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New frontiers and critical aspects of Intellectual Property Enforcement on the Internet

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ABSTRACT

This thesis deals with intellectual property questions raised by the introduction of the Internet and its rapid growth. Law of the Intellectual property is the field, which has probably been challenged the most, as the online environment touches almost all its fundamental parts. Paper focuses on two major issues evolved with the emergence of the Internet, namely trademarks in the online environment and liability of online intermediaries with respect to copyright infringement and presents some problems unanticipated by the traditional trademark and copyright laws. Each of these issues is afterwards discussed and for better illustration supplemented by case law of either the United States or the European Union judicial bodies. Furthermore, in the last chapter thesis examines some new approaches to intellectual property enforcement occurring online, suggesting higher care and foreseeability by intellectual property owners in the enforcing strategy.

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INTRODUCTION

Internet for contemporary civilizations has the same importance as printing machine had for society centuries ago. The intellectual property law had to face the unprecedented growth of the Internet with norms suited for totally different environment – the offline world and as a result, provisions of trademark, copyright and other related laws define rights and duties in a way often inapplicable to the Internet. This is not surprising however. Very rarely it happens that law can predict certain development and address it *ex ante*. Traditionally, the law only reflects particular situation and tries to solve it *ex post*.

The same standard applies to intellectual property law whose main goal has always been to find the necessary balance between the legitimate intellectual property right holders and society for the maximal mutual benefit. However, due to rapid evolution of information technologies, reaction of legislators simply could not take place earlier. Although some important laws have been adopted, the issues remain the same. What is the extent of trademark use allowed in the online world? Who is liable for the content of the website? To what extent may the entities being present on the Internet be limited in their rights? What are the options available for trademark holders or copyright owners, when they discover the infringement of their rights occurring on the Internet? How should they act?

This paper attempts to address the abovementioned issues by discussing the main problems and legislation and decisions which tried to answer them. Geographically, thesis is concerned with problems occurring in the European Union and the United States due to the fact that these two regions have most progressive laws on the intellectual property as well as most experiences with dealing above mentioned problems.

The thesis consists of four chapters. First chapter describes the specifics of the online environment, defines the Internet and explains why the Internet has presuppositions to cause complications with respect to the intellectual property. Second chapter deals with trademarks and explains in detail the particular situations resulting in trademark from infringement in the online environment. Third chapter discusses some of the crucial issues related to copyright finding its place on the Internet. The chapter also points out the impact of digitalization and

Internet on the proliferation of copyrighted materials and “safe harbors” specifically tailored for liability of online service providers. Last chapter is focused on the problem of strictly legal and sometimes narrow-minded enforcement of the intellectual property rights by their owners. The passage suggests that legal remedies may not necessarily be the only tool to achieve the satisfactory result in intellectual property law enforcement and even if, then increased attention in communication to alleged infringer shall be preserved.

CHAPTER I. WHAT IS THE INTERNET AND WHY IS IT DIFFERENT FROM THE REAL WORLD?

The Oxford English Dictionary defines the Internet as “the global computer network (...) providing a variety of information and communication facilities to its users, and consisting of a loose confederation of interconnected networks which use standardized communication protocols.”¹ Within less than 15 years, the Internet has become one of the most significant phenomenon of 21st century. As to the end of June 2012 it has been reported their amount reached 2,405,518,376 users, which represents 566,4 % increase with comparison to year 2000.²“(...) Internet has moved from a research curiosity to a recognized component of mainstream society, (...).”³

“Physically, the Internet is a collection of packet computer networks, glued together by a set of software protocols called TCP/IP (Transmission Control Protocol/Internet Protocol). These protocols allow the networks and the computers attached to them to communicate and (using a common address system) to find other computers attached to the Internet. (...) today it is virtually impossible to identify the physical boundaries of the Internet.”⁴

As suggested in previous paragraph, Internet is a borderless medium, which can be reached by almost anyone having an access to online connection, regardless of his physical presence. Although the routers, servers, PCs and other devices may be tracked, no guarantee exists that they are not controlled by a person in another jurisdiction. The determination of jurisdiction and law applicable in such case becomes difficult.⁵In addition, the location of particular device and IP address⁶ cannot guarantee the proper identification of user or potential infringer. The real location of server may be different from the registered domain name. The legally relevant effects taking place on the Internet may be initiated in any location and have consequences in the whole online and offline environment, regardless of the borders existing in the real world or state territories.

The above mentioned lack of jurisdiction leads to another characteristic feature of online environment – lack of targeted and suitable statutory regulation. Although there are

¹ See the Oxford English Dictionary, available online at (Oxford English Dictionary) (accessed March 19, 2013).

² See the statistics available at <http://www.internetworldstats.com/stats.htm> (accessed March 19, 2013).

³ David D. Clark, Karen R. Sollins, John Wroclawski, Robert Braden: Tussle in Cyberspace: Defining Tomorrow's Internet, 2002, pp. 1. Available at: <http://groups.csail.mit.edu/ana/Publications/PubPDFs/Tussle2002.pdf> (Accessed March 22, 2013).

⁴ Graham J. H. Smith, Internet Law and Regulation, 3rd ed., London, Publ. Sweet & Maxwell (2002), pp. 1.

⁵ See Simon Stokes, Digital Copyright: Law and Practice, 2nd ed., Hart Publishing (2005), pp. 9.

⁶ See Wepobedia.com: An IP address is an identifier for a computer or device on a TCP/IP network. Networks using the TCP/IP protocol route messages based on the IP address of the destination.

ongoing discussions on this subject⁷arguing to what extent and in what manner should the Internet be regulated, we must consider the fact that Internet interferes and has impact on every state and its nationals, who possess the internet connection. Lack of proper form of regulation causes the legal uncertainty and unpredictability of both, jurisdiction as well as law applicable, not to mention largely unsettled zone of enforcement issues. In case of intellectual property law, this situation is emphasized, due to strongly territorial nature of this field of law.

Lastly, one should consider the variety of parties operating on the Internet and complex network of common and conflicting interests between them. These include ordinary users interacting one with another, commercial internet service providers providing internet connection services with primary intention to gain a profit, private sector network providers who use the Internet to as a supplement to their business activities, intellectual property right holders struggling to protect as well as benefit from their works available on the Internet, authorities who legislate and enforce the laws governing the Internet and providers of content and higher level services, either for the purpose of profit or bona fide.⁸Current law did not manage to adequately address and determine the scope of rights and duties between them and even if it does, they would be hampered by limited enforcement in the real world.

⁷See e.g. Jack L. Goldsmith, *Against Cyberanarchy*, *University of Chicago Law Review* /65 U. Chi. L. Rev. 1199 (1998), David G. Post, *Governing Cyberspace*, *Santa Clara Computer & High Tech. L.J.* 883 (2008),

⁸David D. Clark, Karen R. Sollins, John Wroclawski, Robert Braden: *Tussle in Cyberspace: Defining Tomorrow's Internet*, 2002, pp. 2. Available at: <http://groups.csail.mit.edu/ana/Publications/PubPDFs/Tussle2002.pdf> (Accessed March 22, 2013).

CHAPTER II. TRADEMARKS AND NEW ISSUES RAISED BY THE ONLINE ENVIRONMENT

2.1 *Traditional functions of trademark*

The beginning of trademarks can be traced back almost 4000 years B.C, when they were as an identifier of pottery or clothing makers within what was at that time considered as the civilized world.⁹ Although some of its functions and elements have changed since the early ages and trademark gained a number of new uses, its primary function remains basically the same – to identify particular goods or services and match them with their originator. Today, the Oxford Dictionary of Law defines a **trademark** as a distinctive symbol that identifies particular products of a trader to the general public. The symbol may consist of a device, words, or a combination of these.¹⁰

The justification of legal regulation and protection of a trademark is twofold. With respect to businesses and in general to all trademark owners, it serves as an identification of their goods or services¹¹ offered to the consumers. Trademark represents all the costs and effort spent by the trademark owner for the promotion of its goods or services in front of the customers and in competition with other businesses. The more reputable, the higher revenues and profits it potentially brings to its owner. Some of the most famous trademarks reach astronomic values and can be regarded as the key assets for their owners.¹² In addition, due to their ability to accumulate and deliver impression to the prospective customers, trademarks can be also used as an investment and promotion tools for the businesses. For consumers, a product or service bearing a particular trademark carries information about product or service. Trademark saves their searching costs as it determines the quality and nature of purchased products or services without the need to locate them and subject to inefficient testing.¹³

The functions of the trademark can be summarized as follows:

1. Origins function;
2. Quality or guarantee function;

⁹ Robert P. Merges, Peter S. Menell, Mark A. Lemley, *Intellectual Property in the New Technological Age*, 4th Edition, Aspen Publishers, 2006, pp. 617. Such countries include China, India, Persia, Rome, Greece or others.

¹⁰ Elizabeth A. Martin, *Oxford Dictionary of Law*, 5th Edition, Oxford University Press, 2003.

¹¹ However, in this case it is more accurate to refer to a „service mark“, which is defined in a same way as a trademark. See e.g. http://www.wipo.int/sme/en/ip_business/marks/mark_procedure.htm (accessed March 18, 2013).

¹² Michael Kelley, Laura Stampler, Gus Lubin, *The 20 Most Valuable Brands In The World*, Business Insider (Oct. 2, 2012), available at <http://www.businessinsider.com/most-valuable-brands-in-the-world-2012-10?op=1> (accessed March 28, 2013).

¹³ Robert P. Merges, Peter S. Menell, Mark A. Lemley, *Intellectual Property in the New Technological Age*, 4th Edition, Aspen Publishers, 2006, pp. 617.

3. Investment or advertising function.¹⁴

2.2 Changes brought by the Internet

Emergence of the Internet extended the concept of trademark to a completely new dimension. While all the uses mentioned in the previous subchapter remain still valid, online environment brings along the situations not contemplated by the trademark law of pre-Internet era. For businesses and trademark owners, Internet provided a highly efficient communication channel giving them the possibility to reach the relevant, targeted group of customers outside of traditional commercial links, regardless of borders existing in the offline world and for negligible price. It has never been as easy as it is with the Internet for businesses to market their goods and services directly to public.

