

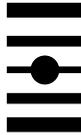


CHAPTER SEVEN
Trademark Infringement

We have stressed that one has to know the “reach” of an intellectual property right—how far it extends and what is needed to trigger it—in order to understand what that right means. Even more than with physical property rights, intellectual property rights are not absolute. In the cases that follow, we explore the conduct that is found to constitute infringement under both § 1114, protecting registered marks, and § 1125 protecting unregistered marks. As we go through these cases, measure the outlines of the property right revealed by the conduct required to infringe. How do they relate to the basic rationales of trademark law? We begin with the requirement of use in commerce, turn to the basic test for infringement, which is ‘likelihood of confusion,’ and conclude with the reach of *contributory* trademark infringement.

1.) Use in Commerce

Earlier, we discussed the requirement of use in commerce in order to get a trademark—registered or not. But use in commerce is also a requirement for *infringement*.



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

LEVAL, Circuit Judge.

Appeal by Plaintiff Rescuecom Corp. from a judgment of the United States District Court for the Northern District of New York dismissing its action against Google, Inc., under Rule 12(b)(6) for failure to state a claim upon which relief may be granted. Rescuecom’s Complaint alleges that Google is liable under §§ 32 and 43 of the Lanham Act, 15 U.S.C. §§ 1114 & 1125, for infringement, false designation of origin, and dilution of Rescuecom’s eponymous trademark. The district court believed the dismissal of the action was compelled by our holding in *I-800 Contacts, Inc. v. WhenU.Com, Inc.*, because, according to the district court’s understanding of that opinion, Rescuecom failed to allege that Google’s use of its mark was a “use in commerce” within the meaning of § 45 of the Lanham Act, 15 U.S.C. § 1127. We believe this misunderstood the holding of *I-800*. While we express no view as to whether Rescuecom can prove a Lanham Act violation, an actionable claim is adequately alleged in its pleadings. Accordingly, we vacate the judgment dismissing the action and remand for further proceedings.

BACKGROUND

Rescuecom is a national computer service franchising company that offers on-site computer services and sales. Rescuecom conducts a substantial amount of business over the Internet and receives between 17,000 to 30,000 visitors to its website each month. It also advertises over the Internet, using many web-based services, including those offered by Google. Since 1998, “Rescuecom” has been a registered federal trademark, and there is no dispute as to its validity.

Google operates a popular Internet search engine, which users access by visiting www.google.com. Using Google's website, a person searching for the website of a particular entity in trade (or simply for information about it) can enter that entity's name or trademark into Google's search engine and launch a search. Google's proprietary system responds to such a search request in two ways. First, Google provides a list of links to websites, ordered in what Google deems to be of descending relevance to the user's search terms based on its proprietary algorithms. Google's search engine assists the public not only in obtaining information about a provider, but also in purchasing products and services. If a prospective purchaser, looking for goods or services of a particular provider, enters the provider's trademark as a search term on Google's website and clicks to activate a search, within seconds, the Google search engine will provide on the searcher's computer screen a link to the webpage maintained by that provider (as well as a host of other links to sites that Google's program determines to be relevant to the search term entered). By clicking on the link of the provider, the searcher will be directed to the provider's website, where the searcher can obtain information supplied by the provider about its products and services and can perhaps also make purchases from the provider by placing orders.

The second way Google responds to a search request is by showing context-based advertising. When a searcher uses Google's search engine by submitting a search term, Google may place advertisements on the user's screen. Google will do so if an advertiser, having determined that its ad is likely to be of interest to a searcher who enters the particular term, has purchased from Google the placement of its ad on the screen of the searcher who entered that search term. What Google places on the searcher's screen is more than simply an advertisement. It is also a link to the advertiser's website, so that in response to such an ad, if the searcher clicks on the link, he will open the advertiser's website, which offers not only additional information about the advertiser, but also perhaps the option to purchase the goods and services of the advertiser over the Internet. Google uses at least two programs to offer such context-based links: AdWords and Keyword Suggestion Tool.

AdWords is Google's program through which advertisers purchase terms (or keywords). When entered as a search term, the keyword triggers the appearance of the advertiser's ad and link. An advertiser's purchase of a particular term causes the advertiser's ad and link to be displayed on the user's screen whenever a searcher launches a Google search based on the purchased search term. Advertisers pay Google based on the number of times Internet users "click" on the advertisement, so as to link to the advertiser's website. For example, using Google's AdWords, Company Y, a company engaged in the business of furnace repair, can cause Google to display its advertisement and link whenever a user of Google launches a search based on the search term, "furnace repair." Company Y can also cause its ad and link to appear whenever a user searches for the term "Company X," a competitor of Company Y in the furnace repair business. Thus, whenever a searcher interested in purchasing furnace repair services from Company X launches a search of the term X (Company X's trademark), an ad and link would appear on the searcher's screen, inviting the searcher to the furnace repair services of X's competitor, Company Y. And if the searcher clicked on Company Y's link, Company Y's website would open on the searcher's screen, and the searcher might be able to order or purchase Company Y's furnace repair services.

In addition to AdWords, Google also employs Keyword Suggestion Tool, a program that recommends keywords to advertisers to be purchased. The program is designed to improve the effectiveness of advertising by helping advertisers identify keywords related to their area of commerce, resulting in the placement of their ads before users who are likely to be responsive to it. Thus, continuing the example given above, if Company Y employed Google's Keyword Suggestion Tool, the Tool might suggest to Company Y that

it purchase not only the term “furnace repair” but also the term “X,” its competitor’s brand name and trademark, so that Y’s ad would appear on the screen of a searcher who searched Company X’s trademark, seeking Company X’s website.

Once an advertiser buys a particular keyword, Google links the keyword to that advertiser’s advertisement. The advertisements consist of a combination of content and a link to the advertiser’s webpage. Google displays these advertisements on the search result page either in the right margin or in a horizontal band immediately above the column of relevance-based search results. These advertisements are generally associated with a label, which says “sponsored link.” Rescuecom alleges, however, that a user might easily be misled to believe that the advertisements which appear on the screen are in fact part of the relevance-based search result and that the appearance of a competitor’s ad and link in response to a searcher’s search for Rescuecom is likely to cause trademark confusion as to affiliation, origin, sponsorship, or approval of service. This can occur, according to the Complaint, because Google fails to label the ads in a manner which would clearly identify them as purchased ads rather than search results. The Complaint alleges that when the sponsored links appear in a horizontal bar at the top of the search results, they may appear to the searcher to be the first, and therefore the most relevant, entries responding to the search, as opposed to paid advertisements.

Google’s objective in its AdWords and Keyword Suggestion Tool programs is to sell keywords to advertisers. Rescuecom alleges that Google makes 97% of its revenue from selling advertisements through its AdWords program. Google therefore has an economic incentive to increase the number of advertisements and links that appear for every term entered into its search engine.

Many of Rescuecom’s competitors advertise on the Internet. Through its Keyword Suggestion Tool, Google has recommended the Rescuecom trademark to Rescuecom’s competitors as a search term to be purchased. Rescuecom’s competitors, some responding to Google’s recommendation, have purchased Rescuecom’s trademark as a keyword in Google’s AdWords program, so that whenever a user launches a search for the term “Rescuecom,” seeking to be connected to Rescuecom’s website, the competitors’ advertisement and link will appear on the searcher’s screen. This practice allegedly allows Rescuecom’s competitors to deceive and divert users searching for Rescuecom’s website. According to Rescuecom’s allegations, when a Google user launches a search for the term “Rescuecom” because the searcher wishes to purchase Rescuecom’s services, links to websites of its competitors will appear on the searcher’s screen in a manner likely to cause the searcher to believe mistakenly that a competitor’s advertisement (and website link) is sponsored by, endorsed by, approved by, or affiliated with Rescuecom.

The district court granted Google’s 12(b)(6) motion and dismissed Rescuecom’s claims. The court believed that our *1-800* decision compels the conclusion that Google’s allegedly infringing activity does not involve use of Rescuecom’s mark in commerce, which is an essential element of an action under the Lanham Act.

DISCUSSION

I. Google’s Use of Rescuecom’s Mark Was a “Use in Commerce”

The district court believed that this case was on all fours with *1-800*, and that its dismissal was required for the same reasons as given in *1-800*. We believe the cases are materially different. The allegations of Rescuecom’s complaint adequately plead a use in commerce.

In *1-800*, the plaintiff alleged that the defendant infringed the plaintiff’s trademark

through its proprietary software, which the defendant freely distributed to computer users who would download and install the program on their computer. The program provided contextually relevant advertising to the user by generating pop-up advertisements to the user depending on the website or search term the user entered in his browser. For example, if a user typed “eye care” into his browser, the defendant’s program would randomly display a pop-up advertisement of a company engaged in the field of eye care. Similarly, if the searcher launched a search for a particular company engaged in eye care, the defendant’s program would display the pop-up ad of a company associated with eye care. The pop-up ad appeared in a separate browser window from the website the user accessed, and the defendant’s brand was displayed in the window frame surrounding the ad, so that there was no confusion as to the nature of the pop-up as an advertisement, nor as to the fact that the defendant, not the trademark owner, was responsible for displaying the ad, in response to the particular term searched.

Sections 32 and 43 of the Act, which we also refer to by their codified designations, 15 U.S.C. §§ 1114 & 1125, inter alia, impose liability for unpermitted “use in commerce” of another’s mark which is “likely to cause confusion, or to cause mistake, or to deceive,” § 1114, “as to the affiliation . . . or as to the origin, sponsorship or approval of his or her goods [or] services . . . by another person.” § 1125(a)(1)(A). The *1-800* opinion looked to the definition of the term “use in commerce” provided in § 45 of the Act, 15 U.S.C. § 1127. That definition provides in part that “a mark shall be deemed to be in use in commerce . . . (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.” 15 U.S.C. § 1127. Our court found that the plaintiff failed to show that the defendant made a “use in commerce” of the plaintiff’s mark, within that definition.

At the outset, we note two significant aspects of our holding in *1-800*, which distinguish it from the present case. A key element of our court’s decision in *1-800* was that under the plaintiff’s allegations, the defendant did not use, reproduce, or display the plaintiff’s mark at all. The search term that was alleged to trigger the pop-up ad was the plaintiff’s website address. *1-800* noted, notwithstanding the similarities between the website address and the mark, that the website address was not used or claimed by the plaintiff as a trademark. Thus, the transactions alleged to be infringing were not transactions involving use of the plaintiff’s trademark. *1-800* suggested in dictum that is highly relevant to our case that had the defendant used the plaintiff’s trademark as the trigger to pop-up an advertisement, such conduct might, depending on other elements, have been actionable.

Second, as an alternate basis for its decision, *1-800* explained why the defendant’s program, which might randomly trigger pop-up advertisements upon a searcher’s input of the plaintiff’s website address, did not constitute a “use in commerce,” as defined in § 1127. In explaining why the plaintiff’s mark was not “used or displayed in the sale or advertising of services,” *1-800* pointed out that, under the defendant’s program, advertisers could not request or purchase keywords to trigger their ads. Even if an advertiser wanted to display its advertisement to a searcher using the plaintiff’s trademark as a search term, the defendant’s program did not offer this possibility. In fact, the defendant “did not disclose the proprietary contents of [its] directory to its advertising clients. . . .” In addition to not selling trademarks of others to its customers to trigger these ads, the defendant did not “otherwise manipulate which category-related advertisement will pop up in response to any particular terms on the internal directory.” The display of a particular advertisement was controlled by the category associated with the website or keyword, rather than the website or keyword itself.

The present case contrasts starkly with those important aspects of the *1-800* decision.

First, in contrast to *I-800*, where we emphasized that the defendant made no use whatsoever of the plaintiff's trademark, here what Google is recommending and selling to its advertisers is Rescuecom's trademark. Second, in contrast with the facts of *I-800* where the defendant did not "use or display," much less sell, trademarks as search terms to its advertisers, here Google displays, offers, and sells Rescuecom's mark to Google's advertising customers when selling its advertising services. In addition, Google encourages the purchase of Rescuecom's mark through its Keyword Suggestion Tool. Google's utilization of Rescuecom's mark fits literally within the terms specified by 15 U.S.C. § 1127. According to the Complaint, Google uses and sells Rescuecom's mark "in the sale . . . of [Google's advertising] services . . . rendered in commerce." § 1127.

Google, supported by *amici*, argues that *I-800* suggests that the inclusion of a trademark in an internal computer directory cannot constitute trademark use. Several district court decisions in this Circuit appear to have reached this conclusion. This overreads the *I-800* decision. First, regardless of whether Google's use of Rescuecom's mark in its internal search algorithm could constitute an actionable trademark use, Google's recommendation and sale of Rescuecom's mark to its advertising customers are not internal uses. Furthermore, *I-800* did not imply that use of a trademark in a software program's internal directory precludes a finding of trademark use. Rather, influenced by the fact that the defendant was not using the plaintiff's trademark at all, much less using it as the basis of a commercial transaction, the court asserted that the particular use before it did not constitute a use in commerce. We did not imply in *I-800* that an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace. If we were to adopt Google and its amici's argument, the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion. This is surely neither within the intention nor the letter of the Lanham Act.

