and Steinway & Sons'.⁹⁶ Taking into consideration the purchasers' level of sophistication the product price and the different appearance of the marks in context, the District Court and the Second Circuit concluded that defendant had infringed plaintiff's trademark. It found that *Grotian's* use of the mark misleads the consumers to mentally associate it with the

⁹² Priya Singh. *Op.cit.*

⁹³ Jennifer E. Rothman. *Op. cit.* Pg. 212-213.

⁹⁴ *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*. Court of Appeals, Second Circuit. - 523 F.2d 1331 (July 9, 1975).

⁹⁵ *Id.*

⁹⁶ *Id.*

products of *Steinway*. The Second Circuit further provided that the “Grotrian-Steinweg” name would attract potential customers based on the reputation built up by Steinway. Thus Steinway will suffer detriment when purchasers think that there is some connection between the two manufacturers and such the former will be injured because of initial confusion.⁹⁷

We realize that courts’ language through its holding expands the scope of finding trademark infringement. Rather, courts decision would probably be more reasonable if consumers were actually confused as to the source, affiliation, or sponsorship of *Grotrian-Steinweg* pianos by Steinway.⁹⁸

The next leading case on initial interest confusion is *Mobil Oil Corp. v. Pegasus Petroleum Corp.*⁹⁹ On factual basis, *Mobil Oil* is a large petroleum corporation that has been using the *Pegasus* symbol of a flying horse for years at its gas stations and throughout its business activities not in its oil trading work. While *Pegasus Petroleum* is a company that engages in the oil trading business, it buys and sells petroleum and has never used the flying horse as a logo. In this case the Second Circuit Court applied the likelihood of confusion test, and thus it ruled in favor of the plaintiff and held that defendant's name was infringing the former’s trademark. The reason behind this ruling was because by using the Pegasus symbol, ‘*Pegasus Petroleum* would gain crucial credibility during the initial phase of a deal. For example, an oil trader might listen to a cold phone call from Pegasus Petroleum...when otherwise he might not, because of the possibility that *Pegasus Petroleum* is related to *Mobil*.’¹⁰⁰

⁹⁷ Jennifer E. Rothman. *Op. cit.* Pg. 115;

⁹⁸ *Id.*

⁹⁹ *Mobil Oil Corp. v. Pegasus Petroleum Corp.* 818 F. 2d 254. Court of Appeals, 2nd Circuit 1987.

¹⁰⁰ *Id.*

Thus, here, courts' holding appears to be the same as the court may have held under the likelihood of confusion's approach of the Lanham Act.¹⁰¹

The third case of *Brookfield Communications v. West Coast Entertainment*¹⁰² is a landmark case in which the court did not require likelihood of confusion to find trademark infringement. We will skip the detailed facts of the case and focus on court's explicit holding that initial interest confusion is enough to cause trademark infringement. This case is distinguishable from other cases because the court in *Brookfield* explicitly held that it is an act of trademark infringement when one uses a trademarked term in the metatags of its website without the prior consent of the trademark owner.¹⁰³ Taking into consideration metatags' purposes and uses discussed earlier, the defendant *West Coast* used the word 'moviebuff' in the keyword and description metatags for its website, meanwhile *Brookfield* had the same name 'MovieBuff' as a registered mark. In sum, the Ninth Circuit held *West Coast* used Brookfield's 'Moviebuff' trademark in the metatags for its website and therefore was liable for trademark infringement.¹⁰⁴ The court stated that even though a consumer reviewing the search results may not be confused when he sees that the link to *West Coast's* website is clearly marked, some consumers might be 'diverted' to another website; and this diversion might cause *Brookfield* to lose out on some business because customers might be satisfied with the free searchable database available on *West Coast's* website.¹⁰⁵ Therefore, the court held *West Coast* liable for diversion, unfair competition, and trademark infringement, basically because it improperly benefited from the goodwill that *Brookfield* developed in its mark.

¹⁰¹ Jennifer E. Rothman. *Op. cit.* Pg. 117;

¹⁰² *Brookfield Communications v. West Coast Entertainment*. 174 F. 3d 1036 - Court of Appeals, 9th Circuit (1999).

¹⁰³ Rothman Jennifer E. *Op. cit.* Pg. 120;

¹⁰⁴ *Id.*

¹⁰⁵ *Id.* Pg. 120-121;

The cases studied earlier clearly reflects how the initial interest confusion doctrine was applied in practice. It shows how liability for trademark infringement extended from ‘likelihood of confusion’ prior to the time of sale, to include thereafter cases of ‘initial interest confusion’ where no confusion exists.

Initial Internet Confusion Contravenes Justifications for Protecting Trademarks in the U.S.

Before criticizing the doctrine of initial interest confusion we shall reconsider the reasons why legislators and commercial bodies called for the protection of trademarks in the first place. To put it short, trademarks have always been used by manufacturers as an identification tool for goods and services. They are used to enable consumers to distinguish goods, to protect the goodwill of businesses by helping it maintain an outstanding reputation, and to reduce search costs for consumers and helps him distinguish which goods are sponsored by or affiliated with the trademark proprietor. It nonetheless promotes fair competition by leaving ample room for businesses to compete.¹⁰⁶ Taking into consideration the main purpose of trademarks, Congress used the standard of likely consumer confusion to decide claims of trademark infringement.¹⁰⁷ This suggests that when conflict arises, courts should decide in favor of consumers rather than trademark owners. This principle has some historical background originating from the law of Unfair Competition and the Common Law Action for Deceit whereby liability under both laws is measured on the proof that consumers had been or were likely to be deceived rather than business losses or injury.¹⁰⁸

Furthermore, as reproduced in congressional reports, the goals of the Lanham’s Act are ‘to protect the public from deceit, to foster fair competition, and to secure to the business

¹⁰⁶ Jennifer E. Rothman. *Op. cit.* Pg. 126-127;

¹⁰⁷ See Lanham Act article (43).

