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### Trademark Remedies and Online Intermediaries

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## TRADEMARK REMEDIES AND ONLINE INTERMEDIARIES

by  
Stacey L. Dogan\*

*For several years now, courts and commentators have tussled over the question of whether online intermediaries can face liability under trademark law. Because both case law and commentary have largely focused on the threshold question of “trademark use,” we know little about what specific behavior will subject intermediaries to liability and what remedies might follow. This Essay takes some preliminary steps toward addressing those questions.*

*It begins by classifying claims against intermediaries into three general groups: general-confusion claims, failure-to-police claims, and failure-to-respond claims. It contends that differences in the nature of these claims justify distinct approaches, both in evaluating liability and in considering the appropriate scope of relief. In particular, it contends that judges evaluating claims against intermediaries should resist trademark law’s general preference for broad prohibitory injunctions in favor of a tailored approach, given the significant benefits that can result from intermediaries’ use of trademarks online.*

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### I. INTRODUCTION

Scholars have spilled much ink over the question of whether and when online intermediaries can face liability under trademark law.<sup>1</sup> So

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far, both the scholarly debate and the case law have focused on the standards for infringement, asking whether parties such as search engines and auction sites can qualify as infringers under the Lanham Act.<sup>2</sup> Can Google, for example, face liability for allowing advertisers to place ads keyed to protected trademarks? Is eBay legally responsible for every counterfeit product sold on its site? Despite years of debate, the substantive standards are only just beginning to take shape, and they reflect no model of clarity. But a few broad principles are beginning to emerge: that intermediaries can qualify as infringers under trademark law;<sup>3</sup> that their liability should turn on their own role in creating confusion;<sup>4</sup> and—at least in my optimistic reading of the courts’ opinions—that courts should be sensitive to the dangers of defining intermediary liability too broadly.<sup>5</sup> In particular, at least some courts and commentators have expressed concern that overly-expansive liability could impoverish the online marketplace by making it harder for

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<sup>1</sup> See, e.g., Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use,”* 39 U.C. DAVIS L. REV. 371, 373 (2006); Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597 (2007); Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1670 (2007) [hereinafter Dogan & Lemley, *Trademark Use*]; Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004) [hereinafter Dogan & Lemley, *Internet*]; Greg Lastowka, *Google’s Law*, 73 BROOK. L. REV. 1327, 1328 (2008); Mark P. McKenna, *Trademark Use and the Problem of Source*, 2009 U. ILL. L. REV. 773, 828; Uli Widmaier, *Use, Liability, and the Structure of Trademark Law*, 33 HOFSTRA L. REV. 603, 605 (2004); cf. Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 595 (2005); Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, 107 (2005).

<sup>2</sup> See *supra* note 1; see also *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 124 (2d Cir. 2009); *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 473 (S.D.N.Y. 2008).

<sup>3</sup> See, e.g., *Rescuecom Corp.*, 562 F.3d at 124; *Playboy Enters., Inc. v. Netscape Comm’ns Corp.*, 354 F.3d 1020, 1024 (9th Cir. 2004); *Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C 03-5340 JF (RS), 2007 WL 1159950 (N.D. Cal. Apr. 18, 2007). The European Court of Justice, on the other hand, has held that search engines who “use” marks merely to facilitate another’s advertisements are not themselves infringers. See *Joined Cases C-236/08, C-237/08, & C-238/08, Google France v. Louis Vuitton Malletier*, 2010 WL 1030379, ¶ 56 (March 23, 2010) (Grand Chamber) (“[S]uffice it to note that the use, by a third party, of a sign identical with, or similar to, the proprietor’s trade mark implies, at the very least, that that third party uses the sign in its own commercial communication. A referencing service provider allows its clients to use signs which are identical with, or similar to, trade marks, without itself using those signs.”).

<sup>4</sup> See, e.g., *Rescuecom Corp.*, 562 F.3d at 131 (“What Rescuecom alleges is that by the manner of Google’s display of sponsored links of competing brands in response to a search for [a] brand name (which fails adequately to identify the sponsored link as an advertisement, rather than a relevant search result), Google creates a likelihood of consumer confusion as to trademarks.”); *Am. Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950, at \*4; see generally Stacey L. Dogan, *Beyond Trademark Use*, 8 J. TELECOMM. & HIGH TECH. L. 135, 136–37 (2010).

<sup>5</sup> Cf. *Playboy Enters., Inc.*, 354 F.3d at 1034–36 (Berzon, J., concurring) (noting that the non-confusing use of trademarks to increase consumer choice should not constitute infringement).

competitors, critics, sellers of complementary products, and others to reach customers who might benefit from their informational offerings.<sup>6</sup>

Given the plodding pace of our judicial system and the tendency toward settlement,<sup>7</sup> none of the intermediary trademark suits has reached a final disposition; so we know little about what remedies courts will impose if and when they find liability. Indeed, the literature on intermediary liability has devoted little attention to the question of remedies. Yet the scope of relief granted in these cases will largely determine whether the threat of trademark liability serves as a limited and constructive market regulator or a drag on competition and speech. If courts exercise their remedial discretion wisely and sparingly, they may well avoid the chilling effects feared by many scholars, as well as advocates for consumer and speech interests.<sup>8</sup> If, however, courts grant injunctions that require intermediaries broadly to police their networks, we could see an impoverishment of the information marketplace, to the detriment of competitors, consumers, and our society at large.

This Essay offers some observations on the appropriate scope of relief in trademark suits against intermediaries. My comments are not only preliminary, but also highly speculative, because we have yet to see a single decision finding an intermediary liable under substantive trademark standards. Nonetheless, the existing case law offers some clues about the theories of liability most likely to persuade a court; this Essay focuses on these theories in thinking about suitable remedies.

Normatively, I take it as a given that trademark law exists to promote informational clarity in markets, with fair competition as the underlying and ultimate goal.<sup>9</sup> This economic lens—though not uncontested—

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<sup>6</sup> See, e.g., *Tiffany (NJ) Inc.*, 576 F. Supp. 2d at 497.

<sup>7</sup> See, e.g., *Agreed Final Judgment, Am. Airlines, Inc. v. Google Inc.*, No. 4:07-CV-487-A (N.D. Tex. July 17, 2008), available at <http://docs.justia.com/cases/federal/district-courts/texas/txndce/4:2007cv00487/169927/104/0.pdf> (the confidential settlement approved by the Court was presented by both parties' counsel on Aug. 16, 2007); *Stipulation and Order of Dismissal with Prejudice, Jews for Jesus v. Google Inc.*, No. 05 CV 10684 (S.D.N.Y. July 26, 2006), available at <http://docs.justia.com/cases/federal/district-courts/new-york/nysdce/1:2005cv10684/278090/1/0.pdf> (involving a blog hosted on Google, resolved through settlement that transferred the blog to the trademark holder).

<sup>8</sup> See Brief for Public Citizen as Amicus Curiae in Support of Affirmance, *Rescuecom Corp.*, 562 F.3d 123 (No. 06-4881-CV) (warning of risks to consumer interests if online intermediary liability is defined too broadly); Brief for Electronic Frontier Foundation as Amicus Curiae in Support of Affirmance, *Rescuecom Corp.*, 562 F.3d 123 (No. 06-4881-CV) (warning of threats to free speech from broad intermediary liability under trademark law); Dogan & Lemley, *Trademark Use*, *supra* note 1, at 1689; Dogan & Lemley, *Internet*, *supra* note 1, at 838.