Google and its amici contend further that its use of the Rescuecom trademark is no different from that of a retail vendor who uses "product placement" to allow one vendor to benefit from a competitor's name recognition. An example of product placement occurs when a store-brand generic product is placed next to a trademarked product to induce a customer who specifically sought out the trademarked product to consider the typically less expensive, generic brand as an alternative. Google's argument misses the point. From the fact that proper, non-deceptive product placement does not result in liability under the Lanham Act, it does not follow that the label "product placement" is a magic shield against liability, so that even a deceptive plan of product placement designed to confuse consumers would similarly escape liability. It is not by reason of absence of a use of a mark in commerce that benign product placement escapes liability; it escapes liability because it is a benign practice which does not cause a likelihood of consumer confusion. In contrast, if a retail seller were to be paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off-brand, believing they had gotten the brand they were seeking, we see no reason to believe the practice would escape liability merely because it could claim the mantle of "product placement." The practices attributed to Google by the Complaint, which at this stage we must accept as true, are significantly different from benign product placement that does not violate the Act.

Unlike the practices discussed in *I-800*, the practices here attributed to Google by Rescuecom's complaint are that Google has made use in commerce of Rescuecom's mark. Needless to say, a defendant must do more than use another's mark in commerce to violate

the Lanham Act. The gist of a Lanham Act violation is an unauthorized use, which “is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, . . . or as to the origin, sponsorship, or approval of . . . goods [or] services.” 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 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 as to trademarks. If the searcher sees a different brand name as the top entry in response to the search for “Rescuecom,” the searcher is likely to believe mistakenly that the different name which appears is affiliated with the brand name sought in the search and will not suspect, because the fact is not adequately signaled by Google’s presentation, that this is not the most relevant response to the search. Whether Google’s actual practice is in fact benign or confusing is not for us to judge at this time.

We conclude that the district court was mistaken in believing that our precedent in *1-800* requires dismissal.

CONCLUSION

The judgment of the district court is vacated and the case is remanded for further proceedings.

Questions:

- 1.) *Rescuecom* is a case about “use in commerce” as a requirement of infringement. The earlier case we looked at, *Planetary Motion v. Techsplosion*, was about the “use in commerce” required to gain a mark in the first place, either through the federal registration process or as a common law mark. Are the two definitions of “use in commerce” the same? Are there good policy reasons to want them to be different? Would we want a higher bar to get a trademark, or to infringe it? Or should the line be exactly the same?
- 2.) The court here is careful to distinguish what Google was doing here from the “internal” use of trademarks in the *1-800 Contacts, Inc. v. WhenU.Com* case, a case that was about cost-free, but advertising-supported, software.

In *1-800*, the plaintiff alleged that the defendant infringed the plaintiff’s trademark through its proprietary software, which the defendant freely distributed to computer users who would download and install the program on their computer. The program provided contextually relevant advertising to the user by generating pop-up advertisements to the user depending on the website or search term the user entered in his browser. For example, if a user typed “eye care” into his browser, the defendant’s program would randomly display a pop-up advertisement of a company engaged in the field of eye care. Similarly, if the searcher launched a

search for a particular company engaged in eye care, the defendant's program would display the pop-up ad of a company associated with eye care.

On the one hand, *Planetary Motion* involved a name "Coolmail" that was actually applied to software distributed *externally*, unlike 1-800's internal use of the trademark to prompt pop-ups. On the other hand, Coolmail was entirely free, both as a matter of cost and in terms of the freedoms the user had to modify it. There was no monetary relationship whatsoever. *1-800* involved proprietary software used for the for-profit provision of advertising services. Section 1127 says a use in commerce is a use on "services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce . . . and the person rendering the services is engaged in commerce in connection with the services." Surely 1-800 was *using* the trademarked names in a commercial activity? If we used the definition of "use in commerce" supplied in the *Planetary Motion* case, would we get the same result in *1-800*?

3.) What would happen if we took a broad view of "use in commerce" and "use in connection with goods and services" in terms of *infringement* in the online context?

***People for the Ethical Treatment of
Animals v. Michael T. Doughney***
263 F.3d 359 (4th Cir. 2001)



People for the Ethical Treatment of Animals ("PETA") sued Michael Doughney ("Doughney") after he registered the domain name *peta.org* and created a website called "People Eating Tasty Animals." PETA alleged claims of service mark infringement under 15 U.S.C. § 1114 and Virginia common law, unfair competition under 15 U.S.C. § 1125(a) and Virginia common law, and service mark dilution and cybersquatting under 15 U.S.C. § 1123(c). Doughney appeals the district court's decision granting PETA's motion for summary judgment and PETA cross-appeals the district court's denial of its motion for attorney's fees and costs. Finding no error, we affirm.

I.

PETA is an animal rights organization with more than 600,000 members worldwide. PETA "is dedicated to promoting and heightening public awareness of animal protection issues and it opposes the exploitation of animals for food, clothing, entertainment and vivisection."

Doughney is a former internet executive who has registered many domain names since 1995. For example, Doughney registered domain names such as *dubyadot.com*, *dubyadot.net*, *deathbush.com*, *RandallTerry.org* (Not Randall Terry for Congress), *bwtel.com* (Baltimore-Washington Telephone Company), *pmrc.org* ("People's Manic Repressive Church"), and *ex-cult.org* (Ex-Cult Archive). At the time the district court issued its summary judgment ruling, Doughney owned 50–60 domain names.

Doughney registered the domain name *peta.org* in 1995 with Network Solutions, Inc. ("NSI"). When registering the domain name, Doughney represented to NSI that the registration did "not interfere with or infringe upon the rights of any third party," and that a "non-profit educational organization" called "People Eating Tasty Animals" was

registering the domain name. Doughney made these representations to NSI despite knowing that no corporation, partnership, organization or entity of any kind existed or traded under that name. Moreover, Doughney was familiar with PETA and its beliefs and had been for at least 15 years before registering the domain name.

After registering the peta.org domain name, Doughney used it to create a website purportedly on behalf of “People Eating Tasty Animals.” Doughney claims he created the website as a parody of PETA. A viewer accessing the website would see the title “People Eating Tasty Animals” in large, bold type. Under the title, the viewer would see a statement that the website was a “resource for those who enjoy eating meat, wearing fur and leather, hunting, and the fruits of scientific research.” The website contained links to various meat, fur, leather, hunting, animal research, and other organizations, all of which held views generally antithetical to PETA’s views. Another statement on the website asked the viewer whether he/she was “Feeling lost? Offended? Perhaps you should, like, exit immediately.” The phrase “exit immediately” contained a hyperlink to PETA’s official website.

Doughney’s website appeared at “www.peta.org” for only six months in 1995–96. In 1996, PETA asked Doughney to voluntarily transfer the peta.org domain name to PETA because PETA owned the “PETA” mark (“the Mark”), which it registered in 1992. See U.S. Trademark Registration No. 1705,510. When Doughney refused to transfer the domain name to PETA, PETA complained to NSI, whose rules then required it to place the domain name on “hold” pending resolution of Doughney’s dispute with PETA. Consequently, Doughney moved the website to www.mtd.com/tasty and added a disclaimer stating that “People Eating Tasty Animals is in no way connected with, or endorsed by, People for the Ethical Treatment of Animals.”

In response to Doughney’s domain name dispute with PETA, *The Chronicle of Philanthropy* quoted Doughney as stating that, “[i]f they [PETA] want one of my domains, they should make me an offer.” Doughney does not dispute making this statement. Additionally, Doughney posted the following message on his website on May 12, 1996:

“PeTa” has no legal grounds whatsoever to make even the slightest demands of me regarding this domain name registration. If they disagree, they can sue me. And if they don’t, well, perhaps they can behave like the polite ladies and gentlemen that they evidently aren’t and negotiate a settlement with me. Otherwise, “PeTa” can wait until the significance and value of a domain name drops to nearly nothing, which is inevitable as each new web search engine comes on-line, because that’s how long it’s going to take for this dispute to play out.

PETA sued Doughney in 1999, asserting claims for service mark infringement, unfair competition, dilution and cybersquatting. PETA did not seek damages, but sought only to enjoin Doughney’s use of the “PETA” Mark and an order requiring Doughney to transfer the peta.org domain name to PETA.

Doughney responded to the suit by arguing that the website was a constitutionally-protected parody of PETA. Nonetheless, the district court granted PETA’s motion for summary judgment on June 12, 2000. The district court rejected Doughney’s parody defense, explaining that

[o]nly after arriving at the “PETA.ORG” web site could the web site browser determine that this was not a web site owned, controlled or sponsored by PETA. Therefore, the two images: (1) the famous PETA name and (2) the “People Eating Tasty Animals” website was not a parody because [they were not] simultaneous. . . .

A. Trademark Infringement/Unfair Competition

A plaintiff alleging causes of action for trademark infringement and unfair competition must prove (1) that it possesses a mark; (2) that the defendant used the mark; (3) that the defendant's use of the mark occurred "in commerce"; (4) that the defendant used the mark "in connection with the sale, offering for sale, distribution, or advertising" of goods or services; and (5) that the defendant used the mark in a manner likely to confuse consumers. 15 U.S.C. §§ 1114, 1125(a).

There is no dispute here that PETA owns the "PETA" Mark, that Doughney used it, and that Doughney used the Mark "in commerce." Doughney disputes the district court's findings that he used the Mark in connection with goods or services and that he used it in a manner engendering a likelihood of confusion.

1.

To use PETA's Mark "in connection with" goods or services, Doughney need not have actually sold or advertised goods or services on the www.peta.org website. Rather, Doughney need only have prevented users from obtaining or using PETA's goods or services, or need only have connected the website to other's goods or services.

While sparse, existing caselaw on infringement and unfair competition in the Internet context clearly weighs in favor of this conclusion. For example, in *OBH, Inc. v. Spotlight Magazine, Inc.*, the plaintiffs owned the "The Buffalo News" registered trademark used by the newspaper of the same name. The defendants registered the domain name thebuffalonews.com and created a website parodying *The Buffalo News* and providing a public forum for criticism of the newspaper. The site contained hyperlinks to other local news sources and a site owned by the defendants that advertised Buffalo-area apartments for rent. The court held that the defendants used the mark "in connection with" goods or services because the defendants' website was "likely to prevent or hinder Internet users from accessing plaintiffs' services on plaintiffs' own web site":

Prospective users of plaintiffs' services who mistakenly access defendants' web site may fail to continue to search for plaintiffs' web site due to confusion or frustration. Such users, who are presumably looking for the news services provided by the plaintiffs on their web site, may instead opt to select one of the several other news-related hyperlinks contained in defendants' web site. These news-related hyperlinks will directly link the user to other news-related web sites that are in direct competition with plaintiffs in providing news-related services over the Internet. Thus, defendants' action in appropriating plaintiff's mark has a connection to plaintiffs' distribution of its services.

Moreover, the court explained that defendants' use of the plaintiffs' mark was in connection with goods or services because it contained a link to the defendants' apartment-guide website.

Similarly, in *Planned Parenthood Federation of America, Inc. v. Bucci*, the plaintiff owned the "Planned Parenthood" mark, but the defendant registered the domain name plannedparenthood.com. Using the domain name, the defendant created a website containing information antithetical to the plaintiff's views. The court ruled that the defendant used the plaintiff's mark "in connection with" the distribution of services

because it is likely to prevent some Internet users from reaching plaintiff's own Internet web site. Prospective users of plaintiff's services who mistakenly access defendant's web site may fail to continue to search for plaintiff's own home page, due to anger, frustration, or the

belief that plaintiff's home page does not exist.

The same reasoning applies here. As the district court explained, Doughney's use of PETA's Mark in the domain name of his website

is likely to prevent Internet users from reaching [PETA's] own Internet web site. The prospective users of [PETA's] services who mistakenly access Defendant's web site may fail to continue to search for [PETA's] own home page, due to anger, frustration, or the belief that [PETA's] home page does not exist.

Moreover, Doughney's web site provides links to more than 30 commercial operations offering goods and services. By providing links to these commercial operations, Doughney's use of PETA's Mark is "in connection with" the sale of goods or services.

Questions:

1.) Why does the court say "There is no dispute here that PETA owns the "PETA" Mark, that Doughney used it, and that Doughney used the Mark 'in commerce.' Doughney disputes the district court's findings that he used the Mark in connection with goods or services. . . ." Is "using the mark in connection with goods and services" not part of the *definition* of "use in commerce" in § 1127?

2.) The court says,

To use PETA's Mark "in connection with" goods or services, Doughney need not have actually sold or advertised goods or services on the www.peta.org website. Rather, Doughney need only have prevented users from obtaining or using PETA's goods or services. . . .