¹⁰⁸ Jennifer E. Rothman. *Op. cit.* Pg. 128;

community the advantages of reproduction and goodwill by preventing their diversion from those who have created them to those who have not.’¹⁰⁹ Notably, ‘diversion’ in this context takes place when one passes off his goods as those of another. Generally, courts have given up a the traditional likelihood of confusion analysis and adopted a less clear doctrine of the initial interest confusion for assessing likelihood of confusion. It used to examine various guiding factors to determine whether confusion is likely, one of the factors courts examined included the similarity of the products, the strength of the plaintiff’s mark, and the defendant’s good faith and intent in adopting the mark. Thus every circuit had the choice to adopt a variation of these and other similar factors thereafter.¹¹⁰

In contrast, allowing a finding of trademark infringement on the basis of initial interest confusion on part of consumers does not directly complement or fulfill the goals of trademark law. Rather, this doctrine can be highly dangerous and will likely limit consumers’ access to information and their ability to choose between varieties of reasonably-priced products, all in favor of trademark holders.¹¹¹

To crystallize more the image which the initial interest confusion doctrine aimed to draw, we get back to case law and particularly to the case of *Playboy Enterprises v. Netscape Communications Corp.*¹¹² where trademarks were used in keyword advertisements. In that case, the courts’ holding is reasonable to the extent that consumers were likely to be confused as to the sponsorship of the banner advertisements every time they appear on their screens and continues even after clicking on the advertisements. However, what is troubling here is court’s suggestion

¹⁰⁹ Jennifer E. Rothman. *Op. cit.* Pg. 125;

¹¹⁰ *Id.* Pg. 143;

¹¹¹ *Id.* Pg. 129;

¹¹² *Playboy v. Netscape*. 354 F.3d 1020 (9th Cir. 2001).

that defendant removes the terms ‘playboy’ and ‘playmate’ from its list of words to which advertisements are linked. Ultimately, finding of trademark infringement absent evidence of likelihood of confusion limits the ability of adult website businesses to compete and therefore blocks fair competition over the internet.¹¹³

We realize that the application of the initial interest confusion doctrine has double implications. The doctrine basically increases the number of situations in which trademarks holders are able to bring infringement claims, and nonetheless, increases the potential of holding defendants actually liable for having infringed trademarks’ holders’ IPR. In other words, having adopted the initial interest confusion doctrine, factors like the sophistication of purchasers or the care purchasers take while making a purchase will no longer be valued by courts.¹¹⁴ In this regard, courts conclude that ‘if consumers are initially confused then their subsequent sophistication in determining that two goods are not related is irrelevant.’¹¹⁵ Hence, such change in courts’ evaluation standard has dangerous impacts on case law. Implementing the doctrine on cases like *Grotrian* for example, at which initial confusion was very much likely to be dispelled as long as sophisticated purchasers were involved, is illogical.¹¹⁶

Finally, to cut it clear the Lanham Act’s aims to protect the goodwill of businesses only in circumstances where others took advantage of a company’s goodwill and try to deceive consumers to gain profit and promote their businesses on the expense of others. Therefore, if

¹¹³ Jennifer E. Rothman. *Op. cit.* Pg. 134;

¹¹⁴ *Id.* Pg. 144;

¹¹⁵ *Id.* Pg. 145;

¹¹⁶ *Id.* Pg. 146;

consumers were not confused, trademark holders should not be awarded remedy for trademark infringement.¹¹⁷

Absence of the Doctrine in Europe

The concept of ‘likelihood of confusion’ made its first appearance in Europe in 1980, when the First Council Directive was first proposed. Article 3 of the Directive grants the trademark proprietor the possibility of filing an opposition when the use of an identical or similar sign for identical or similar goods creates a serious likelihood of confusion on the part of the public.¹¹⁸ Similarly, the Trademark Law Directive specified in article 4, that the likelihood of confusion includes the likelihood of association with the earlier trade mark.¹¹⁹

In Europe, the initial interest confusion doctrine neither exists nor do courts explicitly use it in its decision making processes. As a result, the main questions which arise, are: whether the lack of this doctrine necessarily means that trademarks’ protection is less in the EU than it is in the U.S? In other words, does the existence of the Doctrine in a certain country, determine the scope of trademark protection there whatsoever? Or eventually the EU level of protection of trademarks will remain the same even if it at some point adopts this doctrine.

There is no definite answer to those questions, yet, European Courts’ decisions reflect the scope of trademark enforcement and level of protection in the Union, where it maintains a likelihood of protection perspective rather than an ‘initial interest confusion’ standard. For this reason, it follows a brief analysis of courts’ motions which might help in drawing a comprehensive vision about the scope of trademark protection in the EU.

¹¹⁷ Jennifer E. Rothman. *Op. cit.* Pg. 163;

¹¹⁸ Available at <<http://oami.europa.eu/EN/office/ejs/pdf/Blondeel.pdf>>. Pg. 4;

¹¹⁹ Directive 2008/95/EC of the European Parliament and the Council (22 October 2008).