<sup>9</sup> See, e.g., *TraFFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 28 (2001) (“[P]rotection for trade dress exists to promote competition.”); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163–64 (1995) (“[T]rademark law, by preventing others from copying a source-identifying mark, ‘reduce[s] the customer’s costs of shopping and making purchasing decisions,’ for it quickly and easily assures a potential customer that *this* item—the item with this mark—is made by the same producer as other similarly marked items that he or she liked (or disliked) in the

reflects the prevailing Supreme Court attitude toward trademarks, as well as the dominant approach among scholars.<sup>10</sup> And it has important implications for trademark remedies: to serve trademark law's goals, remedies should achieve an overall improvement in the quality of information available in the marketplace. Traditionally, trademark injunctions have done this by preventing parties from using others' marks to confuse consumers over the source of their products. An injunction in such a case prevents a tangible harm—deceptive or unreliable product information—at a relatively low cost to the public, because the defendant has other choices to brand its goods.

The ratio of benefit to harm from trademark injunctions has no doubt changed over time as courts have expanded the scope of trademark holders' rights. Many scholars have challenged various aspects of this expansion on the ground that they limit competition and speech, and encourage socially wasteful expenditures on advertising and brand identity.<sup>11</sup> The risk of anticompetitive effects becomes especially great

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past.” (citation omitted)); *Standard Oil Co. v. Humble Oil & Ref. Co.*, 363 F.2d 945, 954 (5th Cir. 1966) (“The essence of competition is the ability of competing products to obtain public recognition based on their own individual merit. A product has not won on its own merit if the real reason the public purchases it is that the public believes it is obtaining the product of another company.”); S. REP. NO. 79-1333, at 4 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1275 (“Trade-marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other.”); *see also* David S. Welkowitz, *The Supreme Court and Trademark Law in the New Millennium*, 30 WM. MITCHELL L. REV. 1659, 1687–89 (2004) (contending that the Supreme Court has returned to an unfair competition model of trademark protection, after flirting with a property-based approach); *cf.* *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 215 (2000) (expressing concerns about anticompetitive effects of overly broad trade dress protection).

<sup>10</sup> *See Qualitex Co.*, 514 U.S. at 164; WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 167 (2003); Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2105 (2004); Dogan & Lemley, *Internet*, *supra* note 1, at 778; William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 268–69 (1987). *But see* Graeme B. Dinwoodie & Mark D. Janis, *Confusion Over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1639 (2007) (critiquing the search costs theory of trademark protection and contending that “as trademarks assume a greater social significance and business models elevate trademark law as a principal tool of information policy, trademark law may have to take into account concerns about individual autonomy that range more broadly than mere marketplace choice” (footnotes omitted)); Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1842 (2007) (challenging the economic account of trademark protection: “Rather than forcing square pegs into the round holes of economic efficiency, advocates of the efficiency approach should acknowledge that courts traditionally operated under a different theoretical framework and be upfront about their own normative agenda.”).

<sup>11</sup> The literature is substantial, and I mention only a few examples here. *See, e.g.*, Bone, *supra* note 10, at 2181; Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1688 (1999); Jessica Litman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 YALE L.J. 1717, 1731 (1999); Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 485 (1999); William McGeveran,

when trademark law protects the product itself, rather than names or labels affixed to products. In such circumstances, trademark protection can inhibit competition in product markets, leading to allocative inefficiencies and inflated prices.<sup>12</sup>

Whatever the harms from trademark injunctions against individual defendants, however, the prospect of injunctions against intermediaries raises the stakes dramatically. By “intermediaries,” I mean parties who are not themselves branding their products under a mark but are using the mark in some way to help a third party reach potential customers. EBay, for example, allows the use of marks as search terms on its auction site to connect sellers with people who might have an interest in their products. When the seller is offering a product manufactured by the trademark holder, eBay has an unambiguous legal right to do this.<sup>13</sup> An injunction prohibiting eBay from using any particular trademark as a trigger for advertisements, then, would squash many uses that trademark law has long recognized as legitimate and that promote the law’s information-related goals. This is so even if the injunction was based on a defensible legal conclusion that eBay’s use had led, or could lead, to consumer confusion in some cases.

At the same time, trademark holders, courts, and many commentators understandably bristle at the idea of leaving intermediaries completely immune from liability under trademark law. Like other parties that enable infringement, some online intermediaries may deliberately sow confusion to divert attention to their advertisers’ products.<sup>14</sup> Or they might refuse, despite clear notice, to block obvious infringement taking place on their services. When this happens, liability

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*Rethinking Trademark Fair Use*, 94 IOWA L. REV. 49, 51 (2008); McKenna, *supra* note 10, at 1916; cf. Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1205 (1948).

<sup>12</sup> See Lunney, *supra* note 11, at 479–80 (discussing welfare effects resulting from trademark protection of product features).

<sup>13</sup> See *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 473 (S.D.N.Y. 2008) (“Clearly, eBay and other online market websites may properly promote and facilitate the growth of legitimate secondary markets in brand-name goods.”); see also *Designer Skin, LLC v. S & L Vitamins, Inc.*, 560 F. Supp. 2d 811, 819–20 (D. Ariz. 2009) (holding that an online seller had a legitimate interest in using the protected mark as a keyword to generate ads, when it sold the mark-holder’s products on its site); see generally *Scott Fetzer Co. v. House of Vacuums, Inc.*, 381 F.3d 477, 481 (5th Cir. 2004) (allowing resale and repair shop to use names of products it sells and services); *Nitro Leisure Prods., LLC v. Acushnet Co.*, 341 F.3d 1356, 1364–65 (Fed. Cir. 2003) (permitting seller of refurbished golf balls to sell them under the manufacturer’s mark); *Polymer Tech. Corp. v. Mimran*, 975 F.2d 58, 61–62 (2d Cir. 1992) (“As a general rule, trademark law does not reach the sale of genuine goods bearing a true mark even though the sale is not authorized by the mark owner.” (footnote omitted)).

<sup>14</sup> Cf. *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 130 & n.4 (2d Cir. 2009) (worrying that narrow approach to intermediary liability might exempt search engines from liability for using trademarks “in ways designed to deceive and cause consumer confusion”).

may well be appropriate. But, because of the potential cost of broad injunctions, courts must take care in crafting relief where benefits outweigh the burdens on competition and speech.

The remainder of this Essay proceeds in three Parts. Part II describes the nature of trademark claims asserted against online intermediaries and tries to anticipate which claims might succeed, given the right facts. I divide intermediary claims into three types: general-confusion claims, which focus on the intermediary's purported role in creating confusion over the general integrity of its informational services; failure-to-police claims, which attempt to hold the intermediary liable for any confusion enabled by its use of trademarks, even without any direct causal relationship between the intermediary's own use and the resulting confusion; and failure-to-respond claims, which turn on the intermediary's failure to respond to complaints of infringement by users of its services.

Part III considers the implications of this claims classification for remedies analysis in intermediary suits. Given the difference in kind between traditional trademark infringement actions and claims against intermediaries, I contend that the general preference for broad prohibitory injunctions in trademark infringement suits makes little sense in the latter cases. Courts must use their general equitable discretion to tailor the remedy to the particular culpability of the intermediary defendant, taking care to avoid collateral damage. In particular, courts should take seriously their obligation to take the broader public interest into account when evaluating the proper scope of injunctive relief. I offer some concrete but tentative suggestions for courts crafting injunctions in intermediary trademark suits.

## II. DEFINING THE WRONG

Trademark suits against intermediaries are different animals than the traditional, run-of-the-mill infringement suit.<sup>15</sup> Most infringement actions involve a claim against a defendant that is branding its products under a mark.<sup>16</sup> In evaluating liability, courts consider factors such as the similarity between the plaintiff's and defendant's marks, products, and

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<sup>15</sup> See generally Dogan & Lemley, *Trademark Use*, *supra* note 1, at 1670 (“[B]efore the recent spate of Internet-related cases, no court had ever recognized a trademark claim of the sort that trademark holders are now asserting. Trademark infringement suits have always involved allegations of infringement by parties who use marks in connection with the promotion of their own goods and services.”).