It goes on to list several possible ways that this might have happened, including one known technically as initial interest confusion. Although Doughney's disclaimer reveals to the web searcher once they arrive at his domain that this is not the PETA they have been looking for (bonus for identifying the classical reference), PETA is harmed nevertheless. The searcher may give up, frustrated, or they may become genuinely interested in the material offered on the People Eating Tasty Animals site. Either one, the court suggests, is enough to provide the link to goods or services.

a.) If we read the PETA opinion broadly it could be seen as defining "use in commerce" to include having a negative, displacing or substitute effect on the commercial activities of others. If so, what activities are swept into trademark's domain? A noisy protest outside a Walmart that includes signs with Walmart's logo on them? A website criticizing Apple's labor practices in China, and urging a consumer boycott, that superimposes the Apple logo over pictures of sweatshops? How might the court seek to cabin or curtail such overreach?

b.) The court here uses a concept called "initial interest confusion"—the person who initially searches for one brand but, finding another because of a momentary confusion, once informed of her error decides to purchase the new brand instead, or gives up the search. Initial interest confusion is a controversial topic in trademark law and some courts have rejected it. "[T]he kind of confusion that is more likely to result [here] namely, that consumers will realize they are at the wrong site and go to an Internet search engine to find the right one—is not substantial enough to be legally significant. '[A]n initial confusion on the part of web browsers . . . is not cognizable under trademark law.'" *Hasbro, Inc. v. Clue Computing, Inc.* (D. Mass. 1999) (*aff'd*, 1st Cir. 2000). The Ninth Circuit, by contrast, has embraced the concept of initial interest confusion. *Brookfield Communications Inc. v. West Coast Entertainment Corp.* (9th Cir. 1999).

Here the important point to note is that the *PETA* court is using initial interest confusion (normally, as the name suggests, part of the analysis of whether there is *confusion*) as part of the analysis of whether the mark was *used in commerce* in connection with goods and services. Under the *PETA* approach negative initial interest confusion caused by the use of the mark (such as in a protest website, even if Mr. Doughney's site was not truly one) would appear to be enough to satisfy the use in commerce test. This aspect of the opinion (itself a contestable interpretation of the *PETA* decision) has been widely criticized by scholars and rejected by some courts. For example, the Ninth Circuit, which has accepted the idea of initial interest confusion as one form of actionable infringement, has declined to consider such effects *also* to constitute "commercial" activity. Ironically, it did so by quoting the 4th Circuit, the court that produced the *PETA* decision.

Nissan Motor argues that disparaging remarks or links to websites with disparaging remarks at nissan.com is commercial because the comments have an effect on its own commerce. See *Jews for Jesus v. Brodsky* (D.N.J. 1998) ("The conduct of the Defendant also constitutes a commercial use of the Mark and the Name of the Plaintiff Organization because it is designed to harm the Plaintiff Organization commercially by disparaging it and preventing the Plaintiff Organization from exploiting the Mark and the Name of the Plaintiff Organization."). However, we have never adopted an "effect on commerce" test to determine whether speech is commercial and decline to do so here. We are persuaded by the Fourth Circuit's reasoning in a similar case involving negative material about Skippy Peanut Butter posted on skippy.com, a website hosted by the owner of the trademark SKIPPY for a cartoon comic strip. CPC, which makes Skippy Peanut Butter, successfully sought an injunction that ordered removal of the material. The court of appeals reversed. *CPC Int'l, Inc. v. Skippy Inc.* (4th Cir. 2000). Recognizing that criticism was vexing to CPC, the court emphasized how important it is that "trademarks not be 'transformed from rights against unfair competition to rights to control language.'" *Id.* at 462 (quoting Mark A. Lemley, "The Modern Lanham Act and the Death of Common Sense," 108 Yale L.J. 1687, 1710–11 (1999)). It held that speech critical of CPC was informational, not commercial speech. Likewise here, links to negative commentary about Nissan Motor, and about this litigation, reflect a point of view that we believe is protected. *Nissan Motor Co. v. Nissan Computer Corp.* (9th Cir. 2004).

2.) Likelihood of Confusion

Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.
799 F.2d 867 (2d Cir. 1986)

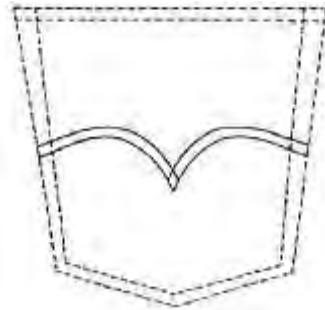


TIMBERS, Circuit Judge.

Appellee is a world famous clothing manufacturer. One of its most popular products is a line of casual pants known as Levi Jeans. Appellee began manufacturing its denim

jeans in the 1850s. Each pair of jeans contains numerous identifying features. One such feature is a distinct back pocket stitching pattern. This pattern consists of two intersecting arcs which roughly bisect both pockets of appellee's jeans. Appellee has an incontestable federal trademark in this stitching pattern. See 15 U.S.C. § 1065 (1982). Appellee has used this pattern on all its jeans continuously since 1873. In many ways the back pocket stitching pattern has become the embodiment of Levi Jeans in the minds of jeans buyers. The record is replete with undisputed examples of the intimate association between the stitching pattern and appellee's products in the buying public's mind. Not only has appellee spent considerable sums on promoting the stitching pattern, but various competitors have run nationwide advertisement campaigns touting the advantages of their jeans' back pockets over appellee's. In addition, one of the largest chains of jeans retailers, the Gap Stores, has run numerous advertisements featuring pictures of appellee's back pocket stitching pattern as the entire visual portion of the ad. The record also contains numerous examples of the public's phenomenal reaction to the stitching pattern and the jeans it epitomizes. These examples range from national magazine cover stories to high school yearbook dedications.

Appellant Lois Sportswear, U.S.A., Inc. ("Lois") imports into the United States jeans manufactured in Spain by Textiles Y Confecciones Europeas, S.A. ("Textiles"). The instant litigation was commenced because appellants' jeans bear a back pocket stitching pattern substantially similar to appellee's trademark stitching pattern. On appeal appellants do not challenge the district court's conclusion that the two stitching patterns are substantially similar. Nor could they; the two patterns are virtually identical when viewed from any appreciable distance. In fact, the results from a survey based on showing consumers videotapes of the back pockets of various jeans, including appellants', indicate that 44% of those interviewed mistook appellants' jeans for appellee's jeans. Appellants instead rely on their use of various labels, some permanent and some temporary, to distinguish their jeans and defeat appellee's trademark infringement and unfair competition claims.



Levi Strauss stitching pattern. Image from the USPTO trademark record.

On July 12, 1985 the court held a hearing on the motions at which depositions, exhibits and memoranda were received. Most of the evidence sought to show that appellee's back pocket stitching pattern had achieved a strong secondary meaning, i.e., that jeans consumers associated the pattern with appellee's products. This evidence is undisputed for the most part. The remainder of the evidence is focused on the respective quality of the two products at issue and the likelihood that consumers somehow would confuse the source of appellants' jeans.

The evidence is undisputed that appellants and appellee manufacture and sell a similar product. While stratifying the jeans market with various styles and grades seems to be the current rage, there can be no dispute that the parties before us compete to sell their jeans to the public. The record does indicate that appellants have attempted to target their "designer" jeans at a decidedly upscale market segment. There also was evidence, however, that appellants' jeans were selling at deep discount in cut-rate clothing outlets. Moreover, there was substantial evidence which indicated that appellee's jeans, although originally marketed as work pants, had achieved a certain elan among the fashion conscious. The evidence suggests that appellee's jeans have achieved fad popularity in all sectors of the jeans market. Finally, appellee produced affidavits stating that it was planning to enter the designer jeans market.

In short, the uncontested facts show that appellants' jeans exhibit a back pocket stitching pattern substantially similar to appellee's incontestable registered trademark back pocket stitching pattern. The record also makes plain that the stitching pattern is closely associated with appellee's jeans, and that appellants' use of the stitching pattern on arguably competing jeans at least presents the possibility that consumers will be confused as to the source of appellants' jeans or the relationship between appellants and appellee. With these facts in mind, we turn to the relevant law of trademark infringement and unfair competition in our Court.

II.

Appellants' arguments, for the most part, focus only on the likelihood that consumers will buy appellants' jeans thinking they are appellee's jeans due to the similar stitching patterns. Appellants point to their labeling as conclusive proof that no such confusion is likely. We agree with the district court, however, that the two principal areas of confusion raised by appellants' use of appellee's stitching pattern are: (1) the likelihood that jeans consumers will be confused as to the relationship between appellants and appellee; and (2) the likelihood that consumers will be confused as to the source of appellants' jeans when the jeans are observed in the post-sale context. We hold that the Lanham Act, 15 U.S.C. §§ 1051–1127 (1982), as interpreted by our Court, was meant to prevent such likely confusion.

As a threshold matter, in the past we have found it useful to decide how much protection a particular trademark is to be given by first determining what type of trademark is at issue. In *Abercrombie & Fitch Co. v. Hunting World, Inc.*, Judge Friendly set forth what has become the governing law of trademark classification: "Arrayed in an ascending order which roughly reflects their eligibility to trademark status and the degree of protection accorded, these classes are (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful."

Superimposed on this framework is the rule that registered trademarks are presumed to be distinctive and should be afforded the utmost protection.

It is clear under this framework that appellee's back pocket stitching pattern deserves the highest degree of protection. First, the mark is registered and incontestable. This, of course, entitles the mark to significant protection. Second, the mark, being a fanciful pattern of interconnected arcs, is within Judge Friendly's fourth category and is entitled to the most protection the Lanham Act can provide. In deciding the likelihood of confusion issues, therefore, appellee's mark is entitled to a liberal application of the law.

Turning to the principal issues under the Lanham Act, in either a claim of trademark infringement under § 32 or a claim of unfair competition under § 43, a prima facie case is made out by showing the use of one's trademark by another in a way that is likely to confuse consumers as to the source of the product. See *Mushroom Makers, Inc. v. R.G. Barry Corp.* (2d Cir. 1978) ("The ultimate inquiry in most actions for false designation of origin, as with actions for trademark infringement, is whether there exists a 'likelihood that an appreciable number of ordinarily prudent purchasers [will] be misled, or indeed simply confused, as to the source of the goods in question.'").

In deciding the issue of likelihood of confusion in the instant case, the district court relied on the multifactor balancing test set forth by Judge Friendly in *Polaroid Corp. v. Polarad Electronics Corp.* (2d Cir. 1961). At the outset, it must be remembered just what the *Polaroid* factors are designed to test. The factors are designed to help grapple with the "vexing" problem of resolving the likelihood of confusion issue. Therefore, each factor

must be evaluated in the context of how it bears on the ultimate question of likelihood of confusion as to the source of the product. It also must be emphasized that the ultimate conclusion as to whether a likelihood of confusion exists is not to be determined in accordance with some rigid formula. The *Polaroid* factors serve as a useful guide through a difficult quagmire. Appellants place great reliance on their labeling as a means of preventing any confusion. While such labeling may prevent appellants' use of appellee's stitching pattern from confusing consumers at the point of sale into believing that appellee manufactured and marketed appellants' jeans, the labeling does nothing to alleviate other forms of likely confusion that are equally actionable.

First, a distinct possibility raised by appellants' use of appellee's immediately identifiable stitching pattern is that consumers will be confused into believing that appellee either somehow is associated with appellants or has consented to appellants' use of its trademark. In *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.* (2d Cir. 1979), we held that "[t]he public's belief that the mark's owner sponsored or otherwise approved of the use of the trademark satisfies the confusion requirement." Likewise, in *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons* (2d Cir. 1975), we held that "[t]he harm to [the trademark owner], rather, is the likelihood that a consumer, hearing the [similar sounding] name and thinking it had some connection with [the trademark owner] would consider [the product] on that basis. The [similar sounding] name therefore would attract potential customers based on the reputation built up by [the trademark owner] in this country for many years." In *Steinway*, we held that the Lanham Act was designed to prevent a competitor from such a bootstrapping of a trademark owner's goodwill by the use of a substantially similar mark. Therefore, the *Polaroid* factors must be applied in the instant case with an eye to how they bear on the likelihood that appellants' use of appellee's trademark stitching pattern will confuse consumers into thinking that appellee is somehow associated with appellants or has consented to their use of the stitching pattern regardless of labeling.