In general, even in trademark-domain name disputes, it appears that EU courts decide the matter of confusion based on the essential function of a trademark, which is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without getting confused, to distinguish the goods or services from others of another origin.¹²⁰ In determining the level of trademark protection and the remedies offered by EU courts, Directive 2004/48 on enforcement of intellectual property right should be taken into consideration. As it gives trademark holders the possibility of applying for an injunction against an intermediary who infringes the right holder's industrial property right, Meanwhile, it leaves the conditions and procedures relating to such injunctions to the national law of the Member States to decide.¹²¹

Furthermore, it should be emphasized that the protection of trademark holders in the EU zone is subject to legal limitations necessary to uphold freedom of commerce and competition. Meaning that trademark proprietors' do not have an absolute right to prevent legitimate commercial and non-commercial use of the protected signs on the grounds of freedom of expression and information according to Article 11 of the Charter of Fundamental Rights of the EU and Article 10 of the European Convention on Human Rights.¹²² In the context of trademark protection, a trademark proprietor may not oppose transactions and practices that do not have an adverse effect on the functions of trademarks such as purely descriptive use of a trade mark or its use in legitimate comparative advertising.¹²³

By contrast, regarding keywords' use in an internet referencing service, there are six conditions synthesized from the text of Article 5(1) (a) of the Directive 89/104 and the relevant

¹²⁰ See *Pie Optiek v. Bureau*. EU Case C-376/11: Opinion of Advocate General Trstenjak, (3 May 2012).Westlaw.

¹²¹ *L'oreal SA, Lancome parfums et beauté & Cie, Laboratoire Garnier & Cie, L'oreal (UK) Limited v.*

eBay International AG, eBay Europe SARL, eBay (UK) Limited. EU Case C-324/09, (9 December 2010).Westlaw.

¹²² Katja Weckström. Trademarks in New Markets: Simple Infringement or Cause for Evaluation? Journal of International Commercial Law and Technology Vol. 7, Issue 4 (2012).

¹²³ *Id.*

case-law, which should be satisfied in order for the proprietor of a registered trademark to succeed. Hence, the text does not constitute the likelihood of consumer confusion as one of the required conditions therewith.¹²⁴ It shows that courts do not rely on such standard in finding trademark infringement when trademarks are used as keywords.¹²⁵

Putting all the findings together, we can conclude that the U.S courts maintain a more durable framework for trademark enforcement and save a narrower space for intermediaries to be exempted from liability in comparison with the EU. In the U.S, there is a finding of trademark infringement even when consumers are not confused at the time of sale regarding the origin of goods like in *Brookfield*;¹²⁶ while in the EU, courts still maintains the likelihood of confusion scale in deciding the matter. Therefore, we assume that if EU courts' adopt the initial interest doctrine, the number of trademark allegations involving the Internet will significantly increase.

Chapter 3

Secondary Trademark Infringement in the United States and Europe

Having talked about two parties of ordinary trademark litigations, the e-consumer and the trademark proprietor, we should now draw our attention to a third party identified thereafter as the internet service provider or the intermediary. This chapter draws a comparison between U.S trademark law and the law of the European Union and several domestic European laws with regard to secondary liability of online providers for selling counterfeit products.

An “online service provider” is ‘an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of

¹²⁴ Katja Weckström. Trademarks in New Markets: Simple Infringement or Cause for Evaluation? Journal of International Commercial Law and Technology Vol. 7, Issue 4 (2012).

¹²⁵ *Id.*

¹²⁶ See *Brookfield Communications v. West Coast Entertainment F.3d 1036 (9th Cir. 1999)*. And *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F. 3d 154, 260 (2d Cir. 1987).

material of the user's choosing, without modification to the content of the material as sent or received.¹²⁷ The leading case here is going to be *Tiffany (NJ), Inc. v. eBay, Inc.*¹²⁸ which includes the first U.S decision that addressed the secondary liability issue of an online market.¹²⁹ In the latter case the court dismissed all claims against *eBay*. Finding that the marketplace's use of the jeweler's marks did not suggest sponsorship or endorsement by the jeweler. Therefore the marketplace's use of the marks on its homepage was a protected nominative fair use'.¹³⁰ The court interpreted the law due to it's believe that trademark owners are responsible to police their marks. And that companies like marketplace cannot be held liable for trademark infringement simply because they have or might have general knowledge of trademark infringement taking place on their websites.¹³¹

By contrast, in the European zone, Belgian courts had to decide cases such as *Lancome v. eBay*¹³² by following the path of its American counterparts in *Tiffany v. eBay*. Holding that companies like the marketplace could not be held liable for trademark infringement based solely on their generalized knowledge that trademark infringement might be occurring on their websites.¹³³ In Germany, the pressing issue was whether or not sponsored links constitute "use" of trademarks.¹³⁴ And German Higher Regional Courts were divided about the interpretation of

¹²⁷ Katja G Weckstorm. *Liability for Trademark Infringement for internet Service Providers*. (2010). Available at SSRN: <<http://ssrn.com/abstract=1633389> or <http://dx.doi.org/10.2139/ssrn.1633389>>.

¹²⁸ *Tiffany (NJ), Inc. v. eBay, Inc.* 576 F. Supp. 2d 463 - Dist. Court, SD New York (2008).

¹²⁹ Kurt M. Saunders & Gerlinde Berger-Walliser. *The liability of online market for counterfeit goods: A comparative analyses of secondary trademark infringement in the United States and Europe*. Northwestern Journal of International Law & Business. (Vol. 32 Issue 1 2011).