<sup>16</sup> See *id.* at 1679–81 (discussing the historical distinction between direct and contributory infringement claims); see, e.g., *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 146 (2d Cir. 2003) (“The test looks first to whether the plaintiff's mark is entitled to protection, and second to whether defendant's use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the *defendant's* goods.” (emphasis added)).

customers;<sup>17</sup> if the overlap creates a risk of consumer confusion as to the source, sponsorship, or affiliation of the parties' products or services, the court generally enjoins the defendant's continued use of the mark as a brand.<sup>18</sup>

In the typical trademark case against an online intermediary, in contrast, the defendant is using a mark, not as a brand for its products, but as an informational device to connect a third party—the advertiser—with potential customers.<sup>19</sup> The plaintiffs in these cases are not claiming that the search engines are sowing confusion about the source of the intermediaries' products and services. Instead, plaintiffs argue that the use of trademarks in keyword-based advertising causes confusion as to the source of the *advertisers'* goods or services and seek to hold the search engine legally responsible for that confusion.

While both courts and plaintiffs can be frustratingly non-specific in defining the nature and factual predicates for these intermediary trademark claims, the claims appear to fall into three rough groupings, which I call general-confusion claims, failure-to-police claims, and failure-to-respond claims. Of course, most complaints allege an amalgam of these categories;<sup>20</sup> nonetheless, classification can prove useful in disciplining courts and advocates to identify the nature of the defendant's culpability—a critical prerequisite to deciding what remedy to impose in each case.<sup>21</sup>

#### A. *General-Confusion Claims*

General-confusion claims take issue with the overall search and advertising practices of search engines. Plaintiffs claim either that the mere use of trademarks as keyword-triggers causes consumer confusion, or that the search engine fails to adequately distinguish ads from search results, leaving consumers flummoxed as to the difference between them.

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<sup>17</sup> See, e.g., *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961) (identifying factors for evaluating likelihood of confusion); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979); see generally 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:19 (4th ed. 2009) (discussing the standard for infringement).

<sup>18</sup> See 4 MCCARTHY, *supra* note 17, § 30:1 (“An injunction is the usual and standard remedy once trademark infringement has been found.”).

<sup>19</sup> See generally Stacey L. Dogan, *Trademarks and Consumer Information*, in MEREDITH LECTURES: NOUVELLES APPROCHES EN PROPRIÉTÉ INTELLECTUELLE DANS UN MONDE TRANSSYSTÉMIQUE [INTELLECTUAL PROPERTY AT THE EDGE: NEW APPROACHES TO IP IN A TRANSSYSTEMIC WORLD] 321 (2007) (contending that trademark-related Internet searches reveal consumer preferences and characteristics which search engines can use to enable better matches between advertisers and potential customers); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 509 (2005).

<sup>20</sup> See, e.g., Complaint at 5, 16–18, 31, *Am. Airlines, Inc. v. Yahoo!, Inc.*, No. 4:08-CV-626-A, 2009 WL 381995 (N.D. Tex. Jan. 16, 2009).

<sup>21</sup> See FED. R. CIV. P. 65(d) (requiring courts to define with particularity the basis for injunctive relief and the behavior covered by the injunction).

The first sort of claim—that keyword-triggered advertising is inherently confusing—is highly problematic given the wide range of noninfringing and non-confusing uses of this advertising method. As a result, even the courts that have found plausible trademark claims against intermediaries have shied away from condemning all keyword advertising, however presented and labeled.<sup>22</sup>

Courts have shown more sympathy, however, to the argument that search engines' presentation and labeling of advertisements contributes to consumer confusion.<sup>23</sup> These general-confusion claims are trademark claims only in the broadest sense: Because some of these confused consumers may have used a trademark in their query, they might be doubly confused—in thinking that ads were organic search results, and in thinking that the trademark holder had sponsored or sanctioned each of them.

I have argued elsewhere that trademark law provides a poor vehicle for addressing general-confusion claims,<sup>24</sup> but these claims have found a warmer reception in the courts. In *Rescuecom Corp. v. Google Inc.*,<sup>25</sup> for example, the Second Circuit focused on general confusion in reversing a district court's dismissal of trademark claims against Google:

We have no idea whether Rescuecom can prove that Google's use of Rescuecom's trademark in its AdWords program causes likelihood of confusion or mistake. Rescuecom has alleged that it does, in that would-be purchasers (or explorers) of its services who search for its website on Google are misleadingly directed to the ads and websites of its competitors in a manner which leads them to believe mistakenly that these ads or websites are sponsored by, or affiliated with Rescuecom. This is particularly so, Rescuecom

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<sup>22</sup> See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 130–31 (2d Cir. 2009) (emphasizing plaintiff's allegations regarding context and presentation of advertisements and search results); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1030 (9th Cir. 2004) (suggesting in *dictum* that trademark law would not apply to the use of plaintiff's marks to trigger ads for "sites that legitimately use PEI's marks," sites that clearly identify their source in their ad, or sites that "overtly compare PEI's products to a competitor's"); *GEICO v. Google, Inc.*, No. 1:04CV507, 2005 WL 1903128, at \*6–7 (E.D. Va. Aug. 8, 2005) (mem.) (holding that plaintiff had failed to establish likelihood of confusion from Google's keyword-triggered ads); see generally *Joined Cases C-236/08, C-237/08, & C-238/08, Google France v. Louis Vuitton Malletier*, 2009 WL 2997620, ¶ 109 (Sept. 22, 2009) (opinion of Advocate General Maduro) (finding that the use of trademarks as keywords to trigger ads is not likely to lead to consumer confusion).

<sup>23</sup> See *Rescuecom Corp.*, 562 F.3d at 131 ("What Rescuecom alleges is that by the manner of Google's display of sponsored links of competing brands in response to a search for Rescuecom's brand name (which fails adequately to identify the sponsored link as an advertisement, rather than a relevant search result), Google creates a likelihood of consumer confusion as to trademarks."); *Playboy Enters., Inc.*, 354 F.3d at 1030 ("[W]e are evaluating a situation in which defendants display competitors' unlabeled banner advertisements, with no label or overt comparison to PEI, after Internet users type in PEI's trademarks.").

<sup>24</sup> See, e.g., Dogan, *supra* note 4, at 139–41.

<sup>25</sup> 562 F.3d at 124.

alleges, when the advertiser's link appears in a horizontal band at the top of the list of search results in a manner which makes it appear to be the most relevant search result and not an advertisement. *What Rescuecom alleges is that by the manner of Google's display of sponsored links of competing brands in response to a search for Rescuecom's brand name* (which fails adequately to identify the sponsored link as an advertisement, rather than a relevant search result), Google creates a likelihood of consumer confusion . . . .<sup>26</sup>

Several years earlier, in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, the Ninth Circuit was equally preoccupied with the search engine's failure to clearly label its ads.<sup>27</sup> Netscape had moved for summary judgment on Playboy's claim that Netscape's keyword advertising practices constituted direct and contributory trademark infringement. The Ninth Circuit found summary judgment inappropriate based largely on a survey that suggested consumers were confused as to the difference between search results and ads.<sup>28</sup> Throughout its opinion, the court emphasized the fact that the competitor ads were "unlabeled."<sup>29</sup> While it never quite defined "unlabeled," the court appeared to mean two distinct things: first, that Netscape had not clearly labeled the advertising section of its website; and second, that the text of competitor ads did not identify the advertiser or its relationship to the trademarked product.<sup>30</sup> The court suggested—without holding—that clearer labeling might have reduced the risk of confusion.<sup>31</sup>

To the extent that *Playboy* turned on confusion allegedly caused by ad text—including the failure to "label" the source of particular ads—the claims are more like failure-to-police or failure-to-respond claims, discussed below. But to the extent that *Playboy* turned on Netscape's

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<sup>26</sup> *Id.* at 130–31 (emphasis added).