Second, it is equally clear that post-sale confusion as to source is actionable under the Lanham Act. In the instant case, this post-sale confusion would involve consumers seeing appellant's jeans outside of the retail store, perhaps being worn by a passer-by. The confusion the Act seeks to prevent in this context is that a consumer seeing the familiar stitching pattern will associate the jeans with appellee and that association will influence his buying decisions. Clearly, in this post-sale context appellants' labels, most of which having been long since discarded, will be of no help. The Ninth Circuit case of *Levi Strauss & Co. v. Blue Bell, Inc.* (9th Cir. 1980), is very persuasive on this point. In *Blue Bell*, the court upheld an injunction preventing the manufacturer of Wrangler jeans from using a back pocket name tag similar to the one used on Levi's jeans. The court held that Wrangler's extensive labeling, including its own name on the very tag at issue, was not sufficient to avoid confusion as to source in the post-sale context. The court held that "Wrangler's use of its projecting label is likely to cause confusion among prospective purchasers who carry even an imperfect recollection of Strauss's mark and who observe Wrangler's projecting label after the point of sale." Precisely the same considerations apply in the instant case. The *Polaroid* factors therefore must be applied with an eye toward post-sale confusion also.

The first factor—the strength of the mark—weighs heavily in appellee's favor. We have defined the strength of a mark as "its tendency to identify the goods sold under the mark as emanating from a particular source." As discussed above, appellee's back pocket stitching pattern is a fanciful registered trademark with a very strong secondary meaning. Virtually all jeans consumers associate the stitching pattern with appellee's products. We agree with the district court that the evidence indicates as a matter of law that appellee's

stitching pattern is a very strong mark. This factor is crucial to the likelihood of confusion analysis since appellee's intimate association with the trademark makes it much more likely that consumers will assume wrongly that appellee is somehow associated with appellants' jeans or has authorized the use of its mark, or, in the post-sale context, that appellee has manufactured the jeans.

The second factor—the degree of similarity of the marks—also weighs in favor of appellee. As the district court correctly observed, the two stitching patterns are “essentially identical.” Both patterns consist of two intersecting arcs placed in the exact same position on the back pockets of the jeans. The only difference—the fact that appellants' arcs extend 3/4 inch further down the pocket at their intersection—is imperceptible at any significant distance. In light of the fact that the stitching pattern is in no way dictated by function and an infinite number of patterns are possible, the similarity of the two patterns is striking. When this striking similarity is factored into the likelihood of confusion analysis, its great importance becomes clear. In view of the trademark's strength, this nearly identical reproduction of the stitching pattern no doubt is likely to cause consumers to believe that appellee somehow is associated with appellants or at least has consented to the use of its trademark. In the post-sale context, this striking similarity no doubt will cause consumers to transfer the goodwill they feel for appellee to appellants, at least initially. This misuse of goodwill is at the heart of unfair competition. Appellants' reliance on the effect of their labeling with respect to this factor underscores their misguided focus on only the most obvious form of consumer confusion. Appellants' labeling in no way dispels the likelihood that consumers will conclude that appellants' jeans are somehow connected to appellee by virtue of the nearly identical stitching patterns.

The third factor—the proximity of the products—also weighs in favor of appellee. Both products are jeans. Although appellants argue that their jeans are designer jeans and are sold to a different market segment than appellee's jeans, there is significant evidence in the record of an overlap of market segments. Moreover, even if the two jeans are in different segments of the jeans market, such a finding would not switch this factor to appellants' side of the scale. We are trying to determine if it is likely that consumers mistakenly will assume either that appellants' jeans somehow are associated with appellee or are made by appellee. The fact that appellants' jeans arguably are in a different market segment makes this type of confusion more likely. Certainly a consumer observing appellee's striking stitching pattern on appellants' designer jeans might assume that appellee had chosen to enter that market segment using a subsidiary corporation, or that appellee had allowed appellants' designers to use appellee's trademark as a means of reaping some profits from the designer jeans fad without a full commitment to that market segment. Likewise, in the post-sale context a consumer seeing appellants' jeans on a passer-by might think that the jeans were appellee's long-awaited entry into the designer jeans market segment. Motivated by this mistaken notion—appellee's goodwill—the consumer might then buy appellants' jeans even after discovering his error. After all, the way the jeans look is a primary consideration to most designer jeans buyers.

The fourth factor—bridging the gap—is closely related to the proximity of the products and does not aid appellants' case. Under this factor, if the owner of a trademark can show that it intends to enter the market of the alleged infringer, that showing helps to establish a future likelihood of confusion as to source. We have held that the trademark laws are designed in part to protect “the senior user's interest in being able to enter a related field at some future time.” In the instant case, the district court rejected as irrelevant appellee's affidavits which stated that appellee was planning to enter the designer jeans

market, since the affidavits did not assert that appellee's designer jeans entry would utilize the stitching pattern. We do not believe, however, that the form appellee's entry into the market segment might take is especially relevant to the likelihood of confusion issue. Appellee's entry into the market, regardless of the form it might take, would increase the chances of consumer confusion as to the source of appellants' jeans because of likely consumer expectations that appellee's designer jeans would bear its famous stitching pattern. If one knew only that appellee had entered the designer jeans market and then saw appellants' jeans in a post-sale context, it is very likely that one could confuse them for appellee's entry. See *McGregor-Doniger* ("Because consumer confusion is the key, the assumptions of the typical consumer, whether or not they match reality, must be taken into account."). Also, appellee has an interest in preserving its trademark should it ever wish to produce designer jeans with the stitching pattern. The Lanham Act is meant to protect this interest. *Scarves by Vera, Inc.* (scarf designer has right to prevent use of her tradename on cosmetics even without proof that she presently intends to enter cosmetic market).

The fifth factor—actual confusion—while not helping appellee, does not really hurt its case. Appellee's only evidence of actual confusion was a consumer survey which the district court discounted due to methodological defects in simulating the post-sale environment. Of course, it is black letter law that actual confusion need not be shown to prevail under the Lanham Act, since actual confusion is very difficult to prove and the Act requires only a likelihood of confusion as to source. While the complete absence of actual confusion evidence after a significant period of competition may weigh in a defendant's favor, such an inference is unjustified in the instant case in view of the survey evidence, even with its methodological defects. While these defects go to the weight of the survey, it is still somewhat probative of actual confusion in the post-sale context. In any event, the record indicates that sales of appellants' jeans have been minimal in the United States thus far and there has been little chance for actual confusion as yet. It would be unfair to penalize appellee for acting to protect its trademark rights before serious damage has occurred.

The sixth factor—the junior user's good faith in adopting the mark—weighs in favor of appellants. The evidence before the district court, when viewed in a light favorable to appellants, indicates that appellants happened on the stitching pattern serendipitously. It must be remembered, however, that intentional copying is not a requirement under the Lanham Act. Also, intent is largely irrelevant in determining if consumers likely will be confused as to source. The history of advertising suggests that consumer reactions usually are unrelated to manufacturer intentions.

The seventh factor—the quality of the respective goods—does add some weight to appellants' position. Appellee has conceded that appellants' jeans are not of an inferior quality, arguably reducing appellee's interest in protecting its reputation from debasement. It must be noted, however, that under the circumstances of this case the good quality of appellants' product actually may increase the likelihood of confusion as to source. Particularly in the post-sale context, consumers easily could assume that quality jeans bearing what is perceived as appellee's trademark stitching pattern to be a Levi's product. The fact that appellants have produced a quality copy suggests that the possibility of their profiting from appellee's goodwill is still likely.

The eighth and final factor—the sophistication of relevant buyers—does not, under the circumstances of this case, favor appellants. The district court found, and the parties do not dispute, that the typical buyer of "designer" jeans is sophisticated with respect to jeans buying. Appellants argue that this sophistication prevents these consumers from becoming confused by nearly identical back pocket stitching patterns. On the contrary, we believe that it is a sophisticated jeans consumer who is most likely

to assume that the presence of appellee's trademark stitching pattern on appellants' jeans indicates some sort of association between the two manufacturers. Presumably it is these sophisticated jeans buyers who pay the most attention to back pocket stitching patterns and their "meanings". Likewise, in the post-sale context, the sophisticated buyer is more likely to be affected by the sight of appellee's stitching pattern on appellants' jeans and, consequently, to transfer goodwill. Finally, to the extent the sophisticated buyer is attracted to appellee's jeans because of the exclusiveness of its stitching pattern, appellee's sales will be affected adversely by these buyers' ultimate realization that the pattern is no longer exclusive.

Our review of the district court's application of the *Polaroid* factors convinces us that the court correctly concluded that consumers are likely to mistakenly associate appellants' jeans with appellee or will confuse the source of appellants' jeans when the jeans are observed in the post-sale context. This result is eminently reasonable in view of the undisputed evidence of the use by one jeans manufacturer of the trademark back pocket stitching pattern of another jeans manufacturer, coupled with the fact that the trademark stitching pattern is instantly associated with its owner and is important to consumers. There is simply too great a risk that appellants will profit from appellee's hard-earned goodwill to permit the use.

We affirm the eminently sound decision of Judge Sweet based on the well established law of this Circuit.

MINER, Circuit Judge, dissenting. [Omitted.]

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Note

The 'likelihood of confusion' factors laid out here—commonly referred to as the *Polaroid* factors—are extremely important. Likelihood of confusion is the standard for determining infringement both in actions for trademark infringement of registered marks and for actions for infringement of unregistered Federal marks under section 1125(a). (Many state courts also use something very similar to a *Polaroid* test to determine whether there has been infringement of *state* marks.)

Questions:

1.) The court emphasizes that the mark not only protects the goods in question, but the owner's right to expand the mark to other areas and product lines. The market in question here—designer jeans—is a close one to the original product, but the court also favorably quotes another case in which a scarf designer had the "right to prevent use of her tradename on cosmetics even without proof that she presently intends to enter cosmetic market." Do you agree with the court's conclusion that "The Lanham Act is meant to protect this interest"? How does this idea of "room to expand the brand," of an entitlement to grow beyond the current product category, fit with the rationales of trademark law? If this is true, why can Bass beer not enjoin Bass shoes and Bass electronics, and Delta Airlines enjoin Delta faucets? Is there a distinguishing factor that separates these cases?

2.) After deciding most of the factors against Lois, the court finds, strangely, both that Levi's is a hugely famous brand and its stitching pattern iconic, and that "appellants [Lois] happened on the stitching pattern serendipitously." (?) It goes on to say "It must

be remembered, however, that intentional copying is not a requirement under the Lanham Act” and concludes “[t]here is simply too great a risk that appellants will profit from appellee’s hard-earned goodwill to permit the use.” How is this different from the kind of “reaping where one has not sown” that Justice Pitney condemned in *INS v. AP*? Does it matter, should it matter, if I am serendipitously, not deliberately, benefiting from a positive externality created by another? Why does the Lanham Act nevertheless not require intentional copying?

3.) Look back at the Cohen quote at the beginning of Chapter 4. He said,

There was once a theory that the law of trade marks and trade names was an attempt to protect the consumer against the “passing off” of inferior goods under misleading labels. Increasingly the courts have departed from any such theory and have come to view this branch of law as a protection of property rights in divers economically valuable sale devices. In practice, injunctive relief is being extended today to realms where no actual danger of confusion to the consumer is present, and this extension has been vigorously supported and encouraged by leading writers in the field. . . . The current legal argument runs: One who by the ingenuity of his advertising or the quality of his product has induced consumer responsiveness to a particular name, symbol, form of packaging, etc., has thereby created a thing of value; a thing of value is property; the creator of property is entitled to protection against third parties who seek to deprive him of his property.

Does Cohen accurately describe the reasoning of this case or is the court, in fact, concerned about consumer confusion, efficient producer-consumer communication, and the protection of investment in stable brand names? Is the brand this decision protects static (that is, already established and semantically stable) or dynamic (that is, capable of growth)?

4.) The court finds that the Lanham Act does not merely protect against confusion at the point of sale—I think I am buying Dove soap but actually it is *Dave’s* soap in similar packaging. It also protects against *post* point of sale confusion, where labels and disclaimers are of no use. Lois jeans, bought knowingly by a savvy consumer, might then be mistaken on the street for Levi’s by a *non* purchaser (and potential future customer)—and this is something that trademark law should prevent. Do you agree? Does this stretch the rationales for trademark law? Or does it merely ensure an absence of consumer confusion through the product lifecycle?

5.) When considering the seventh factor, the quality of the goods, the court acknowledges that Lois jeans are of high quality, but goes on to say that “the good quality of appellants’ product actually may increase the likelihood of confusion as to source. Particularly in the post-sale context, consumers easily could assume that quality jeans bearing what is perceived as appellee’s trademark stitching pattern to be a Levi’s product.” If Lois jeans had been markedly inferior to Levi’s would this have helped them? What if they were of identical quality? Under the court’s reasoning, is there *any* level of quality under which Lois would not lose this factor?

6.) To summarize the points made in the preceding questions, no matter the formal factors a court must look at in order to determine likelihood of confusion, the results will still differ depending on the underlying vision of the scope of the trademark right.