¹³⁰ *Tiffany (NJ) Inc. and Tiffany and Company, v. eBay, Inc.*, United States District Court for the Southern District of New York, (576 F. Supp. 2d 463); (2008 U.S Dist.) Lexis. Pg. 1.

¹³¹ Kurt M. Saunders & Gerlinde Berger-Walliser. *The liability of online market for counterfeit goods: A comparative analyses of secondary trademark infringement in the United States and Europe*. Northwestern Journal of International Law & Business. (Vol. 32 Issue 1 2011).

¹³² *Lancome. et al v. eBay*. Case C-324/09.

¹³³ *Tiffany (NJ) Inc. and Tiffany and Company, v. eBay, Inc.*, United States District Court for the Southern District of New York, 576 F. Supp. 2d 463; 2008 U.S Dist. Lexis 53359; 2008-1 Trade Cas. (CCH) P76, 219. Pg. 1

¹³⁴ *Banana Bay*. Case BGH, GRUR 2009, 498.

the Trade Marks Directive in this regard. Some of them consider that a trademark is being ‘used’ when consumers are lead by advertisement to websites other than or in addition to to the trademark owner’s website. In this event, the purpose of trademarks as an indicators of origin will be withdrawn by the potential risk of confusion as to the origin of goods and services thereto. However, the opposing parties argue that the average Internet user is able to distinguish between advertisement and will not be misguided as to the origin of the goods or the advertisements since they are clearly separated in position and coloring.

It is also interesting that, in the French round of *L’Oréal v eBay*, the French court tended to distinguish eBay’s role in the selling process on the one hand and the advertising measures taken by eBay on the other hand.¹³⁵ The court held that auction providers like eBay exceeds the role of a hosting service when they actively use sponsored links. For this reason in the latter case, eBay was deprived from the hosting provider status under Article 14 (1) of the E-Commerce Directive. However, eBay did not suffer from any consequences following the latter decision because the court rejected L’Oréal’s claims on the basis that it had not precisely defined which facts were to be sanctioned.¹³⁶

Secondary liability for trademark infringement in the United States

In 2001, the World Intellectual Property Organization (WIPO) adopted a Joint Recommendation on the protection of trademarks on the internet. The latter Recommendation ruled over liability for uses of a mark on the internet, and simultaneously viewed that countries

¹³⁵ See report about the French and Belgian cases by B May and M Liens, “Host Liability: L’Oreal v eBay: Liability of Hosting Service for Counterfeits”. *E-commerce law & policy* Issue 6. (2009).

¹³⁶ Andreas Rühmkorf. *eBay on the European Playing Field: A Comparative Case Analysis of L’Oréal v eBay*. Vol. 6, Issue 3 (2009).

should apply the exceptions to liability and the limitations to the scope of the rights granted by national trademark laws.¹³⁷

Shortly, in the U.S., direct infringement occurs when a defendant uses an identical mark as the one owned by a trademark holder on similar or identical counterfeited goods in direct competition with the trademarked products. Thus, the Lanham Act defines counterfeit marks as ‘identical to, or substantially indistinguishable from, a mark that is in use and registered.’¹³⁸ By contrast, indirect or secondary liability for trademark infringement has its origins in the common law of torts rather than the Lanham Act. Before getting into details, I shall draw the reader’s attention that secondary trademark liability takes two main forms. Vicarious Infringement is the first form of secondary liability whereby the defendant and the direct infringer jointly own or commit the infringing act. Hence, contributory Infringement is the second type of infringement.¹³⁹

Vicarious Trademark Infringement in the United States

This form of liability will only be defined and explained briefly. Vicarious Infringement ‘is imposed where a third party controls the infringer’s actions and receives a financial benefit from the infringement’.¹⁴⁰ Meanwhile, in *Sony Corp. of America v. Universal City Studios*,¹⁴¹ the Supreme Court found it unreasonable to apply this standardized approach to Internet Intermediaries. It considered that Internet Intermediaries generalized knowledge of infringing activity combined with profiting from the sale of counterfeit goods should not reach the

¹³⁷ Weckstorn, Katja. *Secondary Liability for Trademark Infringement in the United States*. University of Louisville Law Review (Vol: 49 2011), Pg. 555;

¹³⁸ Kurt M. Saunders & Gerlinde Berger-Walliser. Op. cit. Pg. 3;

¹³⁹ *Id.* Pg. 4;

¹⁴⁰ Katja Weckstorn. *Secondary Liability for Trademark Infringement in the United States*. Pg. 570;

¹⁴¹ *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). Also known as the “Betamax case”.

threshold for contributory trademark infringement or vicarious liability.¹⁴² Instead, a real relationship between the direct infringer and the intermediary must exist and maintenance of actual control over the actions of the direct infringer must also be present to hold the Internet Intermediary vicariously liable.¹⁴³ At last, it was necessary to develop some understanding of what vicarious liability means so that afterward more focus will be given on the second form of secondary liability known as contributory liability.

Contributory Trademark Infringement in the United States

This section explains what Contributory Trademark Infringement means in the U.S. and specifies what constitutes Contributory liability. Afterward, it shows how Court's interpretation of that legal definition was reflected throughout its decision making process and where does the separating line lies between liability and exemption from liability lay.