<sup>27</sup> *See Playboy Enters., Inc.*, 354 F.3d at 1029; *see generally id.* at 1036 (Berzon, J., concurring) ("Our opinion limits the present holding [rejecting defendant's motion for summary judgment] to situations in which the banner advertisements are not labeled or identified.").

<sup>28</sup> *Id.* at 1026. Netscape had challenged the survey's methodology and conclusions, but in the absence of any countervailing survey by Netscape, the court held that Netscape's critique went only to the weight of the evidence, an inappropriate inquiry at the summary judgment stage. *Id.* at 1027.

<sup>29</sup> *See id.* at 1025 ("PEI asserts that users are likely to be confused regarding the sponsorship of unlabeled banner advertisements."); *id.* ("Some consumers, initially seeking PEI's sites, may initially believe that unlabeled banner advertisements are links to PEI's sites or to sites affiliated with PEI."); *id.* at 1030 (noting that court is not addressing situations of comparative advertising or advertising that identifies the source of the ad: "Rather, we are evaluating a situation in which defendants display competitors' unlabeled banner advertisements, with no label or overt comparison to PEI, after Internet users type in PEI's trademarks."); *id.* at 1036 (Berzon, J., concurring).

<sup>30</sup> *Id.* at 1030.

<sup>31</sup> *Id.* at 1030 & n.43.

failure to adequately differentiate search results and ads, it falls squarely within the general-confusion category.

General-confusion claims differ fundamentally from other trademark claims against intermediaries because they focus on the defendant's own behavior, rather than imputing to it deceptive acts committed by another.<sup>32</sup> This has implications both in determining liability and in evaluating the appropriate scope of relief. In evaluating liability, it suggests that courts should find infringement only if the plaintiff proves that the search engine's failure to label, rather than its advertiser's statements or misstatements, is indeed causing confusion among consumers.<sup>33</sup> From a remedial perspective, it means that injunctive relief should target the problematic behavior specifically. If the problem is lack of labeling, the injunction should require labeling, rather than imposing a general obligation upon the search engine to police all conceivable infringement using its service. I discuss this remedial issue in more detail below.

#### B. *Failure-to-Police Claims*

Under a failure-to-police approach, plaintiffs allege that particular keyword-generated ads are confusing, and seek to hold the search engine liable for failing to block the ads *ex ante*. The reasoning goes like this: the search engine "used" the mark by allowing advertisers to purchase ads keyed to the mark as a search term; some of these ads confuse consumers, either by suggesting association with the trademark holder or by failing to disclaim any relationship; and because the search engine's use of the mark played a but-for role in enabling this confusion, the search engine itself is an infringer.<sup>34</sup> I call these claims "failure-to-police" claims because they suggest that the search engine has an affirmative obligation to weed out infringing ads before they appear, rather than after obtaining actual knowledge of their confusing nature.

I have argued elsewhere that failure-to-police claims, like their failure-to-respond counterparts, should be evaluated under standards of contributory, rather than direct, trademark infringement.<sup>35</sup> The nature of

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<sup>32</sup> For this reason, general-confusion claims fit more closely into the traditional model for direct trademark infringement than do the other forms of trademark claims against intermediaries. *See Dogan, supra* note 4, at 151–53.

<sup>33</sup> *See id.*

<sup>34</sup> *See, e.g., Complaint, supra* note 20, at 37 (“[T]he use of American Airlines Marks . . . within the text of Sponsor Result advertisements by third-party advertisers is likely to deceive or cause confusion among web users . . . . Through their sale of the American Airlines Marks . . . to third-party advertisers, Defendants provide such third-party advertisers with aid and material contribution to the third-party advertisers’ violations of the Lanham Act.”).

<sup>35</sup> *See Dogan, supra* note 4, at 137–138. Under this approach, the likelihood-of-confusion test would inquire into whether a particular advertiser was creating confusion as to the source or sponsorship of its products or services; the search engine’s liability would turn on whether it continued to facilitate the ad after

these claims is intrinsically derivative because it turns on confusion between the trademark holder and the *advertiser's* products and services. Trademark law has historically taken care not to impose liability in these circumstances unless the intermediary induced the infringement or continued to provide support to a particular infringer with knowledge that its support was contributing to continuing infringement.<sup>36</sup> And it has done so for good reason. Just as the staple article of commerce doctrine in copyright law protects sellers of “dual-use” technologies from liability when those technologies are used to infringe,<sup>37</sup> so too does trademark law avoid imposing an obligation to investigate upon every party whose product or service might contribute to infringement.<sup>38</sup> The alternative would give trademark holders effective economic control over non-infringing behavior—including behavior such as explicit comparative advertising that promotes trademark law’s information-facilitating goals.<sup>39</sup>

The fact that search engines use trademarks to trigger ads should not affect the nature of this inquiry. Every area of intellectual property

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receiving knowledge of its infringing nature. Failure-to-police claims, because they seek to require an intermediary to police its network even before receiving any specific knowledge, would rarely prevail under this standard.

<sup>36</sup> See *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982) (“[I]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit.”); see also *Mut. Pharm. Co. v. Ivax Pharms., Inc.*, 459 F. Supp. 2d 925, 943 (C.D. Cal. 2006) (“As *Inwood* makes clear, only proof that defendants knew their products were being falsely advertised by third party retailers is enough to trigger liability. . . . [The plaintiff] has come forward with no evidence that defendants did in fact know [of the false statements at issue.]”); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 964 (C.D. Cal. 1997) (“Contributory infringement doctrine has always treated uncertainty of infringement as relevant to the question of an alleged contributory infringer’s knowledge.”).

<sup>37</sup> See *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 441–42 (1984).

<sup>38</sup> See *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992) (holding that flea market operator had “no affirmative duty to take precautions against the sale of counterfeits” on its premises). If anything, the Supreme Court has instructed courts to define third-party liability claims more strictly in trademark law than in copyright law. See *Sony Corp. of Am.*, 464 U.S. at 439 & n.19 (noting the differences between copyright’s contributory infringement standard and the “narrow standard for contributory trademark infringement” announced in *Inwood*); see also *Hard Rock Cafe Licensing Corp.*, 955 F.2d at 1150 (“[T]he Supreme Court tells us that secondary liability for trademark infringement should, in any event, be more narrowly drawn than secondary liability for copyright infringement.”); *Perfect 10, Inc. v. Visa Int’l Serv. Ass’n*, 494 F.3d 788, 806 (9th Cir. 2007) (“The tests for secondary trademark infringement are even more difficult to satisfy than those required to find secondary copyright infringement.”).

<sup>39</sup> Cf. *Sony Corp. of Am.*, 464 U.S. at 440–42 (“The staple article of commerce doctrine must strike a balance between a copyright holder’s legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, *and the rights of others freely to engage in substantially unrelated areas of commerce.*” (emphasis added)).

law insulates parties whose behavior may contribute to infringement, but also has substantial noninfringing use.<sup>40</sup> Without doubt, trademark-triggered keyword advertisements have significant noninfringing applications.<sup>41</sup> They should no more lead to strict liability than should the sale of look-alike drugs that may tempt pharmacists to make illegal substitutions.<sup>42</sup>

Failure-to-police claims, in other words, should generally fail in the online intermediary context. Unless the defendant has induced infringement or obtained actual knowledge of infringement by particular advertisers, trademark doctrine should not make the defendant responsible for the confusing content of its customers' ads.