One vision of the scope of a trademark confines it tightly to the semantic interaction between *this* good or service, *this* mark, *this* consumer and *this* manufacturer. Dove for soap

does not infringe Dove for chocolate. The rationale for the right is to maintain stable meaning of the symbols that producers use and consumers rely on. The key *market* is the one the trademark owner is already in, with perhaps a small room for expansion to closely related markets (Levi designer jeans not Levi Jeep interiors). The key *person* whose confusion is relevant is the purchaser (and thus labels that explicitly disclaim connection to another producer are very strong evidence that consumers will not be likely to be confused). The key *moment* is the moment of sale. Confusion before the moment of sale (as with the person who clicks on a Google advertisement served up by her search for “Coach bags,” only to be shown Kate Spade bags that she ends up preferring to Coach) is irrelevant. Confusion *after* the moment of sale (as when the Chrysler 300 is seen on the street and mistaken for a Bentley, when the driver knows very well it is not) is irrelevant. Wherever the narrow reach of the right does not extend, competition—including competition built on deliberately copying non-trademarked features of another product—is to be welcomed.

The second, broader, vision of the scope of a trademark right views it partly as a device to avoid (current) consumer confusion and diminution of the utility of trademark symbols. In that, it agrees with the narrower view. But it goes beyond that to see the trademark right as rooted in broader themes of unfair competition law, protecting acquired goodwill which can be leveraged into new markets whenever the producer wants, and preventing other producers from “reaping where they have not sown” even if the *consumer* is not at all confused. The right is no longer confined tightly to the semantic interaction between this consumer, this mark, this good and this producer. It is extended to cover possible *future* markets. It is as if, by having the mark, I have planted a semantic claim stake on the empty range next door. The relevant *moment* is expanded both before and after the point of sale, to cover initial interest confusion and post point of sale confusion. If the consumer was interested initially in my mark, I deserve to get that consumer, even if they come to prefer the goods of my rival. The person whose likelihood of confusion is relevant is not merely the actual consumer, but the bystander and possible future purchaser. This vision of the right protects a larger swath of time, reaches a larger swath of markets and protects against (as a legal realist, Cohen would say ‘judicially creates’) “harms” that the first vision simply does not reach.

Federal courts offer decisions that resonate with both of these two visions. For example, the courts that find initial interest confusion actionable are obviously closer to the broader idea of trademark rights, while those rejecting it are closer to the narrower view. In *Walmart* the court seemed happy to sacrifice acquired goodwill in a product design, because of the greater interest in encouraging competition. The general rule that trademarks are specific to the actual good or service with which the mark is connected expresses the narrow view. An expansive vision of “room to expand beyond the brand,” or the interest of famous marks being protected against non-confusing dilution, reflects the broader.

The *Lois* court makes many points that seem to resonate with the second, broader vision of trademark. Does it need to in order to find likelihood of confusion? After all, these are two types of jeans that look almost identical. Would the first, narrower, vision of trademark not easily find that eventuality likely to produce confusion?

3.) Contributory Infringement

The *Lois* jeans case gives us the standard for straightforward, primary, trademark infringement as well as the infringement of the rights § 1125(a) gives to unregistered

marks and trade dress. But what about secondary infringement? What about the entity that *facilitates* or *encourages* or *controls and profits from* the trademark infringement of others but does not itself infringe?

In the online world, secondary liability for violation of intellectual property rights—particularly copyright and trademark rights—is vital. Increasingly, rights holders want to curtail the activities of intermediaries—the internet service providers, online marketplaces, search engines, social networks and file lockers that provide services that can be used legally but can also be used to violate intellectual property rights—rather than going directly after the individuals that do so. The reasons are fairly obvious. First, the primary infringers are hard (and expensive) to find and to control once found. They do not have deep pockets. Second, from the point of the right-holder, the intermediaries are profiting from the portion of their activities that facilitates infringement. Why should they not internalize the costs, the “negative externalities” as economists would put it, that their activities are helping to create? Would this not appropriately incentivize them to cut down on infringement, like the polluting factory forced to internalize the costs of its own pollution? Finally, are the intermediaries not morally culpable? Are they not aware of high levels of illegal activity? Do they not turn a deliberate blind eye to it?

The opposing position sees the attempt to impose secondary liability—liability for contributing to infringement—as fraught with extraordinary difficulty. Google copies the entire web every day. That is what a search engine does. Must it therefore be liable when it copies infringing pages along with non infringing ones? These intermediaries—viewed by rights owners as facilitators of piracy—are also a central part of the architecture of the internet, the entities whose activities facilitate all the expressive, commercial and communicative possibilities the internet involves, the revolution in “disintermediation” it has brought about. Finally, some critics view attempts to expand secondary liability as an attempt by incumbent industries to immunize themselves against the disruption to their business models wrought by the internet. We will be dealing with secondary liability both in trademark and, later in the course, in copyright. As you look at the legal regime the judges and legislators carve out, ask yourself how they are balancing these two competing views.

Tiffany Inc. v. eBay Inc.
600 F.3d 93 (2d Cir. 2010)



SACK, Circuit Judge.

eBay, Inc. (“eBay”), through its eponymous online marketplace, has revolutionized the online sale of goods, especially used goods. It has facilitated the buying and selling by hundreds of millions of people and entities, to their benefit and eBay’s profit. But that marketplace is sometimes employed by users as a means to perpetrate fraud by selling counterfeit goods.

Plaintiffs Tiffany (NJ) Inc. and Tiffany and Company (together, “Tiffany”) have created and cultivated a brand of jewelry bespeaking high-end quality and style. Based on Tiffany’s concern that some use eBay’s website to sell counterfeit Tiffany merchandise, Tiffany has instituted this action against eBay, asserting various causes of action—sounding in trademark infringement, trademark dilution and false advertising—arising from eBay’s advertising and listing practices. For the reasons set forth below, we affirm the district court’s judgment with respect to Tiffany’s claims of trademark infringement and dilution but remand for further proceedings with respect to Tiffany’s false advertising claim.

Background

[The court summarized the findings of fact in the district court. Internal citations omitted. Eds.]

eBay is the proprietor of www.ebay.com, an Internet-based marketplace that allows those who register with it to purchase goods from and sell goods to one another. It “connect[s] buyers and sellers and [] enable[s] transactions, which are carried out directly between eBay members.” In its auction and listing services, it “provides the venue for the sale [of goods] and support for the transaction[s], [but] it does not itself sell the items” listed for sale on the site, nor does it ever take physical possession of them. Thus, “eBay generally does not know whether or when an item is delivered to the buyer.”

eBay has been enormously successful. More than six million new listings are posted on its site daily. At any given time it contains some 100 million listings.

eBay generates revenue by charging sellers to use its listing services. For any listing, it charges an “insertion fee” based on the auction’s starting price for the goods being sold and ranges from \$0.20 to \$4.80. For any completed sale, it charges a “final value fee” that ranges from 5.25% to 10% of the final sale price of the item. Sellers have the option of purchasing, at additional cost, features “to differentiate their listings, such as a border or bold-faced type.”

eBay also generates revenue through a company named PayPal, which it owns and which allows users to process their purchases. PayPal deducts, as a fee for each transaction that it processes, 1.9% to 2.9% of the transaction amount, plus \$0.30. This gives eBay an added incentive to increase both the volume and the price of the goods sold on its website.

Tiffany is a world-famous purveyor of, among other things, branded jewelry. Since 2000, all new Tiffany jewelry sold in the United States has been available exclusively through Tiffany’s retail stores, catalogs, and website, and through its Corporate Sales Department. It does not use liquidators, sell overstock merchandise, or put its goods on sale at discounted prices. It does not—nor can it, for that matter—control the “legitimate secondary market in authentic Tiffany silvery jewelry,” i.e., the market for second-hand Tiffany wares. The record developed at trial “offere[d] little basis from which to discern the actual availability of authentic Tiffany silver jewelry in the secondary market.”

Sometime before 2004, Tiffany became aware that counterfeit Tiffany merchandise was being sold on eBay’s site. . . . Tiffany conducted two surveys known as “Buying Programs,” one in 2004 and another in 2005, in an attempt to assess the extent of this practice. Under those programs, Tiffany bought various items on eBay and then inspected and evaluated them to determine how many were counterfeit. Tiffany found that 73.1% of the purported Tiffany goods purchased in the 2004 Buying Program and 75.5% of those purchased in the 2005 Buying Program were counterfeit. The district court concluded, however, that the Buying Programs were “methodologically flawed and of questionable value,” and “provide[d] limited evidence as to the total percentage of counterfeit goods available on eBay at any given time.” The court nonetheless decided that during the period in which the Buying Programs were in effect, a “significant portion of the ‘Tiffany’ sterling silver jewelry listed on the eBay website . . . was counterfeit,” and that eBay knew “that some portion of the Tiffany goods sold on its website might be counterfeit.” The court found, however, that “a substantial number of authentic Tiffany goods are [also] sold on eBay.”

Reducing or eliminating the sale of all second-hand Tiffany goods, including genuine Tiffany pieces, through eBay’s website would benefit Tiffany in at least one sense: It would diminish the competition in the market for genuine Tiffany merchandise. ([District Court] noting that “there is at least some basis in the record for eBay’s assertion that one

of Tiffany's goals in pursuing this litigation is to shut down the legitimate secondary market in authentic Tiffany goods.") The immediate effect would be loss of revenue to eBay, even though there might be a countervailing gain by eBay resulting from increased consumer confidence about the bona fides of other goods sold through its website.

Anti-Counterfeiting Measures

Because eBay facilitates many sales of Tiffany goods, genuine and otherwise, and obtains revenue on every transaction, it generates substantial revenues from the sale of purported Tiffany goods, some of which are counterfeit. "eBay's Jewelry & Watches category manager estimated that, between April 2000 and June 2004, eBay earned \$4.1 million in revenue from completed listings with 'Tiffany' in the listing title in the Jewelry & Watches category." Although eBay was generating revenue from all sales of goods on its site, including counterfeit goods, the district court found eBay to have "an interest in eliminating counterfeit Tiffany merchandise from eBay . . . to preserve the reputation of its website as a safe place to do business." The buyer of fake Tiffany goods might, if and when the forgery was detected, fault eBay. Indeed, the district court found that "buyers . . . complain[ed] to eBay" about the sale of counterfeit Tiffany goods. "[D]uring the last six weeks of 2004, 125 consumers complained to eBay about purchasing 'Tiffany' items through the eBay website that they believed to be counterfeit."

Because eBay "never saw or inspected the merchandise in the listings," its ability to determine whether a particular listing was for counterfeit goods was limited. Even had it been able to inspect the goods, moreover, in many instances it likely would not have had the expertise to determine whether they were counterfeit. ("[I]n many instances, determining whether an item is counterfeit will require a physical inspection of the item, and some degree of expertise on the part of the examiner.").

Notwithstanding these limitations, eBay spent "as much as \$20 million each year on tools to promote trust and safety on its website." For example, eBay and PayPal set up "buyer protection programs," under which, in certain circumstances, the buyer would be reimbursed for the cost of items purchased on eBay that were discovered not to be genuine. eBay also established a "Trust and Safety" department, with some 4,000 employees "devoted to trust and safety" issues, including over 200 who "focus exclusively on combating infringement" and 70 who "work exclusively with law enforcement."

By May 2002, eBay had implemented a "fraud engine," "which is principally dedicated to ferreting out illegal listings, including counterfeit listings." eBay had theretofore employed manual searches for keywords in listings in an effort to "identify blatant instances of potentially infringing . . . activity." "The fraud engine uses rules and complex models that automatically search for activity that violates eBay policies." In addition to identifying items actually advertised as counterfeit, the engine also incorporates various filters designed to screen out less-obvious instances of counterfeiting using "data elements designed to evaluate listings based on, for example, the seller's Internet protocol address, any issues associated with the seller's account on eBay, and the feedback the seller has received from other eBay users." In addition to general filters, the fraud engine incorporates "Tiffany-specific filters," including "approximately 90 different keywords" designed to help distinguish between genuine and counterfeit Tiffany goods. During the period in dispute, eBay also "periodically conducted [manual] reviews of listings in an effort to remove those that might be selling counterfeit goods, including Tiffany goods."

For nearly a decade, including the period at issue, eBay has also maintained and administered the "Verified Rights Owner ('VeRO') Program"—a "notice-and-takedown" system" allowing owners of intellectual property rights, including Tiffany, to "report to eBay

any listing offering potentially infringing items, so that eBay could remove such reported listings.” Any such rights-holder with a “good-faith belief that [a particular listed] item infringed on a copyright or a trademark” could report the item to eBay, using a “Notice of Claimed Infringement form or NOCI form.” During the period under consideration, eBay’s practice was to remove reported listings within twenty-four hours of receiving a NOCI, but eBay in fact deleted seventy to eighty percent of them within twelve hours of notification.

On receipt of a NOCI, if the auction or sale had not ended, eBay would, in addition to removing the listing, cancel the bids and inform the seller of the reason for the cancellation. If bidding had ended, eBay would retroactively cancel the transaction. In the event of a cancelled auction, eBay would refund the fees it had been paid in connection with the auction.