On a starting point, I will quote the simple definition of Trademarks Contributory Infringement given by Black's Law Dictionary, whereby contributory liability occurs when 'A manufacturer's or distributor's conduct in knowingly supplying, for resale, goods bearing an infringing mark.'¹⁴⁴ In other terms, contributory trademark infringement occurs when the defendant tends to induce a third party to directly infringe plaintiff's trademark, or continue supporting and supplying a product to a third party that is directly committing an infringement of the plaintiff's trademark. In the judicial practice, thereafter, courts use the level of knowledge of the infringing activity to decide the issue of liability of the party which continues to support the direct infringer mainly by supplying him with goods or services. This standard was first

¹⁴² Katja Weckstorm. *Op. cit.* Pg. 572;

¹⁴³ *Id.*

¹⁴⁴ Katja Weckstorm. *Secondary Liability for Trademark Infringement in the United States.* Pg.568;

employed in *Inwood Laboratories v. Ives Laboratories*,¹⁴⁵ whereby a pharmaceuticals manufacturer was held indirectly liable for continuing to supply generic drugs to retail pharmacists who in turn were relabeling them with another manufacturer's trademark. In the ruling, the court provided that 'if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its products 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.'¹⁴⁶

A contradictory perspective was taken by court in *Hard Rock Café Licensing Corp. v. Concessions Services, Inc.*,¹⁴⁷ whereby it excluded the defendant from liability of contributory infringement for his unjustified failure to take reasonable precautions to stop or avoid direct infringement. So, after briefly mentioning some of courts motions in deciding contributory liabilities for trademark infringement, I will get back to *Tiffany v. eBay*'s litigation. In the latter instance, *Tiffany* brought a claim of contributory trademark infringement against *eBay* for continuing to provide its auction services to third party despite its knowledge, or at least, reason to know, that the third party is selling counterfeit products of *Tiffany*. Contradictorily, after several investigations, the court determined that *eBay*'s generalized knowledge of trademark infringement by users of its site did not impose an affirmative duty to remedy the problem. Likewise, the court observed that although *eBay* does not assess physical possession of any of the goods available for sale on its website, realizing that *eBay* spends \$20 million per year trying to control and take down any counterfeited products from its website. In other words, the court

¹⁴⁵ *Inwood Laboratories v. Ives Laboratories*. 456 US 844, 102 S. Ct. 2182, 72 L. Ed. 2d 606 - Supreme Court, 1982.

¹⁴⁶ Kurt M. Saunders & Gerlinde Berger-Walliser. Op. cit. Pg. 4;

¹⁴⁷ *Hard Rock Café Licensing Corp. v. Concessions Services, Inc.* 955 F. 2d 1143 - Court of Appeals, 7th Circuit, 1992.

released *eBay* from contributory liability of trademark infringement for lack of willful ignorance and absence of actual knowledge of sale of counterfeit products.¹⁴⁸

Moreover, the Second Circuit's decision in the latter case provided guidance as to the likely scope of the liability of contributory infringement. At last, it determined liability of an operator of an online market on two grounds, either due to the intentional inducement to commit trademark infringement, or for specific knowledge, or reason to know that certain users are using its services while engaging in direct infringement. Therefore, the former decision draws a significant line between actual and generalized knowledge and it ultimately holds the trademark owner responsible for policing the use of its trademarks. Additionally, it can be concluded from the decision that an online market operator will be exempted from liability if he does not take proactive steps to stop or avoid infringing activities. This is nonetheless, precisely consistent with the Digital Millennium Copyright Act DMCA. Thus to understand which aspects of ISPs liability are covered by the DMCA, It follows a brief summary about the Act.

In the wake of the commercial boost of the Internet, there has been a pressing need for regulation on the liability of ISPs. Therefore, the Digital Millennium Copyright Act (DMCA) was created, and it mainly provides a safe harbor to ISPs under certain circumstances. Whereby, ISPs are required to develop and maintain a notice-and-take down procedure only when they receive specific complaint.¹⁴⁹ As such, the DMCA regime does not hold online service providers secondarily liable unless they actively and knowingly encourage others in engaging in direct infringement or actively fail to discourage them. Meanwhile, failure to act or stop direct infringement is considered to be willful ignorance and will hold the online service provider liable

¹⁴⁸ Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 7-9;

¹⁴⁹ Weckstrom, Katja. *Secondary Liability for Trademark Infringement in the United States*. Pg. 565;

for contributory infringement.¹⁵⁰ One important point should be kept in mind and it is that there is no federal legislation imposing liability for contributory or direct trademark infringement nor is there legislation removing liability of ISPs for trademark infringement.¹⁵¹

Mainly, The DMCA exempts internet service providers (ISPs) from secondary liability for the copyright infringement of its users when the latter adopts, implements, and informs users of its policy. And when it attempts to terminate the users who repeatedly infringe copyrights when he gets a notice-and-takedown letter from copyright owners. After receiving such notice, the online must block or remove such content.¹⁵² Meaning that, the DMCA covers only ISP liability in case of copyright infringement and not in case of trademark infringement. Notably, there is no explicit obligation over online service like *eBay* to monitor or search for infringing activities. Rather, it is the primary responsibility of trademark owners to monitor the use of its marks by others especially that they know their trademarks best and aims to protect it.¹⁵³

However, according to the United States Supreme Court, parties can take action against intermediaries if they could prove that those intermediaries continued to supply a product after they knew or became aware of specific instances of infringement.¹⁵⁴ More precisely, this hypothesis has been implemented in *Gucci America, Inc. v. Hall & Associates*,¹⁵⁵ whereby under § 32(1) of the Lanham Act *Gucci* brought claims against *Mindspring* for direct and contributory trademark infringement. And also brought claims for false designations of origin and false descriptions and representations under § 43(a) of the Lanham Act in addition to its liability for trademark infringement and unfair competition under New York common law. In response,

¹⁵⁰ Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 9;

¹⁵¹ Weckstrom, Katja. *Secondary Liability for Trademark Infringement in the United States*. Supra, Pg. 565;

¹⁵² Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 10;

¹⁵³ *Id.*

¹⁵⁴ Weckstrom, Katja. *Secondary Liability for Trademark Infringement in the United States*. Pg. 566;

¹⁵⁵ *Gucci America, Inc. v. Hall & Associates*. 135 F. Supp. 2d 409 - Dist. Court, SD New York (2001).