Nonetheless, some of the opinions addressing intermediary trademark liability appear to have accepted a failure-to-police theory by imputing to the intermediary the content of its advertisers' ads. The trend began in *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, in which the Ninth Circuit assessed Netscape's liability by considering the likelihood of confusion between its *advertisers'* products and services, and those offered by Playboy.<sup>43</sup> In several places in the opinion, the court suggested that Netscape had an affirmative duty to monitor the content of its customers' ads and to preempt customer click-throughs that resulted from confusion:

Defendants monitor "click-through" rates on the advertisements they display. That is, they monitor the number of times consumers are diverted to their advertisers' sites. They use the click-through rates as a way to gauge the success of the advertisements and to keep advertisers coming back to their services. *Although some click-throughs may be the result of legitimate consumer interest, not confusion, some may be expected to result from confusion.* Defendants will profit from both kinds of click-throughs. And they do nothing to ensure

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<sup>40</sup> See *Inwood Labs, Inc.*, 456 U.S. at 861 (White, J., concurring) (noting that contributory trademark infringement doctrine precludes claims against parties based merely on the sale of products legal in themselves but similar enough to a branded product to create a risk of illegal substitution by third parties); *Coca-Cola Co. v. Snow Crest Beverages, Inc.*, 64 F. Supp. 980, 989 (D. Mass. 1946) (refusing to impose obligation on seller of legitimate cola product to take precautions to avoid product substitution by "some rouges [sic] in the bar business"); see also *Sony Corp. of Am.*, 464 U.S. at 440–42 (introducing copyright's staple article of commerce doctrine); see also *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 198 (1980) (discussing staple article of commerce doctrine in patent law).

<sup>41</sup> See *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1030 (9th Cir. 2004).

<sup>42</sup> Cf. *Inwood Labs, Inc.*, 456 U.S. at 861 ("The mere fact that a generic drug company can anticipate that some illegal substitution will occur to some unspecified extent, and by some unknown pharmacists, should not by itself be a predicate for contributory liability.").

<sup>43</sup> 354 F.3d at 1026–29.

that only click-throughs based on legitimate interest, as opposed to confusion, occur.<sup>44</sup>

The court did not indicate how the search engine could identify click-throughs that resulted from confusion, but it did offer steps that Netscape's designers could take to reduce the risk of confusion-based clicks: they could label the advertisements, they could "require that advertisers identify themselves on their banner ads," or they could "remove the highly-rated terms 'playboy' and 'playmate' from their lists of keywords," particularly when the advertiser asked them to do so.<sup>45</sup> Eliminating the keywords from the list of triggers would, of course, satisfy Playboy; but it would cut off use of the Playboy marks by numerous parties with a legitimate interest in using the terms.<sup>46</sup> The other preventative measures suggested by the Court, albeit in dictum, raise intriguing questions, both about trademark's liability standards and about the appropriate scope of relief.

From a liability perspective, the Court's dictum suggests that, in considering an intermediary's liability for failure to police, courts should take into account whether a change in the intermediary's policies vis-à-vis ad text could reduce the levels of infringement on its service. If requiring advertisers to identify themselves in ad text reduced confusion, for example, the court suggests that the failure to adopt such a policy might be a reason to impose liability.

In the abstract, this approach has some appeal: if an intermediary's business model is causing infringement, and it can costlessly reduce that infringement through a simple change in policy, then perhaps we should charge it with doing so.<sup>47</sup> But the real world rarely presents such simple fixes. For one thing, in the search context, we lack reliable information—let alone consensus—about which policies regarding ad text are most likely to dispel confusion.<sup>48</sup> While *Playboy's* dictum suggests that explicit comparisons between the advertiser and the trademark holder would probably pass trademark muster,<sup>49</sup> the district court in *GEICO* held that

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<sup>44</sup> *Id.* at 1029 (emphasis added); *see also id.* at 1028 (noting that Netscape had done "nothing to prevent click-throughs that result from confusion" (footnote omitted)).

<sup>45</sup> *Id.* at 1028–29.

<sup>46</sup> *Playboy* involved a somewhat unique set of facts because Netscape *required* any advertiser of adult-related content to include the Playboy marks in the package of keywords that would generate an ad for its product. *See id.* at 1023.

<sup>47</sup> *See generally* Ronald J. Mann & Seth R. Belzley, *The Promise of Internet Intermediary Liability*, 47 WM. & MARY L. REV. 239, 265 (2005) (contending that gatekeeper liability "should turn entirely on the balance between the misconduct's social costs and how effectively the intermediary can sanction the misconduct.").

<sup>48</sup> *See, e.g., GEICO v. Google, Inc.*, No. 1:04CV507, 2005 WL 1903128, at \*5 (E.D. Va. Aug. 8, 2005) (mem.) (noting weakness in survey whose "control did not reveal which aspects of the insurance-related Sponsored Links caused respondents' confusion—the use of GEICO's mark in the ads or the ads' mere reference to insurance.").

<sup>49</sup> *Playboy Enters., Inc.*, 354 F.3d at 1030.

the use of trademarks in ad text creates confusion for which the search engine might be liable.<sup>50</sup> The *GEICO* court—relying on an admittedly flawed survey—failed to distinguish between different ways in which advertisers might incorporate trademarks into the text of their ads.<sup>51</sup> The truth is that *some* uses of trademarks in the text of advertisements may well confuse consumers, but many others will inform rather than confuse, and thus promote trademark law's goals. Indeed, one could argue that search engines would reduce confusion by insisting that their keyword advertisers refer to the trademark holder and explain its relevance to their products; this would ensure that consumers understand the relationship between their search term and the ad at issue.<sup>52</sup>

My point is not to challenge or defend any particular view on which policies on ad text would achieve the lowest level of infringement. I mention the subtle difference between the *GEICO* and *Playboy* courts' treatment of trademarks in ad text only to demonstrate that search engines cannot solve the problem of confusion (if it exists) through a single shift in ad text policy. Mentioning trademarks in ad text can confuse, but it can also clarify. Whether a particular use clarifies or confounds turns on the identity of the advertiser, the products it offers, and the overall content of the ad. Given that, imposing liability on a search engine because it allows trademarks to appear in ads reflects a woeful mismatch between the definition of infringement and the harms that infringement law is designed to address. And the injunction that would naturally follow—an order to bar the use of trademarks in ads—would prohibit all sorts of desirable, information-facilitating uses of marks.

Failure-to-police liability, in other words, can do more harm than good. It is precisely for this reason that trademark law—like every other area of intellectual property law—generally avoids imposing any duty on parties to prevent someone else's infringement.<sup>53</sup> In the copyright

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<sup>50</sup> See *GEICO*, 2005 WL 1903128, at \*7. The court relied upon a survey finding that ads using GEICO in their ad text generated high degrees of consumer confusion. Presumably, few of these ads involved express and accurate product comparisons, or any of the other uses of trademarks that are truthful and legitimate.

<sup>51</sup> *Id.*

<sup>52</sup> Both Yahoo! and Microsoft follow this policy. See Microsoft Advertising, *Ad Content Guidelines*, <http://advertising.microsoft.com/learning-center/best-practices/ad-content-guidelines/#trademarks>; Yahoo! Search Marketing, *Trademarks*, <http://searchmarketing.yahoo.com/legal/trademarks.php>. Unlike Google, neither Yahoo! nor Microsoft allows competitors to place trademark-triggered keyword ads, but they do allow resellers and information sites to use trademark-triggered advertising as long as the ad describes the particular product or information that can be found at its site. See *id.* Google currently allows, but does not require, the use of trademarks in advertisements by resellers, information providers, and sellers of compatible products. See Google AdWords, *What is Google's Trademark Policy?*, <http://adwords.google.com/support/aw/bin/answer.py?answer=145626>.