Also the physical location as one of the business identifiers has undergone a radical change in the online environment. Some authors draw an analogy between the strong brand identifying a website and physical location in the real world.¹⁵ In fact, it has been suggested that the importance of branding in the online commercial environment has increased in comparison to that in “bricks and mortar” world because of the lack of possibility for customers to get acquainted with the product or the business itself by the physical contact.¹⁶ In addition, tendency of shutting down or moving to another location is much lower for the businesses operating in the real world. These insufficiencies of the online world have to be balanced by an increased promotion and protection of the trademarks or brands, as they are the crucial element on which the customers may rely on when purchasing products on the Internet. The WIPO report on Intellectual Property on the Internet in 2002 recognized the relevance of the trademark for online commerce¹⁷ and an increased focus on reasonable trademark policy has been followed by all the entities present in the online world.

However, online world introduced also a number of serious threats and new challenges for the trademark owners. Internet as a whole is not subjected to any jurisdiction, nor general regulation or other complex control. While trademark owners have very limited means of protection against an infringement taking place in often unknown locations, trademark

¹⁴ Cornish W.R., Llewelyn D.: *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights – Fifth Edition*. Published by Sweet & Maxwell Limited, London, 2003, p. 587.

¹⁵ Margaret Jane Radin, John A. Rothchild, Gregory M. Silverman, *Intellectual Property and the Internet*, Thomson West, New York, (2004), pp. 1.

¹⁶ *Id.*, pp. 1.

¹⁷ See WIPO: *Intellectual Property on the Internet: A survey of Issues*, December 2002. Available online <http://www.wipo.int/export/sites/www/copyright/en/ecommerce/pdf/survey.pdf> (accessed March 19, 2013)

infringers can benefit from this fact. For example, trademark infringer online may promote counterfeited products and reach the customer directly at his household, while in the real world, such seller have to hide from the public authorities. In addition, trademark as an intangible object and its use in online environment is relatively cheap and safe for an infringer. It should be also stressed out that not all unauthorized uses of protected trademark do necessarily amount to intentional trademark infringement. It is the unsuitability and ambiguity of contemporary trademark law regulating the online environment, which often gives rise to uncertainties and disputes between parties not necessarily acting with intention to infringe or in any other way obtain benefits of the other's trademark. Typical example may be the problem of linking or registration of domain name using other person's trademark for purpose of criticism.

Legislators in the United States and The European Union have covered the trademark issues raised by the online environment only to certain extent. In the United States the Trademark law is generally governed by the Trademark Act¹⁸, and certain parts by Title 37 of the Code of Federal Regulations.¹⁹ With respect to the problem of cybersquatting, Congress in 1999 introduced the Anti-Cybersquatting Consumer Protection Act (ACPA).²⁰ In 2006, the level of dilution of famous trademarks has changed with Trademark Dilution Revision Act (TDRA).²¹

In the European Union, trademark law still remains to huge extent a matter of national law of the member states. The Directive 2008/95/EC to approximate the laws of the Member States relating to trade marks²², which repealed Directive 89/104/EC, provides the guidelines on certain issues of trademark regulation and establishes certain common level of trademark protection. Other directives touching the relationship between trademark and the Internet are E-Commerce²³ and Enforcement Directive.²⁴

The availability of trademarks online posed new questions to some of its basic characteristics in the offline environment. The law of trademark originally developed to deal with the problem created when several businesses started using the same mark, a situation that

¹⁸Trademark Act (Lanham Act), 15 U.S.C. §§1051 et seq.

¹⁹Parts 2, 3, 6, 7, 10 and 11 of Title 37 Code of Federal Regulations.

²⁰The Anticybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d).

²¹The Trademark Dilution Revision Act of 2006 (TDRA), 15 U.S.C. §1125(c).

²² Directive 2008/95/EC to approximate the laws of the Member States relating to trade marks.

²³ Directive 2000/31 on certain aspects of information society services, in particular electronic commerce, in the Internal Market.

²⁴Directive 2004/48 on the enforcement of intellectual property rights.

might create confusion among consumers.²⁵ In the infringement cases on the Internet however, this traditional approach has been disrupted and needed to be addressed by courts. In the following text, I will discuss some the problems occurring with trademarks used online, namely cybersquatting, keyword advertising, meta-tagging, linking and framing.

2.3 Cybersquatting

“Domain names are Internet addresses in simplified form, designed to enable users to locate sites more easily.”²⁶ Domain names are usually registered on first-come, first-serve basis, with the licensed authorities, for a low price²⁷ and in a form which corresponds to particular entity’s name, trademark or name of a product.²⁸ No identical domain names exist in the online space, although they may be so similar one to another, that ordinary Internet user may not immediately spot the difference between them.

Domain names are “URL” (uniform resource locator) addresses, which are inseparable part of the Internet environment, mainly due to their identifying and individualizing functions on the website. The Internet user has basically two options to search for a particular website. First option is to write the domain name address into the “URL” field, followed by some frequently used suffix (e.g. com., org., net., or country codes, like .uk, or .us). However, this practice is not always guaranteed to work, as the Internet user either cannot remember or “URL” does not always match the searched name. Then he has to turn to searching engines services, where the name or a trademark of a company is used and displayed on a basis of searching process within this engine. In this case, the domain name is one of the main determinants of the results displayed and if well designed, it will very probably appear in the top searching results. If, the domain name is identical to a trademark of other owner, the Internet user may be confused and redirected to the completely different website as originally contemplated, including websites offering counterfeited products etc.

Domain name differs from the trademark in several notable ways. The registration of domain names is managed by the private entities, authorized by the ICANN²⁹, or the ICANN

²⁵ Chow, Daniel C.K., Lee, Edward: *International Intellectual Property: problems, cases, and materials*, St. Paul, MN: Thompson/West, 2006, p. 474.

²⁶ See WIPO: *Intellectual Property on the Internet: A survey of Issues*, December 2002. Available online <http://www.wipo.int/export/sites/www/copyright/en/e-commerce/pdf/survey.pdf> (accessed March 30, 2013), pp. 85.

²⁷ See e.g. GoDaddy.com, which offers domain names registration from \$ 2,99/year (depending on suffix), (accessed March 25, 2013)

²⁸ See Mark A. Lemley et. al., *Software and Internet Law*, Third Edition, Aspen Publishers (2006), pp. 631.

²⁹ Internet Corporation for Assigned Names and Numbers. ICANN is a private organization coordinating the multitude of tasks related to Internet maintenance; the organization manages top-level domain name system and licenses other private entities to manage the operation of other classes of domain names. See <http://www.icann.org/en/about> (accessed March 24, 2013).

itself while trademarks are traditionally registered by relevant state authorities. Acquisition of a domain name is faster and less costly and can be achieved without the need to seek any consultation by the experts to deal with formalities. Furthermore, reach of domain name is global, while trademarks are restricted by the principle of territoriality.

Probably legally the most important distinction lies in assessment of registration requirements. In case of domain names, no similarity is examined and registration is allowed unless the domain name is completely identical to already existing domain name. In case of trademarks, confusing similarity may give a reason for non-registration. In addition, trademarks do have to relate to particular goods or services they identify, while there is no such requirement on domain names.

Cybersquatting may be defined as the practice of registering an Internet domain name that is likely to be wanted by another person, business, or organization in the hope that it can be sold to them for a profit.³⁰ Problem with cybersquatting stems from the fact, that cybersquatters may intend to sell, rent or otherwise transfer the domain name to a trademark owner, to block, disrupt the business or divert and attract the trademark owners' costumers towards cybersquatting website.³¹ Consequently, such activities lead to losses of legitimate trademark owners (mainly firms) in form of decreases in profits, damaged reputation or possible litigation costs. In case the trademark owner opts for settlement outside of the court, the expenses will also include the difference between the ordinary registration and purchase price required by a cybersquatter. However, not all the registrations of domain names identical to a trademark are unlawful. Registration of a domain name identical to a trademark owned by other entity may be deemed as legitimate for the purposes of criticism of the company, or the advertisement of availability of that company's products at a website.³²

In the United States, the concerns on cybersquatting have been addressed in 1999 by the Congress, which amended the Trademark Act with Anticybersquatting Consumer Protection Act (ACPA).³³ ACPA is one of the rare examples, which directly addresses one of the major intellectual property infringement issues on the Internet, because it makes a person liable in a civil action by the owner of a trademark, including a personal name, if that person with a bad faith intent to profit from that mark registers, traffics in or uses a domain name that is

³⁰<http://www.thefreedictionary.com/cybersquatting> (accessed March 13, 2013)

³¹ See The Uniform Domain Name Dispute Resolution Policy, <http://archive.icann.org/en/udrp/udrp-policy-24oct99.htm#4> (accessed March 13, 2013)

³² See Mark A. Lemley et. al., *Software and Internet Law*, Third Edition, Aspen Publishers (2006), pp. 741

³³ The Anticybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d).

distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark. In addition, in case of a famous mark, the dilutive effect of domain name suffices to civil action.³⁴ Remedies available to plaintiff are forfeiture or cancellation of the domain name or its transfer to the trademark owner.³⁵ Claims brought under ACPA represent the first option available to the trademark owner to deal with cybersquatters.

The second option is the procedure in front of WIPO Arbitration and Mediation Center.³⁶ Center has been based on WIPO recommendation and offers quick and relatively cheap option for trademark owner's facing cybersquatters. WIPO UDRP procedures proved to be a great success. As to August 8, 2011, WIPO reported total of 36,443 filed cases out of which in 28,270 has the decision been rendered.³⁷ Process is governed by Uniform Domain Name Dispute Resolution Policy (UDRP), to which all customers subscribed when they registered their domain name. This means, that decisions of WIPO Panel under UDRP procedure are binding and enforceable even against the party which does not appear and attend the procedure. UDRP covers all Top-level domain names disputes (".com", ".net", ".org").

Under the Paragraph 4(a) of UDRP three elements must be proven cumulatively to prevail in UDRP dispute. Firstly, the contested domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights. Secondly, that the domain name registrant lacks the legitimate right to use the domain name. Finally, complainant must prove that domain name has been registered and is used in bad faith.³⁸ Remedies provided under the UDRP procedure are limited in comparison to those offered under ACPA, or other national courts. Paragraph 4(i) of UDRP allows only cancellation or transfer of contested domain name from registrant to complainant.³⁹ Although no monetary remedy in form of damages is available, UDRP are balancing this fact by their promptness, direct enforcement and considerably lower price, as compared to traditional litigation.