Mindspring contended and brought a motion to dismiss the claims based upon two grounds: (1) that § 230(c)(1) of the CDA immunized *Mindspring* from liability for the information on Hall's website; and (2) that the First Amendment barred the plaintiff's trademark infringement theory.

¹⁵⁶ After further analyses, the court ruled in *Gucci*'s favor by denying *Mindspring*'s motion to dismiss on a contributory infringement theory, holding that the ISP is not absolutely immunized from an infringement claim under the CDA. Thus, in order to understand the reasons behind the court's decision, we shall also consider the rationale behind such provision of the CDA.

In fact, The rationale behind the enactment of § 230 of the Communications Decency Act (CDA) in 1996 was to provide the ISPs with a safe harbor against contributory liability for the content of web sites that they host: The said article states that "No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider."¹⁵⁷ Simultaneously, the court argues that there is nothing in the record which indicates that § 230 apply to IP law. In fact, the legislative history specifically states that Congress enacted § 230 targeting "online family empowerment."¹⁵⁸ Therefore, the *Gucci* court found that 'the legislative history showed that § 230(c) immunizes ISPs only from defamation and non-IP state law claims resulting from third party content.'¹⁵⁹

After *Gucci*, courts also had to determine what qualifies as knowledge in order to hold the ISP liable for trademark infringement. Due to the First Amendment, knowledge is 'actual malice' needed to grant damages for trademark infringement. In this regard, it is said that the *Gucci* decision brings to an end the absolute immunization of ISPs and other services providers

¹⁵⁶ Gregory C. Walsh. *SERVICE PROVIDER LIABILITY FOR CONTRIBUTORY TRADEMARK INFRINGEMENT AFTER GUCCI*. Available online at <<http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=1066&context=dltr>>

¹⁵⁷ *Id.*

¹⁵⁸ Weckstrom, Katja. *Secondary Liability for Trademark Infringement in the United States*.

¹⁵⁹ *Id.*

who can no longer ignore the activities of their users and that ISPs can be held accountable for the infringing behaviors of their hosted websites.¹⁶⁰

For now, after developing some understanding on how the DMCA and Courts regulates the matter of secondary liability and what are the limits over ISPs liability, I will turn to clarify how European Courts addressed the issue of secondary liability through the E-Commerce Directive 2000/31 and also through a case law spectrum.

Secondary liability for trademark infringement in the European Union

The EU zone as a whole has a harmonized EU trademark law which fills the gaps and sometime replaces member states' national trademark laws, especially in cases of secondary liability for trademark infringement.¹⁶¹

In Europe National trademark laws should be interpreted according to the Trademark Directive¹⁶² alongside with the economic goals it sets forth.¹⁶³ Meanwhile, the national law of each EU member states offers trademark owners a different level of protection. The German Trade Mark Act for example, based on § 4(2), protects registered and unregistered trademarks. Whereas, the Community Trade Mark Act (CTM) offers broader protection as it allows a trademark proprietor to bring action before Community Trade Mark courts against infringing acts.¹⁶⁴

To explain things more in depth, a case from the German model is used to reflect how the Supreme Court ruled over liability of online markets for secondary trademark infringement. In

¹⁶⁰ Gregory C. Walsh. Available online at Available online at <<http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=1066&context=dltr>>.

¹⁶¹ Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 12;

¹⁶² Directive 2008/95/EC.

¹⁶³ Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 12;

¹⁶⁴ *Id.* Pg. 13;

Rolex v. Ricardo,¹⁶⁵ the luxury watch manufacturer *Rolex* brought a claim against online marketplace *Ricardo*. Like in *Tiffany v. eBay*, on *Recardo's* auction website, counterfeited versions of Rolex watches were sold between buyers and sellers for ambiguous low prices. And sometimes, it was attached to the counterfeit watches the words 'imitations' or 'riplica'. On that ground, the German BGH examined the case, taking into account many aspects especially secondary trademark infringement and limitations of liability of online marketplace. At last, the court found that trademark infringement took place although buyers may have been suspicious about the low prices of the watches and could assume they were counterfeited, or even that some watches were explicitly marked as imitations.¹⁶⁶

The question that remains is what regulates liability for contributory trademark infringement? It seems that among the EU Trade Marks Directive and the European Community Trademark Regulation, only the so-called Enforcement Directive 2004/48/EC explicitly provided in Article 11 and the 23rd recital of its preamble, that it is the national law of member states which decides over secondary liability claims and regulates the conditions and procedures relating to injunctions. Yet, it follows a brief explain on how some of EU member states deals with trademark infringements on edge.¹⁶⁷

Germany for instance, is a civil law country which maintains a German Trade Marks Act. This Act protects both registered and unregistered trademarks, and entitles the trademark proprietor to prevent the infringer from using the trademark and in case of intentional or negligent trademark infringement, it grants damages for financial losses suffered from

¹⁶⁵ *Rolex v. Ricardo.de*. Bundesgerichtshof [BGH] [Federal Court of Justice] (Apr 30, 2008). Available at http://fortunelegalpad.files.wordpress.com/2008/10/ricardo-rolex-bgh_en.doc.