<sup>53</sup> See *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 518 (S.D.N.Y. 2008); see also cases cited *supra* note 38.

context, courts have stopped short of requiring sellers to redesign dual-use products to minimize third parties' infringement.<sup>54</sup> Patent law's contributory infringement standard likewise immunizes sellers of staple articles, without inquiring into alternative designs or policies.<sup>55</sup> While the law of contributory trademark infringement is substantially less developed, the Supreme Court has made clear that trademark defendants deserve, if anything, broader protection against liability for another's infringement.<sup>56</sup> The courts that have imputed trademark infringement to intermediaries have violated this longstanding rule.<sup>57</sup>

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<sup>54</sup> See, e.g., *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 939 n.12 (2005) (“[I]n the absence of other evidence of intent, a court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement, if the device otherwise was capable of substantial noninfringing uses.”). But see *In re Aimster Copyright Litig.*, 334 F.3d 643, 653 (7th Cir. 2003) (Posner, J.) (“Even when there are noninfringing uses of an Internet file-sharing service, . . . if the infringing uses are substantial then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses.”).

<sup>55</sup> See *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 220 (1980) (noting that distinction between staple and non-staple goods “ensures that the patentee’s right to prevent others from contributorily infringing his patent affects only the market for the invention itself.”); cf. *Grokster, Ltd.*, 545 U.S. at 932–33 (noting that patent law’s staple article doctrine “absolves the equivocal conduct of selling an item with substantial lawful as well as unlawful uses, and limits liability to instances of more acute fault than the mere understanding that some of one’s products will be misused.”).

<sup>56</sup> See cases cited *supra* notes 36, 38; see also *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992) (noting that a flea market operator “has no affirmative duty to take precautions against the sale of counterfeits.”).

<sup>57</sup> See, e.g., *Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, No. C 03-5340 JF (RS), 2007 WL 1159950, at \*8 (N.D. Cal. Apr. 18, 2007) (noting that the *Playboy* court had “weighed the *Sleekcraft* factors as if Netscape were responsible for the competitors’ advertisements,” and doing the same in evaluating Google’s trademark liability); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273, 292–93 (D.N.J. 2006) (noting the search engine’s legitimate use of trademarks for “comparative advertising, resale of JR’s products, or the provision of information about JR or its products,” but nonetheless holding that “fairness would dissipate, and protection under a fair use defense would be lost, if GoTo wrongfully participated in someone else’s infringing use”); *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700, 704 (E.D. Va. 2004) (“Accepting as true the facts alleged by plaintiff regarding the inclusion of the marks in advertisements and the defendants’ overall control of their advertising program, we find that plaintiffs have alleged facts sufficient to support their claims that advertisers make a ‘trademark use’ of GEICO’s marks, and that defendants may be liable for such ‘trademark use.’”). The court later significantly narrowed its holding, finding that only ads specifically using GEICO’s marks were likely to cause confusion, and expressing uncertainty over whether Google should face liability for the ads. See *GEICO v. Google, Inc.*, No. 1:04CV507, 2005 WL 1903128, at \*7 (E.D. Va. Aug. 8, 2005) (mem.).

Precedent aside,<sup>58</sup> failure-to-police liability could make sense as an economic matter if—and only if—the benefits from requiring intermediaries to prevent infringement outweighed their costs.<sup>59</sup> And the costs of policing are substantial. Not only would the search engine's customers have to absorb the price of its monitoring efforts, but risk aversion would no doubt lead to incursions on legitimate speech.<sup>60</sup> Absent compelling evidence that intermediaries could efficiently prevent infringement—and that their prevention efforts would bring about more benefit than cost—reason counsels against changing the law to impose monitoring obligations on intermediaries.

### C. *Failure-to-Respond Claims*

The third category of claims involves the intermediary's failure to respond after receiving knowledge of infringement resulting from use of its service. This form of liability reflects a logical extension of trademark's contributory infringement doctrine.<sup>61</sup> Mindful of the doctrine's broad potential reach, some courts have imposed an additional requirement that a defendant providing a service have "direct control and monitoring" over the directly infringing party.<sup>62</sup>

If applied carefully, failure-to-respond liability has the potential to achieve an effective balance between trademark holders' interests in preventing infringement and intermediaries' interests in promoting fair

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<sup>58</sup> Since the precedent comes from the Supreme Court, only the Supreme Court—or Congress—has the authority to change it. See Mann & Belzley, *supra* note 47, at 250 ("[T]he time has come for the Internet to grow up and for Congress and the businesses that rely on the Internet to accept a mature scheme of regulation that limits the social costs of illegal Internet conduct in the most cost-effective manner.").

<sup>59</sup> See *id.* at 265; cf. Stacey L. Dogan, *Is Napster a VCR? The Implications of Sony for Napster and Other Internet Technologies*, 52 HASTINGS L.J. 939, 950 (2001) (contending that, in the copyright context, "if the nature of a party's control over its users makes it feasible and essentially costless to distinguish between infringing and non-infringing applications, the law should require it to do so" (footnotes omitted)).

<sup>60</sup> See Mann & Belzley, *supra* note 47, at 273 (noting costs of gatekeeper liability); see generally James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882 (2007) (contending that risk aversion, combined with the iterative nature of intellectual property doctrine, can lead to an ever-narrowing scope of legal but unauthorized uses).

<sup>61</sup> The Supreme Court's first definition of the doctrine did not include parties who provided services, rather than products, to known infringers. See *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 861 (1982). Subsequent courts, however, have extended the doctrine to those who continue to provide services to third parties, when they have both control over the direct infringer and knowledge that they are contributing to its infringement. See, e.g., *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996); *Hard Rock Cafe Licensing Corp.*, 955 F.2d at 1148–49; see *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 502 (S.D.N.Y. 2008) (noting that entities "that provide a marketplace for infringement and maintain direct control over that venue" may face contributory liability if they have the requisite knowledge).

<sup>62</sup> See *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999); *Perfect 10, Inc. v. Visa Int'l Serv. Ass'n*, 494 F.3d 788, 795–800 (9th Cir. 2007); see also *Tiffany (NJ) Inc.*, 576 F. Supp. 2d at 505–06.

and legitimate uses of marks in the online context. To be sure, it imposes an obligation on the trademark holder to notify defendants of infringing uses of their marks. As a result, most trademark holders have thus far focused on more aggressive forms of liability, hoping that courts will put the burden of enforcement on intermediaries. Because general-confusion and failure-to-police claims may well prove inadequate to stem particular acts of infringement, trademark holders may increasingly turn to the failure-to-respond sort of claim.

As they develop this species of intermediary liability, courts should keep in mind the same limiting principles that guided the discussion of the other two forms above. In particular, in their haste to find a plausible gatekeeper, courts should take care not to impose liability that would threaten legal and legitimate uses of marks online.

### *1. Knowledge*

In the context of failure-to-respond claims, most of the heavy lifting will likely fall upon the courts' definition of knowledge. If courts found general knowledge of infringement enough to trigger a duty to respond, they would effectively be adopting failure-to-police liability under the guise of contributory infringement. At the other extreme, if courts insisted upon incontestable proof of infringement, they would make it virtually impossible for trademark holders to get effective relief, even against blatantly infringing uses of their marks online. As a result, courts in these cases should adopt a flexible approach to knowledge that gives effective tools to trademark holders while protecting intermediaries against liability that would ultimately disserve trademark law's goals. I suggest three guidelines that courts might follow in pursuing this goal.

First, for the reasons outlined above, courts should follow established precedent and refuse to find knowledge based merely on the fact that the defendant offers a service that parties can (mis)use to infringe.<sup>63</sup> So far, those courts that have considered intermediary claims through a failure-to-respond lens have adhered to the traditional standard, requiring a "showing that a defendant knew or had reason to know of specific instances of actual infringement."<sup>64</sup>

Second, trademark holders observing a violation of their rights should have a quick and efficient way to put intermediaries on notice of claims of infringement. An intermediary that refused to accept such notices, or implausibly denied having received them, could not escape liability on that basis.<sup>65</sup> Notice alone, of course, would not establish

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<sup>63</sup> See *supra* notes 37–38, 53–56 and accompanying text.