2.3.1 Rogue sites

Rogue sites are specific category of a website registered by cybersquatters. Rogue site is a Web site that is set up to spread a virus, collect names for spammers or for some other illicit

³⁴ *Id.* (1)(A).

³⁵ *Id.* (1)(C).

³⁶ See UDRP Procedures for Generic Top Level Domains (gTLDs), available at <http://www.wipo.int/amc/en/domains/gtld/udrp/> (accessed April 2, 2013).

³⁷ See Table 1 and 2 of paper on The Uniform Domain Name Dispute Resolution Policy and WIPO from August, 2011, available at <http://www.wipo.int/amc/en/docs/wipointaudrp.pdf> (accessed April 2, 2013)

³⁸ Paragraph 4(a) of UDRP, available at <http://www.icann.org/en/help/dndr/udrp/policy> (accessed April 2, 2013).

³⁹ Paragraph 4(i) of UDRP, available at <http://www.icann.org/en/help/dndr/udrp/policy> (accessed April 2, 2013).

or repugnant purpose.⁴⁰ Such site is typical for offering infringing copyright material or counterfeited goods, while giving an impression of being original, disguising as the rightholders. They are registered worldwide and their main purpose is to mislead the costumers to purchase counterfeited goods. To analyze the problem of rogue sites more deeply, the following case coming from the United States is discussed.

In *Tory Burch v. Yong Sheng International*⁴¹, the Southern District of New York decided by a default judgment in favor of plaintiff and awarded her with historically highest damages in a cases relating to counterfeiting in the fashion industry, amounting to \$ 164 million. Tory Burch is a designer in clothes and accessories industry. The defendants created websites offering counterfeited Tory Burch products. The websites were using official Tory Burch trademark and logo, accepted major credit cards and were designed to give impression of being original. NYDC concluded that *“Defendants are selling Counterfeit Products by operating a network of web sites (“Defendants’ Infringing Web Sites”) resolving a various domain names (...), including (...) domain names containing the TORY BURCH Marks (the “Infringing Domain Names”).”*⁴²

It is worth mentioning, that plaintiff has been granted also a Permanent Injunction Order against each defendant, which grants her the right to disable all new “rogue” sites, established by the defendants, to be transferred all domain names related to such websites or to gain control of all newly discovered funds related to operation of such website by the defendants.⁴³

Decision clearly reflects the concerns of developed countries about counterfeiting activity occurring in the online environment and response thereto. Rogue websites are among the entities benefiting from specific nature of digital environment. They grant their authors or owners anonymity, provide extensive flexibility in quick replacement of cancelled “rogue” sites and have extremely low-cost propagation. All these characteristics make the enforcement of intellectual property rights rather limited. Although Tory Burch case provides some hints on how to deal with “rogue” websites, it shall not be considered as a definite solution and new cases seem to be unavoidable. However, case probably reflects the new course of domain name cybersquatting.

⁴⁰ See [pcmag.com: http://www.pcmag.com/encyclopedia/term/50597/rogue-site](http://www.pcmag.com/encyclopedia/term/50597/rogue-site) (accessed March 20, 2013).

⁴¹ *Tory Burch LLC; River Light V, L.P. vs. Yong Sheng International Trade Co., Ltd, et. al.*, 10 Civ. 09336 (May 13, 2011).

⁴² *Id.*

⁴³ *Id.*

2.4 Keyword advertising

“Contextual advertising, also called key-word advertising or keying, has become a multi-million dollar marketing tool on the Internet.”⁴⁴ This is true with respect to constantly growing number of Internet users and the increasing importance of searching engines, necessary to deal with immense amount of information available on the Internet. Keywords alone are used by searching engines to find and display particular website without the need for knowing the exact technical prefixes, like <http://>, “www.”, or top level suffixes.⁴⁵ Generally speaking, search engines⁴⁶ facilitate the link between the online businesses and the internet users by providing them with information the users have presumably been searching for.

Businesses have basically two options how to attract a consumer via searching engine. Firstly, they can rely on searching engine to list their constructed and indexed website link when searched for related word. Secondly, they can use option of “keyword advertising” which allows the website to appear in “sponsored search results”, listing and displayed on the top results.⁴⁷ In the latter case, the advertising company may purchase words, which will then be used by the search engine to display an advertisement in a separate window, usually placed on the top or near the naturally displayed results. The issue which arose in the cases concerned with keyword advertising is, whether words purchased may also involve registered and protected trademarks of other entities.⁴⁸ Such practice has been objected by a number of trademark owners in cases, where courts had to face the question of application of real world trademark laws to their use in the Internet environment.

The main reason is that this area lacks targeted and adequate legal regulation. Keyword advertising gave birth to some very successful companies running the search engines and providing the search advertising service and yet, no specific legislation addressing this activity exists. Despite all the major jurisdictions have had their trademark or other related laws enacted long time ago and in the recent years several important decisions have been delivered by the courts in both US and EU, the area of contextual advertising still cannot be considered as clearly resolved. In addition, courts in United States and the European Union have diametrically different opinions on use of trademark in keyword advertising. In addition,

⁴⁴ Ashley Packard: *Digital Media Law*. Wiley-Blackwell publication (2010), p. 167.

⁴⁵ See WIPO: Intellectual Property on the Internet: A survey of Issues, December 2002. Available online <http://www.wipo.int/export/sites/www/copyright/en/e-commerce/pdf/survey.pdf> (accessed March 19, 2013)

⁴⁶ See Examples of the most famous search are Google.com, bing.com or Yahoo! Search.com. For the further information see <http://www.ebizmba.com/articles/search-engines> (accessed April 3, 2013).

⁴⁷ Kulk, S.: Search Engines - Searching for Trouble? European Intellectual Property Review, Issue 10, Thomson Reuters (Professional) UK Limited and Contributors., p. 607.

⁴⁸ For example, it is clear that purchase of generic words, such as pen or luxury as keywords is acceptable. However, whether a search engine can sell a famous brand, like “Parker”, raises the question of trademark infringement.

even in the United States, the federal districts have not consistent at this issue for rather long time

2.4.1 Keyword advertising in the United States

In the United States, situations where trademarks are used as keywords by search engines providers are primarily covered by the Lanham Act⁴⁹ and to some extent also by State and common law. According to section 32(1) of the Lanham Act⁵⁰ a trademark infringement occurs, when a trademark is used without the consent of registrant in commerce with relation to sale or advertisement of goods or services causing the likelihood of confusion.

In the related case law history, two main legal problems may be identified. First issue is whether use of trademarks as keywords situated in search engine's code constitutes "use in commerce". If yes, then it may serve as a basis for lawsuit against a trademark infringement. Secondly, whether such use can cause confusion among consumers, despite the fact that trademark is not directly displayed and remains basically invisible, but instead, launches the display of links owned by other entities.⁵¹

The question of "use in commerce" seems to be more or less settled across the whole US territory in favor of trademark owners.⁵² The final "unifying" decision has been done in *Rescuecom Corp. v. Google Inc.*⁵³, where plaintiff sued Google for offering and selling its trademark in Google "AdWords" program, which triggered and displayed the sponsored links of its competitor's right above the "neutral" results. Before *Rescuecom* case, Second Circuit Court did not recognize the use of trademarks in keywords as use in commerce.⁵⁴ Second Circuit Court concluded that Google did not use plaintiff's trademark as an "internal computer directory," but used it to offer and sell as keyword to plaintiff's competitors, what constituted the "use in commerce." Case determined the "use in commerce" under Lanham Act does

⁴⁹the Lanham Act⁴⁹, 15 U.S.C. sec. 1051 et seq.

⁵⁰15 USC. § 1114(1): Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided.

⁵¹ Ashley Packard, *Digital Media Law*. Wiley-Blackwell publ. (2010), p. 168.

⁵² See Alyssa E. Baute, *I search for Louis Vuitton and all I got was this lousy knockoff: Exploring the Initial Interest Confusion doctrine in trademark cases related to search engine keyword advertisements*, University of Dayton Law Review, Vol. 37:2 (2012), pp. 204-205. Available online at <http://www.jacksonkelly.com/jk/pdf/Baute%20Dayton%20law%20review%20article.pdf> (accessed April 1, 2013).

⁵³ *Rescuecom Corp. v. Google*, 562 F.3d 123 (2nd Cir. 2009).

⁵⁴ See e.g. *1-800 Contacts, Inc. V. WhenU.com*, F3d 400 (2nd Cir. 2005), where the defendant's software created pop-up advertisements of plaintiff's competitors, whenever the Internet user accessed the 1-800 Contact's website. It shall be emphasized however, that this case dealt with pop-up advertisements and not with keyword advertising.

apply to use of trademarks in keywords. Case brought Second Circuit Court into uniformity with other Circuits on the issue of meaning of “use in commerce.” However, case ended up with a settlement⁵⁵ so the District Court could not address the issue of likelihood of confusion.

Cases discussing the likelihood of confusion in keyword advertising are less frequent and even those addressing this problem offer conflicting interpretations of this element. Prominent position in discussion on confusion has initial interest confusion.⁵⁶ With respect to search engines and keyword advertising, this doctrine is unique, because “there is a potential for the alleged infringement to completely circumvent a consumer’s access to the goods for which they initially searched.”⁵⁷ Question of initial interest confusion has been addressed in *Playboy Enterprises v. Netscape Communications Corp.*⁵⁸, where the Ninth Circuit Court ruled that although the pop-up advertisements, which appeared after an Internet user entered plaintiff’s registered trademarks “Playboy” or “Playmate” into defendant’s searching engine, did not include these trademarks, the ambiguity of the windows might have given an impression of sponsorship by plaintiff.