In some circumstances, eBay would reimburse the buyer for the cost of a purchased item, provided the buyer presented evidence that the purchased item was counterfeit. During the relevant time period, the district court found, eBay “never refused to remove a reported Tiffany listing, acted in good faith in responding to Tiffany’s NOCIs, and always provided Tiffany with the seller’s contact information.”

In addition, eBay has allowed rights owners such as Tiffany to create an “About Me” webpage on eBay’s website “to inform eBay users about their products, intellectual property rights, and legal positions.” eBay does not exercise control over the content of those pages in a manner material to the issues before us.

Tiffany, not eBay, maintains the Tiffany “About Me” page. With the headline “**BUYER BEWARE,**” the page begins: “**Most of the purported TIFFANY & CO. silver jewelry and packaging available on eBay is counterfeit.**” It also says, *inter alia*:

The only way you can be certain that you are purchasing a genuine TIFFANY & CO. product is to purchase it from a Tiffany & Co. retail store, via our website (www.tiffany.com) or through a Tiffany & Co. catalogue. Tiffany & Co. stores do not authenticate merchandise. A good jeweler or appraiser may be able to do this for you.

In 2003 or early 2004, eBay began to use “special warning messages when a seller attempted to list a Tiffany item.” These messages “instructed the seller to make sure that the item was authentic Tiffany merchandise and informed the seller that eBay ‘does not tolerate the listing of replica, counterfeit, or otherwise unauthorized items’ and that violation of this policy ‘could result in suspension of [the seller’s] account.’” The messages also provided a link to Tiffany’s “About Me” page with its “buyer beware” disclaimer. If the seller “continued to list an item despite the warning, the listing was flagged for review.”

In addition to cancelling particular suspicious transactions, eBay has also suspended from its website “‘hundreds of thousands of sellers every year,’ tens of thousands of whom were suspected [of] having engaged in infringing conduct.” eBay primarily employed a “‘three strikes rule’” for suspensions, but would suspend sellers after the first violation if it was clear that “‘the seller ‘listed a number of infringing items,’ and ‘[selling counterfeit merchandise] appears to be the only thing they’ve come to eBay to do.’” But if “‘a seller listed a potentially infringing item but appeared overall to be a legitimate seller, the ‘infringing items [were] taken down, and the seller [would] be sent a warning on the first offense and given the educational information, [and] told that . . . if they do this again, they will be suspended from eBay.’”

By late 2006, eBay had implemented additional anti-fraud measures: delaying the ability of buyers to view listings of certain brand names, including Tiffany’s, for 6 to 12 hours so as to give rights-holders such as Tiffany more time to review those listings;

developing the ability to assess the number of items listed in a given listing; and restricting one-day and three-day auctions and cross-border trading for some brand-name items.

The district court concluded that “eBay consistently took steps to improve its technology and develop anti-fraud measures as such measures became technologically feasible and reasonably available.”

eBay’s Advertising

At the same time that eBay was attempting to reduce the sale of counterfeit items on its website, it actively sought to promote sales of premium and branded jewelry, including Tiffany merchandise, on its site. Among other things, eBay “advised its sellers to take advantage of the demand for Tiffany merchandise as part of a broader effort to grow the Jewelry & Watches category.” And prior to 2003, eBay advertised the availability of Tiffany merchandise on its site. eBay’s advertisements trumpeted “Mother’s Day Gifts!,” a “Fall FASHION BRAND BLOWOUT,” “GREAT BRANDS, GREAT PRICES,” or “Top Valentine’s Deals,” among other promotions. It encouraged the viewer to “GET THE FINER THINGS.” These advertisements provided the reader with hyperlinks, at least one of each of which was related to Tiffany merchandise—“Tiffany,” “Tiffany & Co. under \$150,” “Tiffany & Co,” “Tiffany Rings,” or “Tiffany & Co. under \$50.”

eBay also purchased sponsored-link advertisements on various search engines to promote the availability of Tiffany items on its website. In one such case, in the form of a printout of the results list from a search on Yahoo! for “tiffany,” the second sponsored link read “Tiffany on eBay. Find tiffany items at low prices. With over 5 million items for sale every day, you’ll find all kinds of unique [unreadable] Marketplace. www.ebay.com.” Tiffany complained to eBay of the practice in 2003, and eBay told Tiffany that it had ceased buying sponsored links. The district court found, however, that eBay continued to do so indirectly through a third party.

Procedural History

By amended complaint dated July 15, 2004, Tiffany initiated this action. It alleged, *inter alia*, that eBay’s conduct—i.e., facilitating and advertising the sale of “Tiffany” goods that turned out to be counterfeit—constituted direct and contributory trademark infringement, trademark dilution, and false advertising. On July 14, 2008, following a bench trial, the district court, in a thorough and thoughtful opinion, set forth its findings of fact and conclusions of law, deciding in favor of eBay on all claims.

Tiffany appeals from the district court’s judgment for eBay.

DISCUSSION

I. Direct Trademark Infringement

Tiffany alleges that eBay infringed its trademark in violation of section 32 of the Lanham Act. The district court described this as a claim of “direct trademark infringement,” and we adopt that terminology. Under section 32, “the owner of a mark registered with the Patent and Trademark Office can bring a civil action against a person alleged to have used the mark without the owner’s consent.” We analyze such a claim “under a familiar two-prong test. The test looks first to whether the plaintiff’s mark is entitled to protection, and second to whether the defendant’s use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the defendant’s goods.” *Savin Corp. v. Savin Group* (2d Cir. 2004).

In the district court, Tiffany argued that eBay had directly infringed its mark by

using it on eBay's website and by purchasing sponsored links containing the mark on Google and Yahoo! Tiffany also argued that eBay and the sellers of the counterfeit goods using its site were jointly and severally liable. The district court rejected these arguments on the ground that eBay's use of Tiffany's mark was protected by the doctrine of nominative fair use.

The doctrine of nominative fair use allows "[a] defendant [to] use a plaintiff's trademark to identify the plaintiff's goods so long as there is no likelihood of confusion about the source of [the] defendant's product or the mark-holder's sponsorship or affiliation." The doctrine apparently originated in the Court of Appeals for the Ninth Circuit. See *New Kids on the Block v. News Am. Publ'g, Inc.* (9th Cir. 1992). To fall within the protection, according to that court: "First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder."

The Court of Appeals for the Third Circuit has endorsed these principles. We have referred to the doctrine, albeit without adopting or rejecting it. Other circuits have done similarly.

We need not address the viability of the doctrine to resolve Tiffany's claim, however. We have recognized that a defendant may lawfully use a plaintiff's trademark where doing so is necessary to describe the plaintiff's product and does not imply a false affiliation or endorsement by the plaintiff of the defendant. "While a trademark conveys an exclusive right to the use of a mark in commerce in the area reserved, that right generally does not prevent one who trades a branded product from accurately describing it by its brand name, so long as the trader does not create confusion by implying an affiliation with the owner of the product." *Dow Jones & Co. v. Int'l Sec. Exch., Inc.* (2d Cir. 2006); see also *Polymer Tech. Corp. v. Mimran* (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"); cf. *Prestonettes, Inc. v. Coty* (1924) (when a "mark is used in a way that does not deceive the public," there is "no such sanctity in the word as to prevent its being used to tell the truth. It is not taboo.").

We agree with the district court that eBay's use of Tiffany's mark on its website and in sponsored links was lawful. eBay used the mark to describe accurately the genuine Tiffany goods offered for sale on its website. And none of eBay's uses of the mark suggested that Tiffany affiliated itself with eBay or endorsed the sale of its products through eBay's website.

In addition, the "About Me" page that Tiffany has maintained on eBay's website since 2004 states that "[m]ost of the purported 'TIFFANY & CO.' silver jewelry and packaging available on eBay is counterfeit." The page further explained that Tiffany itself sells its products only through its own stores, catalogues, and website.

Tiffany argues, however, that even if eBay had the right to use its mark with respect to the resale of genuine Tiffany merchandise, eBay infringed the mark because it knew or had reason to know that there was "a substantial problem with the sale of counterfeit [Tiffany] silver jewelry" on the eBay website. As we discuss below, eBay's knowledge *vel non* that counterfeit Tiffany wares were offered through its website is relevant to the issue of whether eBay contributed to the direct infringement of Tiffany's mark by the counterfeiting vendors themselves, or whether eBay bears liability for false advertising. But it is not a basis for a claim of direct trademark infringement against eBay, especially

inasmuch as it is undisputed that eBay promptly removed all listings that Tiffany challenged as counterfeit and took affirmative steps to identify and remove illegitimate Tiffany goods. To impose liability because eBay cannot guarantee the genuineness of all of the purported Tiffany products offered on its website would unduly inhibit the lawful resale of genuine Tiffany goods.

We conclude that eBay's use of Tiffany's mark in the described manner did not constitute direct trademark infringement.

II. Contributory Trademark Infringement

The more difficult issue, and the one that the parties have properly focused our attention on, is whether eBay is liable for contributory trademark infringement—i.e., for culpably facilitating the infringing conduct of the counterfeiting vendors. Acknowledging the paucity of case law to guide us, we conclude that the district court correctly granted judgment on this issue in favor of eBay.

A. Principles

Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts. See, e.g., *Hard Rock Café Licensing Corp. v. Concession Servs., Inc.* (7th Cir. 1992); cf. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.* (2005) (“[T]hese doctrines of secondary liability emerged from common law principles and are well established in the law.”). The Supreme Court most recently dealt with the subject in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.* (1982). There, the plaintiff, Ives, asserted that several drug manufacturers had induced pharmacists to mislabel a drug the defendants produced to pass it off as Ives'. According to the Court, “if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.” The Court ultimately decided to remand the case to the Court of Appeals after concluding it had improperly rejected factual findings of the district court favoring the defendant manufacturers.

Inwood's test for contributory trademark infringement applies on its face to manufacturers and distributors of goods. Courts have, however, extended the test to providers of services.

The Seventh Circuit applied *Inwood* to a lawsuit against the owner of a swap meet, or “flea market,” whose vendors were alleged to have sold infringing Hard Rock Café T-shirts. The court “treated trademark infringement as a species of tort and analogized the swap meet owner to a landlord or licensor, on whom the common law “imposes the same duty . . . [as *Inwood*] impose[s] on manufacturers and distributors,” see also *Fonovisa, Inc. v. Cherry Auction, Inc.* (9th Cir. 1996) (adopting *Hard Rock Café's* reasoning and applying *Inwood* to a swap meet owner).

Speaking more generally, the Ninth Circuit concluded that *Inwood's* test for contributory trademark infringement applies to a service provider if he or she exercises sufficient control over the infringing conduct. *Lockheed Martin Corp. v. Network Solutions, Inc.* (9th Cir. 1999) (“Direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark permits the expansion of *Inwood Lab.'s* ‘supplies a product’ requirement for contributory infringement.”). . . .

The limited case law leaves the law of contributory trademark infringement ill-defined. Although we are not the first court to consider the application of *Inwood* to the Internet, see, e.g., *Lockheed* (Internet domain name registrar), we are apparently the first

to consider its application to an online marketplace.

B. Discussion

1. Does *Inwood* Apply?

On appeal, eBay no longer maintains that it is not subject to *Inwood*. We therefore assume without deciding that *Inwood*'s test for contributory trademark infringement governs.

2. Is eBay Liable Under *Inwood*?

The question that remains, then, is whether eBay is liable under the *Inwood* test on the basis of the services it provided to those who used its website to sell counterfeit Tiffany products. As noted, when applying *Inwood* to service providers, there are two ways in which a defendant may become contributorily liable for the infringing conduct of another: first, if the service provider “intentionally induces another to infringe a trademark,” and second, if the service provider “continues to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement.” *Inwood*. Tiffany does not argue that eBay induced the sale of counterfeit Tiffany goods on its website—the circumstances addressed by the first part of the *Inwood* test. It argues instead, under the second part of the *Inwood* test, that eBay continued to supply its services to the sellers of counterfeit Tiffany goods while knowing or having reason to know that such sellers were infringing Tiffany’s mark.

The district court rejected this argument. First, it concluded that to the extent the NOCIs that Tiffany submitted gave eBay reason to know that particular listings were for counterfeit goods, eBay did not continue to carry those listings once it learned that they were specious. The court found that eBay’s practice was promptly to remove the challenged listing from its website, warn sellers and buyers, cancel fees it earned from that listing, and direct buyers not to consummate the sale of the disputed item. The court therefore declined to hold eBay contributorily liable for the infringing conduct of those sellers. On appeal, Tiffany does not appear to challenge this conclusion. In any event, we agree with the district court that no liability arises with respect to those terminated listings.