<sup>64</sup> *Tiffany (NJ) Inc.*, 576 F. Supp. 2d at 510; cf. *Solid Host, NL v. Namecheap, Inc.*, 652 F. Supp. 2d 1092, 1116 (C.D. Cal. 2009) (holding that "exceptional circumstances" must be shown to prove the degree of knowledge required to impose contributory liability for cybersquatting," as distinguished from plain-vanilla infringement).

<sup>65</sup> See *Fonovisa, Inc.*, 76 F.3d at 265 ("[A] swap meet can not disregard its vendors' blatant trademark infringements with impunity."); *Hard Rock Cafe Licensing Corp.*, 955

knowledge of infringement; it “gives notice only of the [trademark holder’s] position regarding the matter.”<sup>66</sup> But notice would trigger a duty to investigate the claim to determine whether infringement was occurring.<sup>67</sup>

Finally, courts should find “knowledge” of infringement only when the infringement is sufficiently clear that no reasonable person could view the use of the mark as protected or otherwise non-infringing.<sup>68</sup> As the *Netcom* court concluded in the copyright context:

Where a BBS operator cannot reasonably verify a claim of infringement, either because of a possible fair use defense, the lack of copyright notices on the copies, or the copyright holder’s failure to provide the necessary documentation to show that there is a likely infringement, the operator’s lack of knowledge will be found reasonable and there will be no liability for contributory infringement for allowing the continued distribution of the works on its system.<sup>69</sup>

This breathing space is especially critical in the trademark context. Because trademark infringement turns on a complex set of factors involving the parties’ respective products, customers, and sales and marketing channels, evaluating a claim of infringement can be challenging, even for a court.<sup>70</sup> The context-specific nature of trademark law’s defenses only compounds the difficulty of determining whether a particular use infringes. Given the importance of preserving these non-

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F.2d at 1148–49 (finding that the knowledge requirement can be satisfied by proof that the defendant was “willfully blind” to infringement occurring on its premises).

<sup>66</sup> *Solid Host NL*, 652 F. Supp. 2d at 1116; *see also* *Fare Deals, Ltd. v. World Choice Travel.com, Inc.*, 180 F. Supp. 2d 678, 691 (D. Md. 2001) (holding that “sixteen or fewer days of inchoate suspicion—engendered solely by the allegations in [the trademark holder’s] demand letter—cannot as a matter of law be deemed willful blindness” to trademark infringement).

<sup>67</sup> *See Fare Deals, Ltd.*, 180 F. Supp. 2d at 690.

<sup>68</sup> *See id.* at 691 (finding no knowledge of infringement when “[t]he infringement at issue is not so transparent—even to the legally adept—as handbags labeled Louis Vuitton and Gucci, cheaply made, lined with purple vinyl, and sold by itinerant peddlers at bargain-basement prices” (citing *Louis Vuitton S.A. v. Lee*, 875 F.2d 584, 590 (7th Cir. 1989))); *see also Solid Host NL*, 652 F. Supp. 2d at 1116 (“The extent [of an intermediary’s duty to investigate] will be circumscribed by the relative difficulty of confirming or denying the accusation under the facts of a particular case.”); *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 964 (C.D. Cal. 1997) (“The existence of numerous legitimate, non-infringing uses of the [trademark] further illustrates the uncertainty inherent in the question of whether NSI knew or had reason to know of infringing uses of domain name registrations,” even after receiving notice from the trademark holder).

<sup>69</sup> *Religious Tech. Ctr. v. Netcom On-Line Commc’n Servs., Inc.*, 907 F. Supp. 1361, 1374 (N.D. Cal. 1995).

<sup>70</sup> *See Lockheed Martin Corp.*, 985 F. Supp. at 963 (“The likelihood of confusion test examines the totality of circumstances under which a mark is used. The outcome of the test cannot be predicted from an examination of the mark and the domain name in connection with a brief statement of the purpose for which the mark is being used.” (citation omitted)).

infringing uses of marks—and given the availability of direct infringement claims against advertisers to decide the close cases—courts should err against imposing liability unless the claim of infringement is verifiable and clear.

## 2. *Continuing to Provide*

After receiving sufficient notice, an intermediary that fails to respond by disabling the infringement could well face liability under trademark law.<sup>71</sup> As a practical matter, most of the major search engines—as well as eBay—arguably satisfy their obligations to respond to notice of infringement. Each of them has a system under which trademark holders may complain of infringement; and each has a policy of reviewing those claims and disabling offending ads.<sup>72</sup> eBay has a complex procedure for responding to notices of infringement—a procedure that the district court in *Tiffany (NJ) Inc. v. eBay, Inc.* found robust and legally adequate.<sup>73</sup> Nonetheless, the contributory infringement framework provides a basis for liability against intermediaries that act less responsibly in responding to trademark holder claims.

## D. *A Word on Inducement*

So far, I have said nothing about the second form of contributory liability anticipated by the *Inwood* court: liability for inducement. Inducement liability, which requires a defendant to “intentionally induce[] another to infringe a trademark,” is unlikely to apply to most online intermediaries.<sup>74</sup> When it does apply—and the evidence shows a deliberate scheme to encourage infringement—liability should follow.<sup>75</sup> The arguments in favor of protecting non-infringing uses have little weight when a defendant is intentionally inducing others to infringe.<sup>76</sup>

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<sup>71</sup> See *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996); cf. *AT&T Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1433 & n.14 (3d Cir. 1994) (finding no claim for contributory infringement when defendant “took appropriate steps to reprimand and discipline” the party engaged in direct infringement).

<sup>72</sup> See *Yahoo! Search Marketing*, *supra* note 52; *Google AdWords*, *supra* note 52.

<sup>73</sup> See *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 513 (S.D.N.Y. 2008) (“[T]he Court finds that eBay responded appropriately to notice of specific infringing items . . .”).

<sup>74</sup> *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982). See also 35 U.S.C. § 271(b) (2006) (“Whoever actively induces infringement of a patent shall be liable as an infringer.”).

<sup>75</sup> See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 130 (2d Cir. 2009) (expressing concern about a rule under which “the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion”).

<sup>76</sup> Cf. *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 935 (2005) (“[W]here evidence goes beyond a product’s characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, *Sony’s* staple-article rule will not preclude liability.”).

## III. SETTING REMEDIAL GOALS

Courts have broad discretion in crafting remedies in trademark infringement suits.<sup>77</sup> According to the Restatement (Third) of Unfair Competition, courts must take into account not only the harms resulting from the infringement, but also the public interest and the defendant's interest in legitimate uses of the mark.<sup>78</sup> In the intermediary context, this means that courts should craft injunctions narrowly to address the wrongful conduct by the defendant and must take care not to impede legitimate, information-facilitating uses of marks.

With those goals in mind, I offer a few modest suggestions to courts entering injunctions in trademark suits against intermediaries. Doctrinally, my proposals break no new ground. The Federal Rules of Civil Procedure instruct every court entering an injunction to "state the reasons why it issued," to "state its terms specifically," and to "describe in reasonable detail . . . the act or acts restrained or required."<sup>79</sup> My suggestions essentially mirror these standard requirements. But the unique features of lawsuits against intermediaries—including, in particular, the awkward fit between the intermediary's own behavior and the prevention of consumer confusion—give the rules unique significance in these cases and thus deserve attention.

A. *Tailor the Injunction to the Defendant's Wrongful Acts*

Courts granting injunctions have an obligation to identify with specificity the acts that justify injunctive relief, and to tailor their injunction accordingly.<sup>80</sup> This rule has particular relevance when the line

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<sup>77</sup> See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 35 (1995).