In one of the recent case *-Rosetta Stone, Ltd. v. Google, Corp.*⁵⁹, plaintiff sued Google for displaying the sponsored links of entities offering plaintiff’s counterfeited software together with the natural results, which afterwards lead the customers to purchase such counterfeited product. Fourth Circuit found that such use of plaintiff’s trademark by the defendant and counterfeiting advertisers may lead a reasonable fact finder to likelihood of confusion. This finding has been emphasized by the fact, that Google owned an internal study concluding high possibility of likelihood of confusion in case of trademarks used for keyword advertising. Eventually, *Rosetta Stone* case ended up with the settlement.⁶⁰

Overall, “keyword advertising” in the United States “continues to be a hot topic”⁶¹ and therefore, as suggested by Alyssa E. Baute, more certainty and clarity in keyword advertising

⁵⁵ Stipulation of Dismissal between Rescuecom Corp. And Google Inc.: <http://www.scribd.com/doc/27890615/Rescuecom-v-Google-Dissmissal> (Accessed March 20, 2013).

⁵⁶ Stefan Kulk, *Search Engines Searching for Trouble?*, July 2011, available online at http://stefankulk.nl/publications/search_engines_searching_for_trouble.pdf (Accessed April 1, 2013)

⁵⁷ See Alyssa E. Baute, *I search for Louis Vuitton and all I got was this lousy knockoff: Exploring the Initial Interest Confusion doctrine in trademark cases related to search engine keyword advertisements*, University of Dayton Law Review, Vol. 37:2 (2012), pp. 206. Available online at <http://www.jacksonkelly.com/jk/pdf/Baute%20Dayton%20law%20review%20article.pdf> (accessed April 1, 2013).

⁵⁸ *Playboy Enterprises v. Netscape Communications Corp.* 354 F.3d 1020 (9th Cir. 2004)

⁵⁹ *Rosetta Stone Ltd. v. Google Inc.*, 676 F.3d 144 (2012)

⁶⁰ See <http://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?article=1168&context=historical> (accessed April 1, 2013)

⁶¹ Kristine F. Dorrain, Jonathan T. Rubens, *Trademarks and Copyrights in Cyberspace: A Year in Review*, The Business Lawyer, 68 Bus. Law. 305 (November, 2012).

should be achieved by federal legislation.⁶² Targeted rules would be helpful for both, trademark owners and searching engine providers.

2.4.2 Keyword advertising in the European Union

The European Union, same as the United States does not regulate the keyword advertising with any specific regulation, but instead, applies trademark law sources originally created for the use of trademarks in the offline world. Trademarks in the European Union are protected by the Trademark Directive⁶³ and Community Trademark Regulation.⁶⁴ Trademark infringement occurs, when the third party uses trademark without its owner's consent in the course of trade and in relation to identical or similar goods or services.⁶⁵

The key decision on the use of trademarks as keywords has been made in *Google France v. Louis Vuitton*.⁶⁶ The Court of Justice of the European Union adopted a different approach from the United States Circuit Courts when it clearly distinguished the searching engine and advertisers, when it stated that “Although it is clear from those factors that the referencing service provider operates ‘in the course of trade’ when it permits advertisers to select, as keywords, signs identical with trademarks, stores those signs and displays its clients’ ads on the basis thereof, it does not follow, however, from those factors that that service provider itself ‘uses’ those signs...”⁶⁷ It is apparent from the ruling, that CJEU did not want to hold Google directly liable for the trademark infringement, but instead the advertisers. It follows, that search engine operators have considerably strong defense against the trademark owners in this decision, at least at the European level. However, search engine operators may still be liable under the secondary liability in the Member states as it remains true, that they contribute to the infringing activity by selling the trademarks to primary infringing activity of advertisers.

In my opinion it is questionable whether the approach of CJEU is better than that of US Courts. It has been suggested that from the doctrinal point of view, European position is better, because it places the search engine operators into category of secondary liability

⁶² See Alyssa E. Baute, I search for Louis Vuitton and all I got was this lousy knockoff: Exploring the Initial Interest Confusion doctrine in trademark cases related to search engine keyword advertisements, *University of Dayton Law Review*, Vol. 37:2 (2012), pp. 221. Available online at <http://www.jacksonkelly.com/jk/pdf/Baute%20Dayton%20law%20review%20article.pdf> (accessed April 1, 2013).

⁶³ Directive 2008/95/EC of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks.

⁶⁴ Council regulation No. 40/94 on the Community trade mark.

⁶⁵ See Article 5 (1), (2) of the Trademark Directive.

⁶⁶ In fact, this case consisted of three joined cases, namely *Google France SARL and Google Inc. v Louis Vuitton Malletier SA* (C-236/08), *Google France SARL v Viaticum SA and Luteciel SARL* (C-237/08) and *Google France SARL v Centre national de recherche en relations humaines (CNRRH) SARL and Others* (C/238/08).

⁶⁷ *Id.* 55

standards.⁶⁸ Author in his article explains, that “the logical path is to ask whether an advertiser infringes a trade mark by linking a competitor’s trade mark to its advertisement, and on the basis of secondary liability standards, whether a search engine operator’s conduct contributes to that infringement.”⁶⁹ Regardless of suitability of judicial approach, because the decision making on search engine operator’s secondary liability is left on the national courts of the Member States, risk exists that these decisions will not be coherent enough to guarantee legal certainty for trademark owners as well as search engine operators. Therefore, as in case of the United States, appropriate legislation governing the use of trademarks online would be welcomed.

2.5 Metatags

Meta-tags are keywords or phrases embedded in a website’s HTML code which are invisible to the visitors of the website but are read by some search engines.⁷⁰ Search engines index certain selected keywords appearing in the HTML version of the Web site document and use the first words found in the document as an abstract to direct a consumer to the site.⁷¹ Meta-tags are usually represented by words and terms related to particular information the Internet user may enter into the search engine, when looking for a particular content. The results found by a searching engine then depend on the meta-tags used. Searching result presented by the searching engine depends on the meta-tags used in each website’s HTML code. Finally, the position of that particular website in the searching results list significantly affects popularity of that website.

To simplify the whole problem, the trademark infringement threat is present, when an author of a website “A” uses a protected trademark(s) of a person “B” in meta-tags constructing the HTML code of “A’s” website. Search engine will recognize this trademark and will view “A’s” website together with “B’s” website.

In the United States, the relationship between trademarks and meta-tags is covered by the Lanham Act.⁷² Several cases clarified the trademark usage in meta-tags. In often mentioned *Brookfield Communications v. West Coast Entertainment*⁷³, plaintiff was owner of a service

⁶⁸See Stefan Kulk, *Search Engines – Searching for Trouble?*, European Intellectual Property Review, vol. 33, 10/2011, pp. 609-610.

⁶⁹*Id.* pp. 210.

⁷⁰See http://www.wipo.int/sme/en/documents/ip_advertising.htm#legal (accessed March 19, 2013)

⁷¹Saunders, Kurt M.: Practical Internet law for business. ARTECHHOUSE, INC. (2001), p. 57

⁷²Lanham Act 15 U.S.C. §§ 1115 et seq.

⁷³*Brookfield Communications v. West Coast Entertainment*, 174 F.3d 1036 (9th Cir. 1999)

mark “moviebuff“. This has been used by the defendant in meta-tags on his website, conducting business basically in the same field (entertainment industry) as plaintiff. Court applied the doctrine of “initial interest confusion”⁷⁴ and held defendant liable for trademark infringement. West Coast improperly benefited from goodwill of Brookfield’s trademark, when his use of plaintiffs trademark might have caused that costumers initially searching for the service provided by Brookfield would be diverted to defendant’s site instead and these would consequently purchase the service there, as the service offered is basically the same.

In another case *Playboy v. Welles*⁷⁵, the same court held otherwise. Defendant was a playmate of the year 1981, who established her own website, where she used registered trademarks “playboy”, “playmate” and “playmate of the year” in the meta-tags. Playboy brought a lawsuit arguing the “initial interest confusion.” Court defined Welles’ use of plaintiffs’ trademarks as a fair use, because their effect has been mainly descriptive and not likely to cause “initial interest confusion”.

In the European Union the protection against infringements by using meta-tags is provided by Member states legislation. Its basis is in Article 5(5) of the Trademark Directive⁷⁶, which explicitly leaves the laws of the Member states related to meta-tagging untouched by paragraphs 1 to 4 of the directive. It follows that decisions delivered by the national courts may be inconsistent across the European Union and different in Member states.

Up to this date, no clear definition of meta-tags has been provided by the law. Generally, as the WIPO report on Intellectual property on the internet concludes, trademark use in meta-tags without prior authorization to be unlawful, but not absolutely.⁷⁷ As pointed out by other author,⁷⁸ the particular use of trademark is relevant for determination of an infringement. It appears that use of trademarks in meta-tags is acceptable if it does not cause confusion which would unfairly divert consumers from trademark owners’ website. It does not appear that the issue of meta-tags should be addressed by the courts again in the future, because the biggest

⁷⁴Id. 1062-64: „Generally speaking, initial interest confusion may appear when a user conducts a search using a trademark term and the results of the search include websites not sponsored by the holder of the trademark term, but rather of competitors. User then selects this competitive website although without being put into position of initial interest confusion, he would select the originally intended site.”

⁷⁵*Playboy v. Welles*, 279 F3d 796 (9th Cir. Jan. 11, 2000)

⁷⁶Article 5(5) Directive 2008/95/EC to approximate the laws of the Member States relating to trademarks: „Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to the distinctive character or the repute of the trade mark.

⁷⁷WIPO: Intellectual property on the Internet: A survey of issues. Available online

<http://www.wipo.int/export/sites/www/copyright/en/ecommerce/pdf/survey.pdf> (accessed March 20, 2013)

⁷⁸Smith, G.J.H.: *Internet Law and Regulation*, Third Edition. Published Sweet & Maxwell, London (2002), p. 105.

searching engine, Google, Inc., has abandoned the use of keywords as meta-tags in web ranking.⁷⁹

2.6 Linking

Links are active parts of online content, consisting of HTML code, which usually appear on the website in form of graphical images or underlined text. When clicked at, the internet user is redirected to the site constructed under that link.⁸⁰ Closely related type of linking is “deep linking”, which avoids the home or main page of the linked page and brings the viewer to another, more specific part of the linked website.⁸¹

Linking may constitute trademark and copyright infringement. In the former case, a distinguishing function of the trademark may be disrupted, if it is simply used on other user’s website in a way likely to cause confusion with respect to origin of goods or services. As redirection happens immediately after clicking the link, the viewer may get an impression of not leaving the linking website. Confusion may also occur, if the links give the viewer an impression that the linking site is somehow related to linked website, for example by association or endorsement.