Tiffany disagrees vigorously, however, with the district court’s further determination that eBay lacked sufficient knowledge of trademark infringement by sellers behind other, non-terminated listings to provide a basis for *Inwood* liability. Tiffany argued in the district court that eBay knew, or at least had reason to know, that counterfeit Tiffany goods were being sold ubiquitously on its website. As evidence, it pointed to, inter alia, the demand letters it sent to eBay in 2003 and 2004, the results of its Buying Programs that it shared with eBay, the thousands of NOCIs it filed with eBay alleging its good faith belief that certain listings were counterfeit, and the various complaints eBay received from buyers claiming that they had purchased one or more counterfeit Tiffany items through eBay’s website. Tiffany argued that taken together, this evidence established eBay’s knowledge of the widespread sale of counterfeit Tiffany products on its website. Tiffany urged that eBay be held contributorily liable on the basis that despite that knowledge, it continued to make its services available to infringing sellers.

The district court rejected this argument. It acknowledged that “[t]he evidence produced at trial demonstrated that eBay had *generalized* notice that some portion of the Tiffany goods sold on its website might be counterfeit.” The court characterized the issue before it as “whether eBay’s generalized knowledge of trademark infringement on its website was sufficient to meet the ‘knowledge or reason to know’ prong of the *Inwood* test.” eBay had argued that “such generalized knowledge is insufficient, and that the law

demands more specific knowledge of individual instances of infringement and infringing sellers before imposing a burden upon eBay to remedy the problem.”

The district court concluded that “while eBay clearly possessed general knowledge as to counterfeiting on its website, such generalized knowledge is insufficient under the *Inwood* test to impose upon eBay an affirmative duty to remedy the problem.” The court reasoned that *Inwood*’s language explicitly imposes contributory liability on a defendant who “continues to supply its product [—in eBay’s case, its service—] to one whom it knows or has reason to know is engaging in trademark infringement.” The court also noted that plaintiffs “bear a high burden in establishing ‘knowledge’ of contributory infringement,” and that courts have been reluctant to extend contributory trademark liability to defendants where there is some uncertainty as to the extent or the nature of the infringement. In *Inwood*, Justice White emphasized in his concurring opinion that a defendant is not “require[d] . . . to refuse to sell to dealers who merely might pass off its goods.”

Accordingly, the district court concluded that for Tiffany to establish eBay’s contributory liability, Tiffany would have to show that eBay “knew or had reason to know of specific instances of actual infringement” beyond those that it addressed upon learning of them. Tiffany failed to make such a showing.

On appeal, Tiffany argues that the distinction drawn by the district court between eBay’s general knowledge of the sale of counterfeit Tiffany goods through its website, and its specific knowledge as to which particular sellers were making such sales, is a “false” one not required by the law. Tiffany posits that the only relevant question is “whether all of the knowledge, when taken together, puts [eBay] on notice that there is a substantial problem of trademark infringement. If so and if it fails to act, [eBay] is liable for contributory trademark infringement.”

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

We are not persuaded by Tiffany’s proposed interpretation of *Inwood*. Tiffany understands the “lesson of *Inwood*” to be that an action for contributory trademark infringement lies where “the evidence [of infringing activity]—direct or circumstantial, taken as a whole—. . . provide[s] a basis for finding that the defendant knew or should have known that its product or service was being used to further illegal counterfeiting activity.” We think that Tiffany reads *Inwood* too broadly. Although the *Inwood* Court articulated a “knows or has reason to know” prong in setting out its contributory liability test, the Court explicitly declined to apply that prong to the facts then before it. The Court applied only the inducement prong of the test. See *Inwood*.

We therefore do not think that *Inwood* establishes the contours of the “knows or has reason to know” prong. Insofar as it speaks to the issue, though, the particular phrasing that the Court used—that a defendant will be liable if it “continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement,” supports the district court’s interpretation of *Inwood*, not Tiffany’s.

We find helpful the Supreme Court’s discussion of *Inwood* in a subsequent copyright case, *Sony Corp. of America v. Universal City Studios, Inc.* (1984). There, defendant Sony manufactured and sold home video tape recorders. Plaintiffs Universal Studios and Walt Disney Productions held copyrights on various television programs that individual television-viewers had taped using the defendant’s recorders. The plaintiffs contended that this use of the recorders constituted copyright infringement for which the defendants should be held contributorily liable. In ruling for the defendants, the Court discussed *Inwood* and

the differences between contributory liability in trademark versus copyright law.

If *Inwood's* narrow standard for contributory trademark infringement governed here, [the plaintiffs'] claim of contributory infringement would merit little discussion. Sony certainly does not 'intentionally induce[]' its customers to make infringing uses of [the plaintiffs'] copyrights, nor does it supply its products to *identified individuals known by it* to be engaging in continuing infringement of [the plaintiffs'] copyrights.

Thus, the Court suggested, had the *Inwood* standard applied in *Sony*, the fact that Sony might have known that some portion of the purchasers of its product used it to violate the copyrights of others would not have provided a sufficient basis for contributory liability. *Inwood's* "narrow standard" would have required knowledge by Sony of "identified individuals" engaging in infringing conduct. Tiffany's reading of *Inwood* is therefore contrary to the interpretation of that case set forth in *Sony*.

Although the Supreme Court's observations in *Sony*, a copyright case, about the "knows or has reason to know" prong of the contributory trademark infringement test set forth in *Inwood* were dicta, they constitute the only discussion of that prong by the Supreme Court of which we are aware. We think them to be persuasive authority here.

Applying *Sony's* interpretation of *Inwood*, we agree with the district court that "Tiffany's general allegations of counterfeiting failed to provide eBay with the knowledge required under *Inwood*." Tiffany's demand letters and Buying Programs did not identify particular sellers who Tiffany thought were then offering or would offer counterfeit goods. And although the NOCIs and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeits, those sellers' listings were removed and repeat offenders were suspended from the eBay site. Thus Tiffany failed to demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit Tiffany goods.

Accordingly, we affirm the judgment of the district court insofar as it holds that eBay is not contributorily liable for trademark infringement.

3. Willful Blindness.

Tiffany and its amici express their concern that if eBay is not held liable except when specific counterfeit listings are brought to its attention, eBay will have no incentive to root out such listings from its website. They argue that this will effectively require Tiffany and similarly situated retailers to police eBay's website—and many others like it—"24 hours a day, and 365 days a year." They urge that this is a burden that most mark holders cannot afford to bear.

First, and most obviously, we are interpreting the law and applying it to the facts of this case. We could not, even if we thought it wise, revise the existing law in order to better serve one party's interests at the expense of the other's.

But we are also disposed to think, and the record suggests, that private market forces give eBay and those operating similar businesses a strong incentive to minimize the counterfeit goods sold on their websites. eBay received many complaints from users claiming to have been duped into buying counterfeit Tiffany products sold on eBay. The risk of alienating these users gives eBay a reason to identify and remove counterfeit listings. Indeed, it has spent millions of dollars in that effort.

Moreover, we agree with the district court that if eBay had reason to suspect that counterfeit Tiffany goods were being sold through its website, and intentionally shielded itself from discovering the offending listings or the identity of the sellers behind them, eBay might very well have been charged with knowledge of those sales sufficient to

satisfy *Inwood*'s "knows or has reason to know" prong. A service provider is not, we think, permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way. See, e.g., *Hard Rock Café* ("To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate."); *Fonovisa* (applying *Hard Rock Café*'s reasoning to conclude that "a swap meet can not disregard its vendors' blatant trademark infringements with impunity"). In the words of the Seventh Circuit, "willful blindness is equivalent to actual knowledge for purposes of the Lanham Act." *Hard Rock Café*.

eBay appears to concede that it knew as a general matter that counterfeit Tiffany products were listed and sold through its website. Without more, however, this knowledge is insufficient to trigger liability under *Inwood*. The district court found, after careful consideration, that eBay was not willfully blind to the counterfeit sales. That finding is not clearly erroneous. eBay did not ignore the information it was given about counterfeit sales on its website.

III. Trademark Dilution

A. Principles

Federal law allows the owner of a "famous mark" to enjoin a person from using "a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark." 15 U.S.C. § 1125(c)(1).

"Dilution by blurring" is an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." § 1125(c)(2)(B). It can occur "regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." § 1125(c)(1). "Some classic examples of blurring include 'hypothetical anomalies as Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns, and so forth.'" *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.* (2d Cir. 2009) (quoting *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.* (2d Cir. 1989)). It is not a question of confusion; few consumers would likely confuse the source of a Kodak camera with the source of a "Kodak" piano. Dilution by blurring refers instead to "the whittling away of [the] established trademark's selling power and value through its unauthorized use by others." (Quoting *Mead Data Cent.*)

Federal law identifies a non-exhaustive list of six factors that courts "may consider" when determining whether a mark is likely to cause dilution by blurring. These are: (1) "[t]he degree of similarity between the mark or trade name and the famous mark"; (2) "[t]he degree of inherent or acquired distinctiveness of the famous mark"; (3) "[t]he extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark"; (4) "[t]he degree of recognition of the famous mark"; (5) "[w]hether the user of the mark or trade name intended to create an association with the famous mark"; and (6) "[a]ny actual association between the mark or trade name and the famous mark." 15 U.S.C. § 1125(c)(2)(B)(i–vi).

In contrast to dilution by blurring, "dilution by tarnishment" is an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." 15 U.S.C. § 1125(c)(2)(C). This "generally arises when the plaintiff's trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product." *Deere & Co. v. MTD Prods., Inc.* (2d Cir. 1994).

New York State law also "provide[s] for protection against both dilution by blurring and tarnishment." *Starbucks Corp.*; see N.Y. Gen. Bus. Law § 360-l. The state

law is not identical to the federal one, however. New York “does not[, for example,] require a mark to be ‘famous’ for protection against dilution to apply.” *Starbucks Corp.* Nor are the factors used to determine whether blurring has occurred the same. “Most important to the distinction here, New York law does not permit a dilution claim unless the marks are ‘substantially’ similar.”

B. Discussion

The district court rejected Tiffany’s dilution by blurring claim on the ground that “eBay never used the TIFFANY Marks in an effort to create an association with its own product, but instead, used the marks directly to advertise and identify the availability of authentic Tiffany merchandise on the eBay website.” The court concluded that “just as the dilution by blurring claim fails because eBay has never used the [Tiffany] Marks to refer to eBay’s own product, the dilution by tarnishment claim also fails.”

We agree. There is no second mark or product at issue here to blur with or to tarnish “Tiffany.”

Tiffany argues that counterfeiting dilutes the value of its product. Perhaps. But insofar as eBay did not itself sell the goods at issue, it did not itself engage in dilution.

Tiffany argued unsuccessfully to the district court that eBay was liable for contributory dilution. Assuming without deciding that such a cause of action exists, the court concluded that the claim would fail for the same reasons Tiffany’s contributory trademark infringement claim failed. Tiffany does not contest this conclusion on appeal. We therefore do not address it.

IV. False Advertising

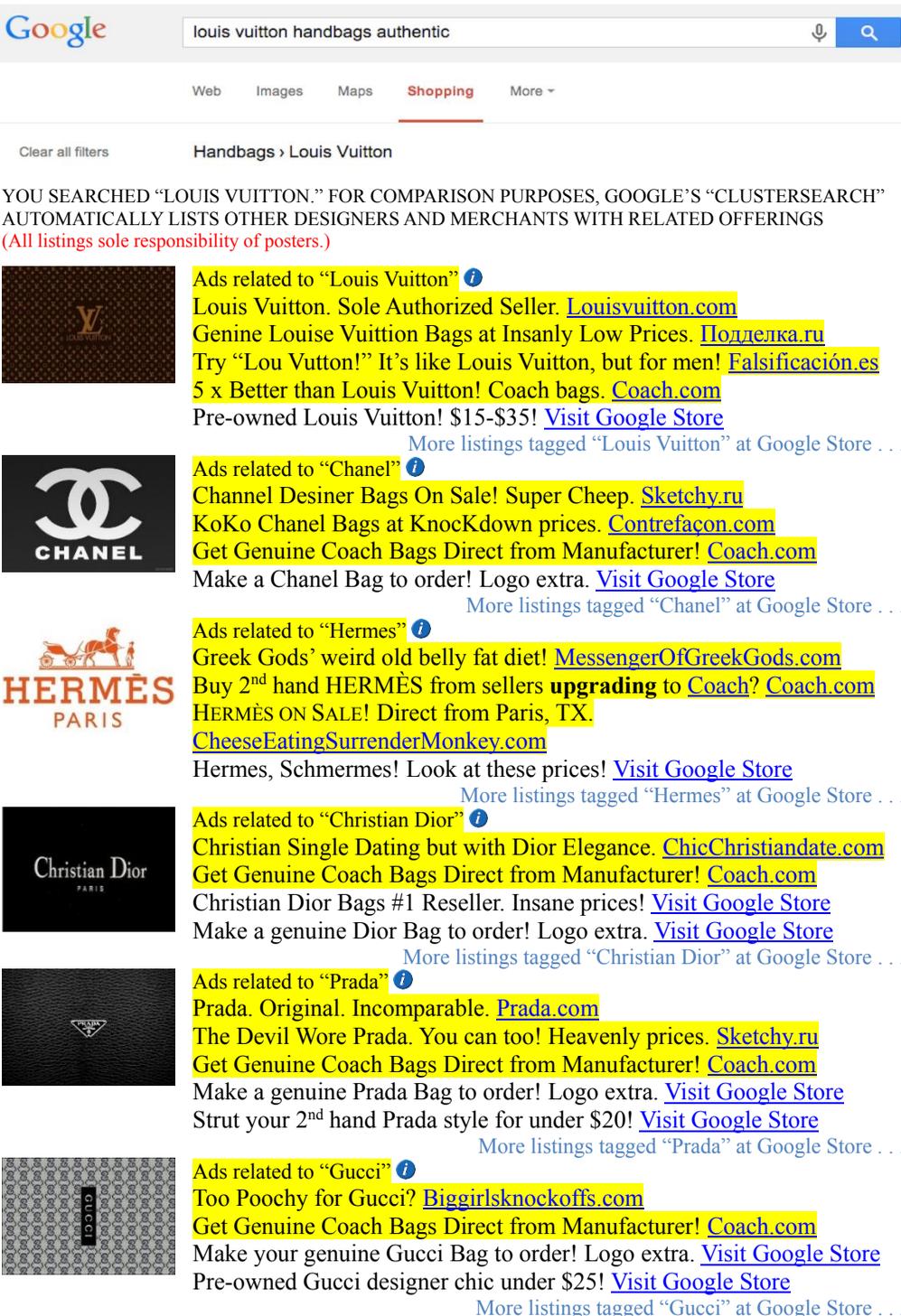
[The court remanded to the District Court on the issue of whether the eBay’s advertising implied to a reasonable consumer that the Tiffany products on eBay were genuine. Eds.]