¹⁶⁶ Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 24;

¹⁶⁷ *Id.* Pg. 14;

infringement. Furthermore, the Act explicitly addresses secondary liability for trademark infringement in § 14(7), by stating that ‘if the trademark infringement is caused by an employees or agent of a business, the owner of the business will be liable for such infringement.’ Noting that this standard equates vicarious liability as defined under U.S. law.¹⁶⁸ Although contributory infringement is not explicitly addressed under German Trademark Law, § 14(4) of the German Trade Marks Act lists some examples of activities which under US law qualify as contributory liability. One example is ‘affixing a sign which is identical with or similar to the trade mark to packaging or wrapping or to means of marking such as labels, tags, sewn-on labels or the like.’¹⁶⁹ And another example is ‘importing or exporting packaging, wrappings or means of marking under a sig which is identical with or similar to the trade mark’.¹⁷⁰

Accordingly, the German Supreme Court drafted several decisions concerning contributory liability for trademark infringement. In *Ettalar Klosterliqueur* a case very similar to the *Inwood* decision, the Supreme Court held the respondent liable for trademark infringement for attaching labels identical to a trademark and selling those labels to third parties who in turn attached them to similar goods as those protected under the trademark.¹⁷¹ Likewise, German general tort law also covers contributory liability under the provision which reads as follows: ‘A person who, intentionally or negligently, unlawfully injures the life, body, health, freedom, property or another right of another person is liable to make compensation to the other party for the damage arising from this.’¹⁷² Moreover, § 823 and § 1004 of the BGB state that ‘anyone who – without being an infringer or a participant – casually and willfully contributes in any adequate

¹⁶⁸ Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 15;

¹⁶⁹ *Id.*

¹⁷⁰ *Id.*

¹⁷¹ *Id.*

¹⁷² *Id.* Pg. 16;

way to the infringement of a protected right and is in a position to prevent it, can be sued as disquiter for a trademark infringement'.¹⁷³

Whereas, according to the BGH and the German Supreme Court thereupon, contributory trademark infringement falls down for lack of intent. Meaning that if the auction site's offer had been placed online using an automatic process without the prior knowledge of the site operator, the latter will not be contributarily liable for trademark infringement. Noting that the German court did not provide further explanation on the matter and specifically on the duty of online service provider with generalized knowledge to remove counterfeit goods from its auction site, and that is probably because it left it to German Institute of disquitor liability to decide the matter.¹⁷⁴

In France, Article L.711 – 717 of the Code de la Propriete regulates Trademark Law. Generally, French courts follow the provisions of the EU law and the decisions made by the European Court of Justice. Hence, what distinguishes French Law from German and U.S. laws is that it believes that ownership of a mark starts only from the moment of registration. Therefore, protection is only offered for registered trademarks, regardless of any genuine use of the trademark.¹⁷⁵

French Trademark Law grants exclusive intellectual property rights for trademark owners and prohibits certain acts like the reproduction and affixation of a trademarked good or service if those acts create a likelihood of confusion in the minds of consumers, unless they are allowed by the owner, i.e by a license. However, French Trademark Law only provides for direct infringement. On the other hand, French Intellectual Property Law regulates contributory

¹⁷³ Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 17;

¹⁷⁴ *Id.* Pg. 25;

¹⁷⁵ *Id.* Pg. 18;

liability for patents only which suggests that the regulator did not intend to extend it to cover trademarks. Yet, general tort law applies for secondary trademark infringement in France as well as it applies in Germany.¹⁷⁶

So, after addressing how the U.S. and some EU member states deal with secondary liability for trademark infringement, and showing how courts interpret trademark laws and tort laws in respect of this issue, it is necessary to explain under what conditions an Internet Service Provider may be exempt from liability and based on which internet regulation.

At European level, E-Commerce Directive 2000/31 EC applies to every type of liability. It regulates internet service provider liability for illegal activities committed by third parties. Particularly, Article 14 (1) of the directive requires EU Member States to exclude host providers from liability under the two following conditions: If ‘1) 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 2) The provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.’¹⁷⁷

A host provider is defined in Articles 14 and 15 of the E-Commerce Directive and was clearly addressed in *Google v. Louis Vuitton* case when the ECJ had to decide whether *Google* is a host provider or not. Thus, the ECJ noted that ‘the fact that Google gets paid for its services does not mean that Google takes an active role in content, but noted that the role Google plays - in the drafting of the commercial message- and the -selection of keywords- are relevant

¹⁷⁶Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 19;

¹⁷⁷*Id.* Pg. 21;

considerations.’¹⁷⁸ Ultimately, the ECJ left it to the national courts to determine whether Google can be qualified as ‘host provider’ on a case-by-case basis.¹⁷⁹ But in any case, Article 15 of the E-Commerce Directive prevents Member States from imposing general monitoring obligation host providers.