Copyright infringement occurs, when linking website owner directs and encourages the viewer to link into unauthorized or infringing copyright material while knowing or having a reason to know about such character. In *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*⁸² the court found the defendant liable (for the purpose of injunctive relief considerations) for contributory infringement, when after being ordered to remove a copyright infringing material, he replaced it with three other links to websites containing the same infringing material. According to court, the defendant knew and actively encouraged the copyright infringement. However, in case of links directing to lawful content, linking site owner is not liable.

The importance of linking on the Internet is noticeable. Despite the possible infringements mentioned in two previous paragraphs, this tool greatly facilitates the flow of information as it can often function as footnotes or endnotes.⁸³ It enjoys and enhances one of the greatest

⁷⁹Matt Cutts, *Google does not use the keywords meta tag in web ranking*: Available at <http://googlewebmastercentral.blogspot.hu/2009/09/google-does-not-use-keywords-meta-tag.html> (accessed March 23, 2013).

⁸⁰ Kurt M. Sauders, *Practical Internet Law for Business*, Publ. ARTTECH HOUSE, INC. (2001), pp. 55.

⁸¹See definition available at <http://www.edgenet.com/resources/glossary/deep-linking> (accessed March 23, 2013)

⁸²See *Intellectual Reserve, Inc. V. Utah Lighthouse Ministry, Inc.*, 75 F. Supp. 2d 1290 (D. Utah 1999).

⁸³Kurt M. Sauders, *Practical Internet Law for Business*, Publ. ARTTECH HOUSE, INC. (2001), pp. 55.

advantages of the Internet - instant reach of almost any kind of information within the few seconds. While it is true that linked website owner may suffer from some detriment by linking to its site, particularly by the “deep linking”⁸⁴, this does not and should not outweigh the fundamental right of freedom of speech and the right to information.

With respect to copyright law, the opinion of judge Huppsummarizes the character of linking: “(...) hyperlinking does not itself involve a violation of the Copyright Act (whatever it may do for other claims), since no copying is involved. The customer is automatically transferred to the particular genuine web page of the original author. There is no deception in what is happening. This is analogous to using a library’s card index to get reference to particular items, albeit faster and more efficiently.”⁸⁵

2.7 Framing

Framing is a device closely related to linking which instead of redirecting the viewer into framed website, displays the framed content within a frame located on that website.⁸⁶ „The legal difficulty arises because the user sees the original website content which may be copyright protected and framed by a different website with a different URL and possible with different logos and advertising.”⁸⁷

Issue of framing has been addressed in often discussed case *Washington Post v. The Total News*.⁸⁸ Plaintiffs asserted that Total News, Inc. infringed, misappropriated and diluted their trademarks by framing the content of their news situated on their sites. Framing caused, that visitors of defendant’s website had an impression that the content is owned by defendant, which resulted in decreased profits of plaintiff’s websites. Eventually the case ended up with the settlement where defendant agreed not to use framing, but he was allowed to keep the links directing to the original content owners.

⁸⁴ For example, such kind of detriment might be loss in the advertising revenue which would otherwise be gained, if the viewer had to pass through linked site’s home page, before processing to an event page. See *Ticketmaster Corp. v. Microsoft Corp.*, CV 97-3055 RAP (C.D. Cal., filed April 28, 1997).

⁸⁵ *Ticketmaster Corp. et. al. v. Tickets.com, Inc.*, Case No. CV 99-7654 HLH

⁸⁶ Kurt M. Sauders, *Practical Internet Law for Business*, Publ. ARTTECH HOUSE, INC. (2001), pp. 56.

⁸⁷ WIPO, *Intellectual Property on the Internet: A survey of Issues*, World Intellectual Property Organization (2002), pp. 53, available online <http://www.wipo.int/export/sites/www/copyright/en/ecommerce/pdf/survey.pdf> (accessed March 23, 2013).

⁸⁸ *Washington Post v.. The Total News*, Case No. 97 Civ. 1190 (PKL)(SDNY 1997).

CHAPTER III. COPYRIGHT ON THE INTERNET AND LIABILITY OF ONLINE INTERMEDIARIES

Copyright is “the exclusive right to reproduce or authorize others to reproduce artistic, dramatic, literary or musical works.”⁸⁹ Copyrights grant their owner a legal monopoly over their works and allow them to decide on whether and to what extent do they let the third parties to use their protected works. Main purpose of copyright is to “encourage the creation and distribution of original works of authorship, by enabling authors to exploit the economic value of their creations.”⁹⁰ The essential underlying presumption is that exchange of protection and exclusive rights guaranteed by society to author for his motivation and incentives to create new works beneficial for society leads to mutual enrichment. However, copyright is not an absolute right. Society recognized the need for balance between the legitimate needs of both parties through the doctrine of “the fair use.”⁹¹ Doctrine defines the circumstances, under which the third parties can use copyrighted works without the obligation to request their owner for permission. However, fair use is generally allowed only in the situations, where the third party would have a significant benefit from the copyrighted work and where copyright owner would suffer only minor harm. Other exceptions might include compulsory license, copying of musical recording for non-commercial purposes, education purposes etc.⁹² This arrangement of rights established more or less just relationship between the copyright owners and the society.

However, with the rise of digital technologies and emergence of the Internet, this balance has been disrupted. Combination of the both elements is of the crucial relevance because capabilities of the Internet could not be fully developed without the content being in a digital form.⁹³ Almost all the copyrighted material can be transformed from either hard copies or analog forms into the digital version. This includes textual works, audio and visual works, works of art, software technologies or even databases. Such digital goods are afterwards considerably easier to store, reproduce, transfer and generally to manipulate. Unlike analog world, digital technologies allow the user to create and use multiple amounts of copies of

⁸⁹ Elizabeth A. Martin, *Oxford Dictionary of Law, 5th Edition*, Oxford University Press, 2003, pp. 119.

⁹⁰ Margaret Jane Radin, John A. Rothchild, Gregory M. Silverman, *Intellectual Property and the Internet*, Thomson West, New York, (2004), pp. 185.

⁹¹ See e.g. 17 U.S.C. § 107. Provision provides demonstrative enumeration of uses which are not deemed as copyright infringement, such as criticism, comment, news reporting, teaching, scholarship, or research.

⁹² Margaret Jane Radin, John A. Rothchild, Gregory M. Silverman, *Intellectual Property and the Internet*, Thomson West, New York, (2004), pp. 186.

⁹³ See the Oxford Dictionaries, available online <http://oxforddictionaries.com/definition/english/digital> (accessed April 7, 2013) which defines word digital as „signals or data expressed as series of the digits 0 and 1, typically represented by values of a physical quantity such as voltage or magnetic polarization.” A typical example of a material bearing the digitalized content might be DVD (Digital Versatile Disc), or MP3 recordings.

copyrighted material without any loss in quality. In analog world, this would not be possible, as every consequent copy of tape cassette or Xerox copy would necessarily result in decreased quality. In addition, location is becoming irrelevant, because digital works are extremely compact and can be transferred across the whole Internet network with literally clicking few buttons on a keyboard. Comparison to the real world is helpful, because there such “unlimited” and deliberate proliferation of copyrighted material is impossible. The Internet enhances advantages provided by the digital technologies and allows the users to spread, transform, produce a derivative work or display the copyrighted works within borderless territory with essentially no limitations as to territory and time. This opens the doors to both, extensive legitimate as well as illegal use and distribution of copyrighted material.

“What causes uncertainty online is not these established applications of copyright law, but rather the novel uses of digital goods in a purely digital environment.”⁹⁴ In general, primary objective of the copyright law has always been to strike the balance between the copyright owners and society. What happened with rise of Internet is, that this balance created and maintained in pre-Internet era has been disrupted and either the new interpretations of existing law should be found or completely new laws have to be enacted.

The problem may be illustrated on the notion of “reproduction” of a copyrighted material. Copyright, as the term incurs, grants the author an exclusive right to create copies and to exclude others from the same activity. In the digital world, the RAM (random access memory) is a part of computer, which serves to temporarily store the information. RAM is necessary part of every computer without which the device basically cannot function. The key issue with respect to copyrighted material and RAM was, whether these information stored on the RAM amount to copies as defined in the Copyright law. In case the answer is positive, then every, even unintended copy of copyrighted material gives basis for the copyright infringement and consequent liability. The question has been answered quite early, in 1993, when the 9th Circuit Court in *MAI Systems Corp. v. Peak Computer*⁹⁵ concluded that a copyrighted work which is stored in computer RAM involved the making of a “copy”, which means that the action is unlawful absent a license or some sort of defense.⁹⁶ The solution of this problem is important, because as suggested by Joseph P. Liu, following this approach would cause imbalance between the rights of copyright owners and users of digital content, as

⁹⁴ Margaret Jane Radin, John A. Rothchild, Gregory M. Silverman, *Intellectual Property and the Internet*, Thomson West, New York, (2004), pp. 183.

⁹⁵ *MAI Systems Corp. v. Peak Computer*, 991 F.2d 511 (9th Cir. 1993).

⁹⁶ Dennis S. Karjala, *Liability of Internet Service Providers under United States law*, *Jurisprudencia Mokslo Darbai* 5(83), 2006, p. 2. Available online at <http://homepages.law.asu.edu/~dkarjala/Copyright/Syllabus-f11.htm> (accessed April 9, 2013).

it would give the former group at least a theoretical control over almost all computer-aided uses of copyrighted works in digital form.⁹⁷ The online intermediaries as a part of vast majority of online processes are in the center of attention.