CONCLUSION

For the foregoing reasons, we affirm the judgment of the district court with respect to the claims of trademark infringement and dilution. . . . [W]e return the cause to the district court for further proceedings with respect to Tiffany’s false advertising claim.

PROBLEM 7-1

Figure One: (This was created for Problem 7-1. It is not a real screenshot.)



Google

louis vuitton handbags authentic

Web Images Maps **Shopping** More ▾

Clear all filters Handbags > Louis Vuitton

YOU SEARCHED “LOUIS VUITTON.” FOR COMPARISON PURPOSES, GOOGLE’S “CLUSTERSEARCH” AUTOMATICALLY LISTS OTHER DESIGNERS AND MERCHANTS WITH RELATED OFFERINGS
(All listings sole responsibility of posters.)

Ads related to “Louis Vuitton”

Louis Vuitton. Sole Authorized Seller. [Louisvuitton.com](#)
 Genine Louise Vuitton Bags at Insanly Low Prices. [Подделка.ru](#)
 Try “Lou Vutton!” It’s like Louis Vuitton, but for men! [Falsificación.es](#)
 5 x Better than Louis Vuitton! Coach bags. [Coach.com](#)
 Pre-owned Louis Vuitton! \$15-\$35! [Visit Google Store](#)
 More listings tagged “Louis Vuitton” at Google Store . . .

Ads related to “Chanel”

Channel Desiner Bags On Sale! Super Cheep. [Sketchy.ru](#)
 KoKo Chanel Bags at KnocKdown prices. [Contrefaçon.com](#)
 Get Genuine Coach Bags Direct from Manufacturer! [Coach.com](#)
 Make a Chanel Bag to order! Logo extra. [Visit Google Store](#)
 More listings tagged “Chanel” at Google Store . . .

Ads related to “Hermes”

Greek Gods’ weird old belly fat diet! [MessengerOfGreekGods.com](#)
 Buy 2nd hand HERMÈS from sellers **upgrading to Coach?** [Coach.com](#)
 HERMÈS ON SALE! Direct from Paris, TX.
[CheeseEatingSurrenderMonkey.com](#)
 Hermes, Schmermes! Look at these prices! [Visit Google Store](#)
 More listings tagged “Hermes” at Google Store . . .

Ads related to “Christian Dior”

Christian Single Dating but with Dior Elegance. [ChicChristiandate.com](#)
 Get Genuine Coach Bags Direct from Manufacturer! [Coach.com](#)
 Christian Dior Bags #1 Reseller. Insane prices! [Visit Google Store](#)
 Make a genuine Dior Bag to order! Logo extra. [Visit Google Store](#)
 More listings tagged “Christian Dior” at Google Store . . .

Ads related to “Prada”

Prada. Original. Incomparable. [Prada.com](#)
 The Devil Wore Prada. You can too! Heavenly prices. [Sketchy.ru](#)
 Get Genuine Coach Bags Direct from Manufacturer! [Coach.com](#)
 Make a genuine Prada Bag to order! Logo extra. [Visit Google Store](#)
 Strut your 2nd hand Prada style for under \$20! [Visit Google Store](#)
 More listings tagged “Prada” at Google Store . . .

Ads related to “Gucci”

Too Poochy for Gucci? [Biggirlsknockoffs.com](#)
 Get Genuine Coach Bags Direct from Manufacturer! [Coach.com](#)
 Make your genuine Gucci Bag to order! Logo extra. [Visit Google Store](#)
 Pre-owned Gucci designer chic under \$25! [Visit Google Store](#)
 More listings tagged “Gucci” at Google Store . . .

All logos owned by their respective trademark holders, used here for search-convenience only and not as a signal of endorsement. Google does not inspect listings in search results or Google Store for authenticity. Buyer beware!

You have recently been appointed as General Counsel for Google, which is facing a number of legal problems. Early this year, Google began a new service called Google Store. Google Store is designed to compete with eBay, Craigslist, uBid and other consumer-to-consumer and small business-to-consumer online shopping sites. These sites allow sellers who have goods or services to sell to “list” them online. The sites provide convenient advertising and payment options, often in return for a percentage of the sale. “Google Store will allow us to leverage our core competency in search and the synergies of our global reach to provide the world’s greatest integrated search and shopping Web 2.0 experience, all with a touch of Google awesomeness” announced Sergey Brin, one of Google’s founders.

The exciting thing about Google Store is the way it is integrated into the Google search process. The standard Google search page has a number of hyperlinks along the top—Web, Images, Maps, Shopping and Video being the most prominent. If a user clicks on “Images,” for example, her existing search is confined only to pictorial search results. “Shopping” will yield only products for sale and so on. In order to understand the way listings are generated on the Shopping page, it is necessary to explain two of Google’s programs—Google AdWords Featured Listings (AdWords) and Google Store (Store).

AdWords allows advertisers to “purchase” certain words or phrases. When those words or phrases are used by someone searching Google, the advertiser’s chosen advertisement is featured on top of the search result, inside a yellow highlighted box. (An example of a Google Shopping search is reproduced above.) Google chooses to include as AdWords available for purchase both simple descriptive terms (“designer bags,” “discount travel”) and trademarked phrases or words. The trademark owner is free to “purchase” its own name as an AdWord, as Louis Vuitton and Prada have apparently done in the featured page. In addition, some of the advertisements are from vendors who wish to resell the item in question. For example, vendors who claim to be selling second hand Louis Vuitton or Prada bags could “purchase” the words ‘Louis Vuitton’ or ‘Dior bags’ and would then have their advertisements appear in the highlighted box when someone searched for that word or phrase. Some may buy the trademarked word for reasons entirely unrelated to its trademark status, as the person who purchased “Hermes” in order to sell a “weird old Greek God Belly Fat Diet” has apparently done. Finally, competitors to the trademark owner can purchase the trademarked AdWord on the theory that someone searching for, say, Louis Vuitton, might be interested in the wider category of designer bags. As you can see, Coach has done this with several of the designer bags featured on the page.

Above the yellow highlighted advertisements is a header that says “Ads related to X.” Next to it appears an information icon: If that icon is clicked, the following message appears: “Google is not responsible for these listings and does not warrant their accuracy. If you believe this advertisement makes inappropriate use of your intellectual property, please go to our “Abuse” page.” As you can see, there are additional warnings at the top and bottom of the page that express in different language the point that Google does not screen or endorse the listings.

Please examine the layout of the search page included as an illustration before this problem. The user initially searched for Louis Vuitton handbags and so that is the first result shown. In addition, Google’s famous search technology has revealed “clusters” of trademarked names. Those who search for “Prius” are statistically likely also be interested in and to click upon ads related to other hybrid or electric vehicles,

but not those for Jaguar or Lamborghini. Those who search for Prada are statistically likely to be interested in other high-end designers, but not in Payless Shoe Source or Walmart. Having uncovered this pattern of interest, Google's "Clustersearch" algorithm facilitates it by automatically constructing a page that features "related" brands to those for which the consumer is actually searching. The program has been extremely successful with a high rate of "click through," demonstrating, as far as Google engineers are concerned, that they are giving their users the goods and services for which they really wanted to search. At the top of the page, Google inserts the following description. "YOU SEARCHED FOR '[Trademark Name].' FOR COMPARISON PURPOSES GOOGLE'S "CLUSTERSEARCH" AUTOMATICALLY LISTS OTHER DESIGNERS AND MERCHANTS WITH RELATED OFFERINGS. (All listings sole responsibility of posters.)" The latter limitation is included because Google cannot know exactly what the vendor is selling—only that it was willing to signal its interest by purchasing the AdWord or, in the case of Google Store, "tagging" its advertisement with the word in question. (When sellers list goods for sale in Google Store, the procedure is slightly different than for AdWords. For no additional fee they can "tag" their post with any keyword they choose—Google does not suggest the tags. Goods tagged with famous brand names will automatically be featured in Google searches for those brand names.)

As you can see, Google offers a useful visual cue to each cluster of advertisements by featuring the logo for the brand in question on the left hand side of the page. Google's research has shown that as many as 20% of consumers visually recognize the logo even when they do not know the actual name of the brand. For example, the Louis Vuitton interlocking LV pattern shown in Figure One is recognized as a trademark for "a fancy designer" by many clueless males buying bags as gifts, though they could not name or spell the actual designer involved. A disclaimer at the bottom of the page states, "All logos owned by their respective trademark holders, used here for search-convenience only and not as a signal of endorsement."

Google Store adds to the existing features on Google Shopping search pages, a service equivalent to Craigslist or eBay. For a percentage of any sale, Store lists advertisements of individual sellers, provides a reputational "ranking" system that offers feedback on reliability, and facilitates payment. The Store listings are displayed immediately below the highlighted listings. Your predecessor as General Counsel pondered the design of the system at length and decided that Google could not and should not attempt to screen or vet listings in order to judge the truth of the advertising or the authenticity of the product. Indeed, its entire policy is purposefully "hands off." "It is just like search!" he said, "We can't examine every webpage on the Internet for copyright infringement and we can't comb through 100 million listings to figure out who is selling shoddy or counterfeit goods!" Indeed, he says that attempting to screen listings would appear to offer a guarantee of authenticity that Google could not back up.

Instead of vetting individual listings, Google offers a "takedown" system through its "Abuse" page for those who believe their intellectual property has been misused. For example, if a copyright or trademark owner complains about an individual listing—either in the "featured listings" or in the Google Store—on grounds that it infringes their rights, Google will remove it. Thousands of such takedown requests are received and processed every day, though trademark owners complain that it is "like trying to empty the ocean with a teacup." Though they do process all these requests, Google refuses to block the use of the trademarked term preemptively by anyone but

the owner of the mark. Your predecessor was very clear on this point. “The ability to buy competitors’ trademarks as AdWords is a feature, not a bug!” In addition, Google will not comply with takedown requests on advertisements that are not claiming to sell the trademarked goods in question. For example, when Coach bags are listed in the Louis Vuitton advertisements, because Coach has purchased “Louis Vuitton” as an AdWord, Google refused to remove the advertisement even when Vuitton complained. “They aren’t selling Vuitton, they are selling Coach! It says that right in the ad,” said your pugnacious predecessor. Only if a reseller claims to be selling exactly the trademarked goods in question, referred to by a letter for letter identical trademark name, will Google take the word of the trademark owner that the goods are counterfeit and thus remove the listing. You have noticed that new “resale” postings immediately crop up after every takedown and you assume some of them must be genuine; indeed, Google receives some complaints from sellers who claim that their legitimate second-hand sale has been blocked by an overly zealous rights holder.

As part of your welcome to the job, your bosses have asked you to take a look at the problem above because they think “there might be a couple of Lanham Act issues.”

- 1.) Is AdWords using the marks of others in commerce? Is Clustersearch? Why?**
- 2.) Does Google violate registered trademarks by creating a likelihood of consumer confusion through the AdWords program? Through Clustersearch? Why or why not? What are Google’s best defenses?**
- 3.) May Google use the company logos to facilitate search in the way shown in Figure 1?**
- 4.) Is Google Store guilty of contributory trademark infringement?**