Furthermore, the E-Commerce Directive was transposed in Germany and France. And to a certain level, national laws accurately followed the standards of the E-Commerce Directive like in article 6.I.7 of the French Law on Confidence in the Digital Economy; by which it accordingly exempts host providers from general monitoring obligations. While in Germany, to Issue an injunction against host providers, the claim should be based on the German principle of *Störerhaftung* which can be translated as the liability of a “disturber” or “interferer”¹⁸⁰. Noting that an interferer’s liability is considered to be a long-standing and old principle which should be applied in relation with online intermediaries. Due to this principle, whenever anyone contributes to the infringement of a protected right like trademarks, either deliberately and adequately, he can be subject to an injunction, even if he is not the perpetrator or an accessory.¹⁸¹

As an overall conclusion, in the U.S. the DMCA covers only ISP liability in case of copyright infringement. However, there is no general legislation covering ISPs’ liability for trademark infringement. Therefore the only way of getting an overview on the problem is to study courts’ motions and their interpretations through case law. As noted earlier In *Tiffany*, the court explained that it is the trademark owner’s burden to police its mark, and companies like

¹⁷⁸ Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 22;

¹⁷⁹ *Id.*

¹⁸⁰ Defined at<<http://www.transblawg.eu/index.php?/archives/2012/04/C1.html>>

¹⁸¹ Andreas Rühmkorf. *Op. cit.* For details: See BGH, Case V ZR 202/57.

eBay cannot be held liable for trademark infringement based solely on their generalized knowledge that trademark infringement might be occurring on their websites.¹⁸²

In sum, courts in different jurisdictions do not agree on the issue of who deserves more protection, the trademark owner or the online market operator. In fact, courts' holdings may be affected by their national economic interest. For example, most French court's decisions favor luxury brand trademark holders over online operators like eBay. One example on this point is *Hermès International*, whereby Hermes successfully sued eBay in Paris over fake bags that had been sold online and the French court fined eBay €20,000, or \$31,600 for not properly vetting the sales.¹⁸³ We realize that French courts' motions are affected by its national economic interest since French brands represent one-fourth of the global market for luxury goods and Sixty eight out of 200 luxury brands in the world are French.'¹⁸⁴ By contrast, U.S. and German courts believe that trademarks owners know their goods best and they are the ones obliged to police their trademarks on the online market operator. That is also to avoid discouragement of legitimate practice by internet service operators.¹⁸⁵

¹⁸² Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 41;

¹⁸³ *eBay France v. Hermès International*. Court of Appeal (July 20, 2010).

¹⁸⁴ Kurt M. Saunders & Gerlinde Berger-Walliser. *Op. cit.* Pg. 41;

¹⁸⁵ *Id.* Pg. 43;

Conclusion

A trademark is considered one of a business's most valuable assets which allows its proprietor to enjoy an exclusive right over his goods and enables consumers to identify those goods among all others. Trademark protection has become an indispensable component of business activities in the physical and cyber-worlds. However, with the digital rise of the internet the setting and the functions of trademarks have extended. Trademark uses in electronic advertisements and referencing services in cyberspace, have left courts in the U.S. and Europe in a dilemma of how to interpret and apply national laws into a digital borderless sphere. It has also caused conflicts of jurisdiction and competence, and left the trademark proprietor in the EU free to choose the court before which he wants to contest an infringing act. Although courts in the U.S and the EU have taken quite different approaches in cases of trademark infringement by online intermediaries as direct or secondary infringers, courts' decisions in both judicial systems reflect how critical the goodwill of the trademark proprietor is. It shows how broad the scope of protection they grant for consumers is in compassion with other intermediaries without preventing fair competition and fair use. Subsequently, courts have generally built a common ground for finding infringement whenever advertisers and intermediaries driven by financial incentives cause the likelihood of confusion in the minds of consumers regarding source, affiliation, sponsorship or connection of a product.

By contrast, in the U.S in the context of metatags an intermediary and/or an infringer can be held liable for the sufficient injury it causes by initially confusing consumers. While the absence of this doctrine in the EU shows that EU courts closely follow the script of traditional trademark laws, by sticking to the likelihood of confusion standard as a requirement for

trademark proprietors to allege trademark protection which therefore restricts the scope of its protection. Meanwhile U.S courts should be cautious not to extend its protection beyond what is justifiable under certain pre-sale circumstances while confusion is likely to be dispelled. In all cases, it can be hoped that the ECJ at least justifies its motion whenever it uses the criteria of initial interest confusion.

As emphasized above, because the promotion of fair use is the essence of trademark law, the protection of the trademark proprietor's goodwill and reputation does not deprive the ISP from enjoying a safe harbor under some conditions. Although courts did not maintain a unified or a defined standard for holding the ISP free of liability, most U.S and some EU member states' courts agree that an ISP's generalized knowledge about an infringement act that is occurring or may occur on its website does not hold him liable for contributory trademark infringement. Thus, both jurisdictions agree on the freedom of an ISP from any general monitoring obligation for all contents on his website. It is recommended though; that at least national laws should take an active role to preserve the crucial elements of fair competition and explicitly define what exempts online intermediaries from liability. This will have positive outcomes by means of enforcing trademark rights and enhancing the consumer's trust and reliance on the electronic commercial input of the online web pages. Additionally, the need for defined criteria is crucial for clarifying what measures bad faith, and what constitutes an evidence of adverse effect on the function of indicating origin of a trademark. The creation of unified rules and criteria typically in the form of an international law of trademark in the cyber-world is expected to fill the major part of the gaps that traditional national laws could not fully cover with regards to trademarks' enforcement in the internet. This will form a common infrastructure for courts and will end the dilemma of different interpretations of principles in the U.S and Europe.

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