3.1 Liability of online intermediaries prior to DMCA and E-Commerce Directive

Online intermediaries represent a specific position among the entities present on the Internet. The notion of online intermediaries covers two categories – internet service providers (ISP's) and online service providers (OSP's). Difference between them lies in the fact that while the first one provides internet access to its customers, webhosting or email services, the latter uses Internet as an environment for offering its services and conducting the business. Online service providers may, however, refer also to entities functioning outside of the Internet and instead operating private data networks.⁹⁸

Regardless of distinction between the two, it can be stated that it is basically impossible for an internet user not to get involved with online activities thereof while using the Internet. In fact, it is them, who substantially allow the Internet users to effectively and easily distribute and exploit the copyrighted content worldwide. The capital question therefore is whether and to what extent should the online intermediaries be liable in case they participate or in other way make possible the unauthorized use of copyrighted material.⁹⁹ The focus on online intermediaries is emphasized also by the fact that even though most of the acts infringing copyright online are primarily caused by the ordinary Internet users, dealing with every such infringer individually would be costly and inefficient. In addition, even when such infringer is detected, enforcement would be cumbersome and damages awarded would probably amount only to a small percentage of total losses caused by such infringement.¹⁰⁰ Furthermore, these entities have deeper pockets than individual infringers and their ability to shut down or police the infringing activities can result in significant reduction of online infringement.¹⁰¹

⁹⁷ Joseph P. Lku, *Owning Digital Copies: Copyright Law and the Incidents of Copy Ownership*, 42 Wm. & Mary L. Rev. (2001), pp. 1245, 1262-1263.

⁹⁸ See http://wiki.answers.com/Q/What_is_the_difference_between_internet_service_poviders_and_online_service_providers (accessed April 9, 2013).

⁹⁹ WIPO, *Intellectual Property on the Internet: A survey of Issues*, World Intellectual Property Organization (2002), pp.43, available online <http://www.wipo.int/export/sites/www/copyright/en/ecommerce/pdf/survey.pdf> (accessed April 9, 2013).

¹⁰⁰ Dennis S. Karjala, *Liability of Internet Service Providers under United States law*, *JurisprudenciaMoksloDarbai* 5(83), 2006. Available online at <http://homepages.law.asu.edu/~dkarjala/Copyright/Syllabus-f11.htm> (accessed April 9, 2013).

¹⁰¹ Margaret Jane Radin, John A. Rothchild, Gregory M. Silverman, *Intellectual Property and the Internet*, Thomson West, New York, (2004), pp. 195.

As a consequence of the abovementioned circumstances, online intermediaries in both Europe and the United States had to face an increasing number of lawsuits brought under various concepts of liability by the copyright owners. It is at this place, where it will be discussed the inappropriateness in the application of traditional liability approaches and the solutions provided by the respective authorities in the EU and U.S.

United States have rather rich history related to the evolution of online intermediaries' liability. Traditionally, U.S. law recognized three levels of copyright liability: direct liability, contributory liability, and vicarious liability.¹⁰² Direct liability arises from the copyright infringement under Section 106 of the U.S. Copyright Act.¹⁰³ Contributory liability has been described as an "infringement by individuals, who knowingly induce, cause or materially contribute to the infringing conduct of another."¹⁰⁴ Vicarious liability is found when a person who has the right and ability to control the activities of the primary infringer receives a direct financial benefit from the infringement.¹⁰⁵ The last two types of liabilities are known as secondary or indirect and their common feature is that their occurrence is dependent on the existence of a primary infringement. Secondary liability rules are flexible and include doctrines applying to many different circumstances.¹⁰⁶ However, for the purposes of this paper the scope will be narrowed to liability concerning the copyright infringement.

Probably the most notorious case on direct copyright infringement liability is *Playboy Enterprises v. Frena*¹⁰⁷, where the defendant distributed images owned by the plaintiff. Defendant claimed he had no knowledge about the infringing nature of the images. However, court found him liable for the direct infringement, because "it does not matter that Defendant Frena may have been unaware of the copyright infringement. Intent to infringe is not needed to find copyright infringement. Intent or knowledge is not an element of infringement, and thus even an innocent infringer is liable for infringement." Although this conclusion was

¹⁰² Ashley Packard, *Digital Media Law*, Wiley-Blackwell (2010), pp. 138.

¹⁰³ See 17 U.S.C., Sec. 106: Subject to sections 107 through 122 the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;
 (2) to prepare derivative works based upon the copyrighted work;
 (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
 (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
 (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
 (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

¹⁰⁴ *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971).

¹⁰⁵ Margaret Jane Radin, John A. Rothchild, Gregory M. Silverman, *Intellectual Property and the Internet*, Thomson West, New York, (2004), pp. 227, 228.

¹⁰⁶ Alain Strowel, *Peer-to-Peer File Sharing and Secondary Liability in Copyright Law*, Edward Elgar, Publishing, Inc., 2009, pp.3.

¹⁰⁷ *Playboy Enterprises v. Frena*, 839 F.Supp. 1552 (M.D.Fla.1993).

dogmatically correct, it can be somewhat felt that such strict approach towards liability is not suitable and eventually may appear as unfair. In fact, almost 20 years after *Frena* decision the ruling of the court seems to be absolutely inapplicable to contemporary flow of data through online intermediaries and today, the ruling can be defined as slightly absurd.

The U.S. courts recognized the specific position of online intermediaries in *Netcom case*,¹⁰⁸ decided relatively shortly after *Frena* in 1995. Case involved a former Minister of Scientology who posted copyrighted material on the defendant's website. Plaintiff sued defendant for all the three categories of infringement – direct, contributory and vicarious. The court refused to hold defendant directly liable, because it recognized the automatic nature of defendant's system which created only uniform and temporary copies and the fact, that it has not been the defendant directly, who was the cause of the infringement. However, court found potential contributory infringement, because the plaintiff notified defendant on the infringement. This gave rise to presumption that Netcom knew or should have known about the infringing activity, which resulted in implication of contributory liability doctrine. Defendant has not been found vicariously liable, because plaintiff did not manage to prove Netcom obtaining any direct financial benefit resulting from the infringing activity. This decision appears to be much more reasonable than *Frena*, because it is apparent that the intention of the judge to bring the balance between the parties concerned and in fact to reflect the real position and capabilities of online service intermediary. However, legal uncertainty regarding the liability of online intermediaries for the copyright infringing acts of the third parties could not have been solved by the case law only. Solution to this problem has been addressed by the Digital Millennium Copyright Act.¹⁰⁹

In the European Union, the issue of liability of online intermediaries has been dealt with in E-Commerce Directive.¹¹⁰ Prior to this Directive, online intermediaries operating in Europe have been in the same uncertainty as their U.S. counterparts. In addition, liability rules differed state to state. In order to draw a brief picture, the example from Netherlands will be presented. In Netherlands, liability of online intermediaries was dealt with in the case *Bridgesoft v. Lenior*. Online operator was found liable for direct copyright infringement, when it allowed let the subscribers to upload and download pirated software. In addition, court found defendant negligent because he should have been aware of possible copyright

¹⁰⁸ *Religious Technology Center v. Netcom On-line Communication Services, Inc.*, 907 F.Supp. 1361 (N.D.Cal.1995).

¹⁰⁹ The Digital Millennium Copyright Act, Publ. L. 105-304, Stat. 112 Stat. 2860 (1998).

¹¹⁰ Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market ('Directive on electronic commerce').

infringement.¹¹¹ In another Netherland case, *Scientology-case*, the outcome for online intermediaries has been more favorable, as the court recognized their inability to influence or to have knowledge about copyrighted material being disseminated by other entities having access to their services.¹¹² In factually almost identical cases, the courts ruled differently. It became clear, that in order to facilitate the common market and relieve the online intermediaries from unpredictable legal consequences, some steps needed to be undertaken. The answer has been the above mentioned Directive on E-Commerce.

3.2 Liability limitations for online intermediaries introduced by the DMCA and E-Commerce Directive

Although not definite, DMCA and E-Commerce Directive made a considerable step forward with respect to liability of online intermediaries. These two instruments have not addressed the doctrines of liability discussed in previous chapter, but instead provided the online intermediaries with the set of exceptions from liability (also called “safe harbors”), which they may resort to if complying with certain requirements.

“Safe harbors” under the Section 512 (a)-(d) of the DMCA are (a) transitory digital network communications (mere conduit), (b) system caching, (c) information residing on systems or networks at direction of users (host providers) and (d) information location tools. The European legislator adopted almost identical provision to DMCA “safe harbors” in the E-Commerce Directive and in Articles 12 - 14 recognized three groups of liability exemptions – mere conduit, caching and hosting.

The mere conduit term applies to the ISPs, who function only as access or network transmission providers. It is necessary for them to remain passive in the process and not to initiate, select or modify the transmitted content. Transition thus must be initiated by an entity other than ISP and it should be automatic.¹¹³

Caching is a function, which is generally used to increase the speed of browsing the Internet.¹¹⁴ The information is temporarily stored at the Internet user’s hard drive in order to

¹¹¹ EU study on the Legal analysis of a Single Market for the Information Society. *New rules for a new age? Liability of online intermediaries*, DLA Piper, November 2009, pp. 4.

¹¹² *Id.* pp. 4.

¹¹³ See Sec. 512(a) DMCA and the Art. 12 of E-Commerce Directive 2000/31/EC.

¹¹⁴ See TechTerms.com: This stores information you have recently read from your hard disk in the computer’s RAM, or memory. Since accessing RAM is much faster than reading data off the hard disk, this can help you access common files and folders on your hard drive much faster. Another type of cache is a processor cache which stores small amounts of information right next to the processor. This helps make the processing of common instructions much more efficient, thereby speeding up computation time. Available online at <http://www.techterms.com/definition/cache> (accessed April 10, 2013).

facilitate the onward transmission of such information. In order to qualify for this liability exemption, must be stored automatically, content of transmitted and stored material cannot be modified, ISP must comply with rules concerning updating, reloading and refreshing, does not interfere with technology returning information to the person making the material available. In addition, an additional rule resembling the takedown notice is present, which requires the ISP to remove or disable access to material once it has been notified about its infringing nature by the copyright owner.¹¹⁵

Hosting providers' primary function is to host data originating from their users for an unlimited period of time. For both EU and U.S. applies, that ISP may be covered by the "hosting safe harbor" only if it operates the network where the infringing material is stored, does not have actual knowledge or is not aware of an infringing nature of the material, it did not receive any financial benefit in relation to storing the infringing material, it expeditiously removed or disabled the access to such material after obtaining such knowledge. It should be pointed out, that procedure similar to the U.S. notice and take-down exists in the EU. Also different liability regimes exist in the EU, as "hosting providers can only benefit from the liability exemption when they are "not aware of facts or circumstances from which the illegal activity or information is apparent" (when it concerns civil claims for damages) or they "do not have actual knowledge of illegal activity or information" (when it concerns other claims)."¹¹⁶

The Information Location Tools exemption is addressed only by the DMCA. In order for the ISP to enjoy immunity, it shall have no actual knowledge or should not aware of the presence of an infringing material if it is apparent, it removes or disables access the infringing material after obtaining such knowledge and cannot receive any direct financial benefit resulting from infringing content. Similarly to hosting providers, also here the duties under the notice and takedown procedure are required.¹¹⁷

Despite the apparent similarities, DMCA and E-Commerce Directive differ in several important aspects.¹¹⁸ The scope of DMCA is narrower from that of Directive, as it covers only liability exemptions for third-party content concerning copyrighted material, as it is part of the Copyright Act only. Directive has horizontal approach which covers liability of online

¹¹⁵ See Sec. 512(b) DMCA and the Art. 13 of E-Commerce Directive 2000/31/EC.