<sup>78</sup> The Restatement lists six factors that courts should consider in evaluating "[t]he appropriateness and scope of injunctive relief" in trademark cases. *Id.* The factors include: "(a) the nature of the interest to be protected; (b) the nature and extent of the wrongful conduct; (c) the relative adequacy to the plaintiff of an injunction and of other remedies; (d) the relative harm likely to result to the legitimate interests of the defendant if an injunction is granted and to the legitimate interests of the plaintiff if an injunction is denied; (e) the interests of third persons and of the public; (f) any unreasonable delay by the plaintiff in bringing suit or otherwise asserting its rights; (g) any related misconduct on the part of the plaintiff; and (h) the practicality of framing and enforcing the injunction." *Id.*

<sup>79</sup> FED. R. CIV. P. 65(d); see generally *Drywall Tapers, Local 1974 v. Local 530*, 889 F.2d 389, 395 (2d Cir. 1989) (parties bound by injunction "must be able to ascertain from the four corners of the order precisely what acts are forbidden").

<sup>80</sup> FED. R. CIV. P. 65(d); see also *Edu. Testing Servs. v. Katzman*, 793 F.2d 533, 545 (3d Cir. 1986) ("An injunction must not only meet the specificity requirement set forth in Rule 65(d), it also cannot be broader than necessary to restrain the unlawful conduct."); *E. W. Bliss Co. v. Struthers-Dunn, Inc.*, 408 F.2d 1108, 1116 (8th Cir. 1969) (vacating an injunction that was "far broader than [was] warranted by the findings of fact"); see generally *Schine Chain Theatres, Inc. v. United States*, 334 U.S. 110, 126 (1948) ("The precise practices found to have violated the act should be specifically enjoined."), *overruled on other grounds by Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752, 777 (1984).

between lawful and unlawful conduct is a fine one, so that a broad injunction could proscribe or chill legitimate behavior.<sup>81</sup>

Given the range of allegations against intermediaries and the but-for relationship between intermediary behavior and plausible claims of infringement, courts might feel tempted to broadly enjoin the use of a plaintiff's trademark after finding infringement in a particular case. They should resist this temptation.

The nature of the intermediary's wrongful act should dictate the nature of the injunction. If the court finds infringement on a general-confusion theory, it should identify with specificity how the intermediary's search policies are causing confusion, and the injunction should remedy that problem. If, for example, the search engine confuses users by failing to distinguish search results from ads, the injunction should insist on a more careful differentiation. It should not—however ardently the trademark holder might desire this result—prohibit the general use of the trademark in keyword-based advertising, because of the many legitimate and non-confusing uses of that service.<sup>82</sup> Courts should rarely, if ever, find liability based on failure to police; given that, injunctive relief should avoid imposing such an obligation.

Injunctions in failure-to-respond cases will require a careful examination of context. A court finding inadequate response to notifications of obvious infringement, for example, might order the defendant to adopt procedures that would enable a more effective response. If the procedures are adequate but result in excessively bad judgment in a particular case, the court could specify the feature of the offending ad that was likely to cause confusion and could require the intermediary to respond to future notifications regarding ads that shared that feature. In all of these cases, the remedy should surgically address the act that constituted infringement without affecting otherwise legal behavior.

### *B. Be Specific*

Courts have identified three reasons for the requirement of specificity in crafting injunctive relief:

[First, it] prevents uncertainty on the part of those faced with injunctive orders and gives them explicit notice of what conduct is unlawful. Second, it allows a reviewing court “to know precisely what it is reviewing.” . . . [Third,] a specific injunction allows those who are protected by its terms to know when the order is being

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<sup>81</sup> *Cf. Am. Can Co. v. Mansukhani*, 742 F.2d 314, 330 (7th Cir. 1984) (finding an injunction overly broad when “the original scope of the valid trade secrets was so narrow that expanded protection would tend to restrict competition”).

<sup>82</sup> *See, e.g., e360 Insight v. Spamhaus Project*, 500 F.3d 594, 605 (7th Cir. 2007) (vacating an injunction where “the relief awarded does not bear a legitimate relationship to the facts necessary to support” a judgment against the defendant).

violated so that they may then effectively police the order and enforce its mandate.<sup>83</sup>

These rationales have special salience in cases involving uncertain boundaries between lawful and unlawful behavior.<sup>84</sup> In these cases, courts must put parties on notice of which acts are illegal and will violate the injunction. The absence of such guidance leaves parties guessing as to whether their behavior falls within or beyond the injunction. This guessing game could have three outcomes, all undesirable: the defendant could guess wrong and engage in behavior that she viewed as protected but turns out to form a basis for contempt; she could guess wrong in the other direction and abstain from behavior that is desirable and legal; or she could guess correctly but be moved by risk-aversion to avoid behavior that falls close to the line.

This rule, too, has implications for intermediary claims. Because of the significant non-infringing uses of trademarks online, courts must use specificity in identifying behavior that they view as unlawful. In general-confusion claims, the court should not simply insist that the intermediary change its policies to cure any confusion; it should specify exactly how the intermediary should alter its labeling or other practices to reduce the risk of confusion. In failure-to-respond claims, courts should identify the steps that an intermediary must take to improve the quality of its response to notice of infringement.

### C. *Protect Lawful Uses*

My third suggestion relates closely to the first one: courts should ensure that injunctions neither proscribe nor chill legitimate uses of marks, particularly those that promote trademark law's goals.<sup>85</sup> In crafting

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<sup>83</sup> *Daniels v. Woodbury County*, 742 F.2d 1128, 1134 (8th Cir. 1984) (quoting *Schmidt v. Lessard*, 414 U.S. 473, 476–77 (1974)).

<sup>84</sup> See *Ideal Toy Corp. v. Plawner Toy Mfg. Corp.*, 685 F.2d 78, 83 (3d Cir. 1982) (vacating a trademark injunction that “unreasonably requires the parties to guess at the kinds of conduct that will be deemed infringement”); see also *Am. Red Cross v. Palm Beach Blood Bank, Inc.*, 143 F.3d 1407, 1412 (11th Cir. 1998) (noting that defendant “should not have to risk citation for contempt in order to determine the true scope of activity barred by the district court’s order”); *Am. Can Co.*, 742 F.2d at 333 (“The defendants cannot be expected to decide, even with caution, under the threat of contempt whether their conduct is lawful without more guidance from the court.”); *E. W. Bliss Co.*, 408 F.2d at 1114 (reversing an injunction when “[t]he lower court appears inclined to let the defendants reach the legal conclusion that a particular design concept is a ‘trade secret’ of [the plaintiff]. These defendants would then be able to test their legal opinion on the law of trade secrets and their technical opinion on the state of the prior art in a proceeding to show cause why they should not be held in contempt.”).

<sup>85</sup> See *NAACP v. Claiborne Hardware Co.*, 458 U.S. 886, 924 n.67 (1982) (vacating an injunction that encompassed legal behavior, noting that the “injunction must be modified to restrain only unlawful conduct and the persons responsible for conduct of that character”); *Calvin Klein Cosmetics Corp. v. Parfums de Coeur, Ltd.*, 824 F.2d 665, 669 (8th Cir. 1987) (vacating an order that “too broadly requires [the

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injunctions, courts should have in mind the ways in which trademarks may be used lawfully and should ensure that the injunction is not so broad as to proscribe them.

## IV. CONCLUSION

Cases alleging trademark infringement by online intermediaries involve a tricky balance between the interests of the trademark holder and the public. The traditional rules of contributory trademark infringement have evolved to accommodate that balance. Courts evaluating this new form of trademark claim should take care not to upset that careful calibration, either in defining liability or in designing relief.

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defendant] to guess at what kind of conduct would be deemed trademark infringement”); *Edu. Testing Servs.*, 793 F.2d at 545 (narrowing a copyright injunction whose prohibitions were “broader than the scope of the copyright laws”); *Am. Greetings Corp. v. Dan-Dee Imps., Inc.*, 807 F.2d 1136, 1144 (3d Cir. 1986) (“[A] court may not enter an injunction the practical effect of which is to preclude the defendant from using the functional features of the plaintiffs’ combination.”).