¹¹⁶ *EU study on the Legal analysis of a Single Market for the Information Society. New rules for a new age? Liability of online intermediaries*, DLA Piper, November 2009, pp. 8.

¹¹⁷ See Sec. 512(d) DMCA.

¹¹⁸ See generally Miquel Peguera, *The DMCA Safe Harbors and Their European Counterparts; A Comparative Analysis of Some Common Problems*, *Columbia Journal of Law & the Arts*, Vol. 32, pp. 481-512.

intermediaries for any infringing or unlawful content. Therefore, the position of online intermediaries seems to be more comfortable in EU, rather than U.S., as there they have to seek liability exemptions in multiple sources.

Another difference lies in “notice and take-down procedure”. Under the DMCA online intermediary has the duty, in order to qualify for the “safe harbor”, to adopt process, which would allow the copyright owners to request to removal of allegedly infringing material. Notice must have written form and must properly identify the copyrighted material, the infringing work and its location on the site. In addition, complainant shall state that he is acting in a good faith belief of material being unauthorized and provide a statement that he acts on behalf of copyright owner and roughly similar process applies counternotice. Following the rules on “notice and take-down procedure”, online intermediary will be exempted from monetary liability. In the European Union, this question has not been addressed but instead it left the issue to be solved by voluntary agreements between the parties concerned, encouraged by the Member States.¹¹⁹ However, the arguments on unsuitability of this approach have been raised and the adoption of model similar to U.S. “notice and take-down procedure” is suggested.¹²⁰ Although I also consider the “notice and take-down procedure” as more suitable for the solutions of copyright infringement of online intermediaries, it shall be noted that it increases the censorship duties of online intermediaries and consequently may have chilling effect on the dissemination of information via the Internet. To me, the major problem seems to be that allegedly infringing material is removed basically automatically, after complying with the formal requirements. In addition, online intermediaries are logically driven to remove any (even only suspicious) content claimed to be infringing, in order to avoid the monetary damages. I consider the better solution would be to move the “removal” part of the “notice and take-down procedure” to the phase, where counternotice is obtained and material is properly examined. Alleged infringer would be notified about complaint and either he would not respond and submit a counternotice, the content would be removed. However, in case of response, the abovementioned procedure would apply. This would in my opinion fairly balance the rights and obligations of parties involved in this process.

Another relevant difference stems from the extent of injunctive reliefs available in both systems. As already mentioned in the beginning of this subchapter, online intermediaries may

¹¹⁹ Directive 2000/31/EC on E-Commerce, Recital 40.

¹²⁰ See Pablo Baistrochi, *Liability of Intermediary Service Providers in the EU Directive on Electronic Commerce*, St. Clara Computer & High Technology Law Journal, Vol. 19(1) Available online at <http://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?article=1315&context=chtlj> (accessed April 10, 2013).

avoid monetary damages in case of fitting into “safe harbor” requirements, but still may be subjected to court injunctions. Under the DMCA, the injunctions available are precisely enumerated in the Copyright Act¹²¹, the EU Directive does not limit any form of injunctive relief against the service provider.¹²² “In any event, E-Commerce Directive does not oblige Member States to provide for injunctive relief under their national law. Rather, it simply establishes that the safe harbors do not prevent issuance of injunctions against intermediaries, as long as those injunctions are ordered according to national law.”¹²³ It follows that a wide variety of different injunctions will be issued across the European Union. To illustrate the problem of injunctions, the following case will be analyzed.

3.3 Sabam case

One of the most relevant cases in the EU dealing with injunctions issued by national courts of the Member states against Internet service providers is “SABAM” case.¹²⁴ Case discussed several issues related to internet content filtering as well as to related human rights. SABAM is a management company representing mainly copyright holders. Scarlet is an ISP providing its customers with internet access. SABAM asserted that Scarlet’s costumers used its internet connection to infringe copyrights by using peer-to-peer sharing.¹²⁵ As E-commerce Directive does not allow claiming damages from ISP’s,¹²⁶ SABAM sought and order which would require defendant to install a filtering system preventing its users to peer-to-peer sharing of copyrighted material.

The very essential question referred to CJEU was, whether a national court can impose monitoring obligation as requested by SABAM, on ISP.¹²⁷ CJEU considered such set of

¹²¹ See Section 512(j)(1)(A)(i)-(iii) of US Copyright Act: Court may basically order the service provider to restrain the Access to infringing material, restrict access to a subscriber or account holder engaging in infringing activity by terminating his account. Court may also issue injunctive relief which it considers necessary to prevent infringement, if such relief is the least burdensome in comparison to other forms of reliefs.

¹²² Directive 2000/31/EC on E-Commerce, Recital 45.

¹²³ See Pablo Baistrochi, *Liability of Intermediary Service Providers in the EU Directive on Electronic Commerce*, St. Clara Computer & High Technology Law Journal, Vol. 19(1), pp. 487. Available online at <http://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?article=1315&context=chtlj> (accessed April 10, 2013).

¹²⁴ Scarlet Extended SA v. Societe belge des auteurs, compositeurs et éditeurs SCRL (SABAM), CJEU, C-70/10 (Nov. 24, 2011).

¹²⁵ See e.g. <http://www.techterms.com/definition/p2p> (accessed March 22, 2013): “(...)P2P software allows you to search for files on other people’s computers. Meanwhile, other users on the network can search for files on your computer, but typically only within a single folder that you have designated to share.”

¹²⁶ See Art. 12-14 of E-Commerce Directive 2000/31/EC. All of them state that “(...) member States shall ensure that the service provider is not liable...”. This implies ISP cannot be sued for damages, but does not exclude orders terminating or preventing the infringement.

¹²⁷ Scarlet Extended SA v. Société belge des auteurs, compositeurs et éditeurs SCRL (SABAM), CJEU, C-70/10, (Nov. 24, 2011) (29): “By its questions, the referring court asks, in essence, whether Directives 2000/31, 2001/29, 2004/48, 95/46 and 2002/58, read together and construed in the light of the requirements stemming from the protection of the applicable fundamental rights, must be interpreted as precluding an injunction imposed on an ISP to introduce a system for filtering all

requirements as imposing “general obligation to monitor”, which is prohibited by E-Commerce Directive. Court further ruled that suggested filtering system would not be fair and proportionate. In addition, the system would be excessively costly where these would have to be borne by ISP. CJEU touched also fundamental human rights, when regarded such filter as potentially infringing the right to conduct a business, freedom of information and right to protection of ISP’s customer’s personal data.

On the first sight, it appears from SABAM case that copyright holders cannot request the imposition of measures filtering the copyright infringing content. However, when we further examine the case, the outcome does not appear to so definite, because the Court did not impose a general ban on blanket injunctions requesting ISP’s to block or filter the information trafficking.¹²⁸ The court addressed the filtering system only to extent it was formulated and construed by SABAM, which was very narrowly. “All that the ECJ has forbidden is the five-faceted injunction described above. It has not held that an injunction with two, three or even four of those elements is unlawful.”¹²⁹ Scarlet has been basically saved from the filtering system installation due to its extremely costly and complicated creation and installation thereof. It has not been said, that once a system capable of proper recognition and filtering of copyright infringing material transmitted between internet users is invented, the ISP’s will avoid the duty to adapt it. Although SABAM Case partly helped to clarify the extent of injunctions against ISP’s, specifically what is the level for non-granting of injunction, its high specificity may make it less applicable to other, more narrowly constructed injunctions against ISP’s.

Similar question as in “Scarlet” aroused in connection with social networking website in “Netlog case”¹³⁰, where SABAM requested to impose the same filtering obligation at Netlog. Court argued in a same manner as in Scarlet reached the same conclusion, because it “stores information provided by the users of that platform, relating to their profile, on its servers , and that it is thus a hosting service provider within the meaning of a Article 14 of Directive 2000/31”, and thus enjoys the liability exception under hosting “safe harbor.”

For the time being it can be concluded, that very broad content filtering injunctions against ISP’s are practically unlawful, but are seen by the copyright holders as still available and

electronic communications passing via its services, in particular those involving the use of peer-to-peer software, which applies indiscriminately to all its customers, as a preventive measure, exclusively at its expense and for an unlimited period (...).“

¹²⁸Meale, D., SABAM v. Scarlet: Of Course Blanket Filtering of the Internet is Unlawful, but this Isn’t the End of Story. E.I.P.R. 7/2012, pg. 431.

¹²⁹Id.

¹³⁰Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v. Netlog NV; CJEU (C-360/10).

active option of fighting copyright infringement online. Two statements may be incurred on a basis of abovementioned cases. First, it is obvious that law is not an almighty tool for resolving all the problems of contemporary world. It is uneasy to imagine legislator constructing the legal norms, despite their precision and perfection, when the means for put the legislator's intent into practice simply do not exist (yet). Second, it is nowhere said however, that although such technology does not exist (yet), the copyright owners may try to erode the liability exceptions established in the E-Commerce Directive simply by testing different constructions of injunctive reliefs. One shall keep in mind that judges are also only ordinary, though educated and skilled, citizens who, if they consider it as suitable, may under their national laws permit injunctions unpredicted by the legislator's intent. As the first option is not possible to be applied at this stage, it can be concluded that copyright holders will try seek to find a model of injunction, which would be in accordance with EU law. The overall result of E-commerce directive thus is a new set of uncertainties faced by the internet service providers.

CHAPTER IV. ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS IN THE ONLINE ENVIRONMENT – DOES ENFORCEMENT STRATEGY MATTER?

As it has been mentioned previously in chapter discussing the trademarks, these are often recognized as a genuine and valuable asset for their owners. The value of copyrighted property infringed online reaches high values as well. With the Internet offering vast range of new business channels and previously unimaginable marketing options for all kinds of businesses as well as with extremely enhanced reproduction and distribution options with respect to copyrighted material, the number of both trademark and copyright infringements has grown to new levels. Legitimate reaction of the respective owners is that they seek for measures which could put an end to any kind of infringing activity. However, in cases of intellectual property enforcement on the Internet, an increased awareness on steps undertaken against the infringer shall be always taken into consideration. This shall be especially carefully considered by the owners of famous and renowned trademarks or brands as well as huge copyright owners, mainly recording companies.

The reasons for seasoned and adequate actions by trademark owners are simple. General public does not always share the same values and approaches to use of trademark by the (potential) infringer, as the trademark owner does. What constitutes clear trademark infringement according to law, may not suffice to justify zealous enforcement in the eyes of consumers. For example, not all the infringers may act intentionally or in a bad faith. It shall be a general rule that trademark owners resolve to litigation only when all other options are exhausted. If we consider such approach through the prism of law and economics, the overall benefit for the trademark owner following this strategy of strict suing may cause more harm, than good. The main reasoning behind is that although the legitimate trademark owner may have had his rights infringed (at least according to law) and thus is legally entitled to appropriate courses of actions¹³¹ against infringer, consumers may consider them as inappropriate, excessively threatening or as restricting the free speech. Law in this case stands simply below the consumers' values, whatever they may be. Market is more powerful than law, because the general perception of a trademark and its owner often values more than an amount of lawsuits commenced or damages awarded. Short term result may benefit the

¹³¹ These typically include claim for damages, interlocutory injunctions and to some extent also cease and desist letters.

plaintiff, but from the long term and broader perspective, the reputation of trademark may suffer.

The following text provides several examples on strategies adopted by trademark or copyright owners against infringers. The question to be considered is, whether it is really necessary to initiate the court proceedings and to use strictly legal remedies, when in some cases alternative, non-legal tools are available.

The first set of issues is the enumeration of damages resulting from copyright infringement by ordinary citizens. Major US recording companies, in their fight against piracy initiated several cases, which resulted in astronomical penalties, which sometimes exceeded the sums adjudicated for more severe wrongdoings – at least from the perspective of ordinary citizen. In the Jammie Thomas-Rasset's case¹³², the Minnesota citizen has been sued by RIAA. The court ruled in favor of plaintiff and fined her with sum of 1,9 million US Dollars for 24 illegally downloaded songs. The value of one song has thus been established at sum 80 000 each. In a similar case following shortly after¹³³ a Boston student has been fined a sum of 675 000 US Dollars for the same reason as Thomas-Rasset. In his case a value of one song has been set at 22 500 US Dollars. The defendants in both cases were found liable for illegal downloading of copyrighted material which, although actionable under the US law, does not match its severity as well as does not reflect the dangers for the society. After some time, the RIAA decided not to continue in this form of fight against illegal downloading. Although the main reason was that hunting down individuals was ineffective with respect to both price and time, it can be presumed, that important role has been also played by the position of the public towards such treatment. I conclude, that although the objective followed by RIAA was to deter the pirates, instead, it presented itself as company abusing its power against not that much guilty citizens. Afterwards, RIAA pointed its attention to Internet service providers to fight piracy.¹³⁴ Recording companies later understood the needs of copyright users and many of them offer single pieces of copyrighted material to be purchased by user for a reasonable price and in a full quality. Although such option does not defeat the problem of piracy, it definitely cools down the conflict with wide public and eventually might be followed by increased profits. It is reasonable to assume, that a number of users who would be obliged to

132 For example Crow, Sheryl: CNN Justice – article from June 18, 2009, accessed March 7, 2013 at http://articles.cnn.com/2009-06-18/justice/minnesota.music.download.fine_1_jury-instructions-fined-sheryl-crow?_s=PM:CRIME

133 Vijayan, Jaikumar, Computerworld.com: http://www.computerworld.com/s/article/9136159/Tenenbaum_hit_with_675_000_fine_for_music_piracy (accessed March 7, 2013)

134 See e.g. McBride, S., Smith, E., 'Music Industry to Abandon Mass Suits', The Wall Street Journal, Dec. 19, 2008, available online at <http://online.wsj.com/article/SB122966038836021137.html> (accessed March 21, 2013)

purchase the whole music album and instead would rather illegally download it, now might prefer and feel more comfortable to select and purchase only the songs they like, for adequate price. It shall be noted, that no legal remedy has been used nor litigation need to be initiated, because at least certain part of a problem has been solved by way of marketing strategy.

Good example of a reasonable approach towards unauthorized use of trademark by a third party is a case of Coca-Cola, Inc. and two fans who created Facebook Coca-Cola fan-page. Although unofficial, the page attracted millions of fans. Coca-Cola, Inc. representatives, instead of initiating the lawsuit invited the two page creators to a friendly meeting and discussed the further options and strategy for the page. Eventually, two original page creators retained the ownership to the page and Coca-Cola established cooperation with them, and basically brought the page under its control.¹³⁵ Again, Facebook page owners have been in clear infringement and Coca-Cola might have had very strong position in hypothetical litigation. However, solution outside standard legal remedies prevailed and ended up with two winners, instead of one. In case of litigation, reputation of Coca-Cola, Inc. would probably suffer substantially.

Problem of proper enforcement strategy is not a new issue. Several “rules of thumb” are suggested to be followed in case of a trademark infringement.¹³⁶ Firstly, insulting language shall be avoided in trademark owners’ demand letter to infringer. The assessment of “disinterested observer” shall be followed. Secondly, before inadequately threatening to potential infringer, trademark owner shall obtain more information on reasons and plans for using the trademark. Even informal telephone conversation may lead to plausible results. Lastly, trademark owner shall not unjustifiably bully other entity legally using its trademark and should not abuse litigations. Social media may be used by defendant to reveal such practices to public. In addition, courts may be negatively influenced in more serious cases.

Number of valuable hints on how to communicate to individual infringers has been provided by the UK High Court Justice Arnold in a recent case between Golden Eye v. Telefonica. Although the case was concerned with a copyright infringement, its *obiter dicta* may apply more generally. Plaintiff drafted a letter of claim that was intended to be sent to infringing consumers, but due to its rather harsh formulation its prospective recipients, it earned criticism by the judge. A comment on this part of the case concluded that a fair

¹³⁵ For more information on this case see e.g. Klaassen, A.: How Two Coke Fans Brought the Brand to Facebook Fame. Available online <http://adage.com/article/digital/coke-fans-brought-brand-facebook-fame/135238/> (accessed March 19, 2013).

¹³⁶ Bereskin, D.R.: *Trademark Enforcement in the Internet Age*. Available online <http://www.whoswholegal.com/news/features/article/29789/trademark-enforcement-internet-age/> (accessed March 19, 2013)

balance of such letters shall be preserved and the nature of recipients shall be taken into consideration.¹³⁷

¹³⁷ See Joel Smith: Cease and Desist Letters to Ordinary Consumers: Guidance from the English Courts. Published in The European Intellectual Property Review, vol. 34, 8/2012, p. 563-565. Author extracts the specific points addressed by the judge. Accordingly, "letter of claim to ordinary consumers should: (1) demonstrate a genuine commercial desire to obtain compensation for infringement; (2) refrain from demanding a specific sum by the way of compensation, (3) acknowledge (if relevant) that the recipient of the letter may not actually be the one who has infringed the copyright; (4) make it clear that the court has not actually reached a decision on liability; (5) avoid threatening adverse consequences (other than litigation) if a positive reply is not received; (6) explain all possible outcomes; (7) give a reasonable amount of time for the recipient to reply; and (8) avoid referring to the Code of Practice for pre-action conduct."

CONCLUSION

The paper on critical aspects of the intellectual property enforcement discusses the selected issues raised in the field of intellectual property by the emergence of Internet. Online world represents generally unregulated, abstract and anonymous environment which forces the intellectual property owners to perceive their rights and obligations through untraditional prism.

With respect to trademarks, new forms of uses like domain names or keyword advertising have been made available on the Internet. However, not all of them are properly covered by the existing regulation, mainly due to the fact that this has never been planned to be tailored for the requirements of the online world. Factually identical problem of the keyword advertising has received diametrically opposite views from the Court of Justice of European Union and from the courts across the United States. More successful story has been experienced by the trademark owners and their tools against cybersquatters. The arbitral panel of WIPO provides the unique dispute tool for against cyberquatting in its Uniform Domain-Name Dispute Resolution Policy. It shall be added, however, that infringers are again one step ahead and the focus of trademark owners is now increasingly directed on “rogue sites.”

As many times in history, copyright law has to face the unprecedented shifts in rights and duties between the copyright holders and the society. Due to ease and extent to which the copyrighted materials can be reproduced and disseminated many copyright owners struggle with the basic issue, whether to make their creations available at all if adequate protection is not guaranteed. On the other hand, hundreds of millions individual internet users have been enabled to access portions of information not paralleled in the past. It is clear, that the Copyright law will again have to establish balance between the two groups. However, the position of online intermediaries is in author’s opinion of a crucial importance, because it is primarily them, who could be the key player in exercising and bringing the requisite fairness and equality. For this role, online intermediaries need simple but suitable legislative background. The legislation adopted by the United States and the European Union shall be seen as promising, but not definite. As pointed out, although some issues concerning the liability of online intermediaries had been settled, the other arose. However, it is the author’s observation that regardless of the quality of legal regulations on this topic, the problem cannot be solved without the technical progress in this area.

Last chapter tried to take different approach towards the enforcement of the IP rights on the Internet. Both trademark and copyright holders should try to reverse the threats posed by the online environment into their advantage. Several of them already recognized the rigidity of law and instead of resorting to costly and questionable litigations they sought for creative solutions outside of law. It is the author's expectation, that the increase of such marketing solutions will be seen in the next years.

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