

SECONDARY LIABILITY IN TRADEMARK DISPUTES: A CRITIQUE WITH EMPHASIS ON INDIA AND REST OF THE WORLD

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Abstract

Over a considerable period of time, the internet has started dominating our lives in an unexpected way by making life for us much more comfortable. However, such comfort always comes with a cost. With the help of internet service provider's life has become unbelievably easy but the price paid here is infringement of rights of Trademark owners who advertise and sell their products using such ISPs as a medium among others. In this paper we will set forth to define what an intermediary is its role in the medium of internet and how infringement can occur through these intermediaries. We have not only explained what infringement is but also talked about what particular type of infringement is occurring here which is secondary or contributory trademark infringement which is primarily the main theme of our paper. To discuss and come up with a solution to the issue we have gone through various case laws and international statutes governing the same. To look deeper into the issue we have specifically dealt with auction sites, search engines and virtual media where such cases of infringement occurs the most by looking into the laws regarding the same in USA, European Union and other countries. Finally we have dealt in details the scenario in India where such kind of infringement is considerably new and for that reason the law is not completely full proof. In the end we have come up with a possible solution to the problem that exists in this regard.

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Introduction

We live in a world which is dependent on the internet which has single-handedly changed lives in various ways. The popularity of the internet has escalated from mere 738 million users in the year 2000 to 3.17 billion users in 2015¹. As we become increasingly dependent on the virtual world a proper mechanism is required so that no personal rights are affected in this virtual sphere. The helpless dependence on the internet also has its shortcomings as it has proven to be a convenient vehicle for various infringements by anonymous infringers which can be seen if one looks into Verizon's Data Breach Investigation Report of 2015 which catalogued around 80,000 security issues including 2,122 confirmed breaches in around 61 countries². Among these various types of infringements one of the most common ones are trademark infringements which overtime has extended to include not just primary infringements but also secondary infringements.

As stated by United States Patent and Trademark Office "Trademark infringement is nothing but the unauthorized use of a trademark or a service mark or in connection with goods and/or services in a manner that is likely to cause confusion. Deception, or mistake about the source of the goods and/or services"³. Now, if the infringer directly infringes the mark then the infringer will be primarily liable for his action. But with passage of time the concept of secondary liability is becoming rampant as right holders are turning against the internet middlemen and trying to hold them accountable for the wrongdoings of the direct offenders using their networks. That is the reason indirect liability has been given new urgency. Secondary liability can be based either on participation or relationship. The participant based liability occurs when the infringer induces or contributes to or facilitates the illegal conduct of the primary infringer which is also known as contributory infringement under the US law. Alternatively, secondary liability may also arise where the defendant benefits from the harm and is sufficiently close in relationship to the primary infringer and the law will treat them as one and the

¹ Number of worldwide internet users from 2000 to 2015 (in millions), Statista (Jan 14, 2016, 8:03p.m.), <http://www.statista.com/statistics/273018/number-of-internet-users-worldwide/>

² 2015 Data Breach Investigation Report Verizon (Jan 14,2016, 8:10p.m.), <http://www.verizonenterprise.com/DBIR/2015/>

³ About Trademark Infringement United States Patent and Trademark Office (Jan 14, 2016, 8:13p.m.), <http://www.uspto.gov/page/about-trademark-infringement>.

same.⁴ A secondary infringement action is very efficient because in a single proceeding relief against a party who is enabling multiple acts of infringement by a number of primary infringers can be stopped.⁵ The trademark rights holders have the potential to influence the business structure and models of the intermediaries with the help of the fear induced by them in the form of secondary liability. This is because secondary liability actions against these intermediaries help transfer costs of trademark enforcement to these internet intermediaries who happen when the owners of marks approach the Courts for relief or to undertake detection and prevention methods.

Secondary Infringement:

Though the tort of secondary trademark infringement has evolved over the last few decades the courts have not been able to establish a single test for successfully finding the act of contributory infringement. Over the years through various cases an international standard came up to adjudicate contributory trademark infringement which basically states that holder of a trademark is entitled to protection from those who knowingly play a role in infringing upon a trademark.⁶ To understand this international standard we can go through the case where defendant manufacturer of a facial soap which carried an infringing mark held liable as a contributory infringer since he knew of the product's potential to deceive the ultimate purchaser.⁷ Another standard which has come up is the "reasonable man" standard.⁸ When defendants' glassware products were almost of the same appearance as the plaintiffs'. The defendant like a reasonable man should have realized that the product has been made to create deceptions in the minds of the consumers and for misuse.⁹

Case laws

To resolve the confusion over such types of infringement United States Supreme Court looked into the same in the famous case of

⁴ Hard Rock Café Licensing Corp. v. Concession Services Inc., 955 F.2d 1143, 1150 (7th Cir. 1992).

⁵ Sony Corp. of Am. V. Universal City Studios, Inc., 464 U.S. 417, 442 (1984).

⁶ Styx Products, Inc. v. United Merchants and Mfrs., 295 F. Supp. 479, 499 (S.D.N.Y. 1968).

⁷ Andrew Jergens Co. v. Bonded Product Corp., 21 F.2d 419, 424 (2d. Cir. 1927).

⁸ Ives Laboratories, Inc. v. Darby Drug Co., 638 F.2d 538, 543 (2d Cir. 1981).

⁹ Corning Glass Works v. Jeanette Glass Co., 308 F. Supp. 1321 (S.D.N.Y. 1970).

Inwood Laboratories, Inc. v. Ives Laboratories, Inc.¹⁰ Ives Laboratories had received a patent in the year 1955 to sell the drug cyclandelate but the patent had expired in 1972 though Ives still had the right to sell the drug under its registered trademark CYCLOSPASMOL which was marketed to various pharmacies and hospitals in colored capsules of blue (printed "Ives 4124") - 200mg dosage and blue red capsules (printed "Ives 4148") - 400mg dosage. However shortly after Ives patent expired the generic drug manufacturers started selling cyclandelate in identical colored capsules. Ives would not advertise the drug directly to the ultimate consumers but would sell it to physicians who would prescribe it to patients. They would market the product by convincing physicians that cyclandelate was superior to other generic forms of vasodilators. Generic manufacturers would market the product in the same way by presenting catalogues to the physicians where they would state that their drug can be comparable to cyclandelate and had drawn up price comparisons between the two. The pharmacists would empty the contents of the capsule into their own pharmacy's bottles where the identifying marks on the capsules would no longer be present and would sell it to the consumers in that state. Ives claimed that the pharmacists were selling generic drugs claiming that they were cyclospasmol.

After a series of appeals and reviews, Court finally held that even if a manufacturer does not directly control others in the chain of distribution it can be held responsible for infringing activities under certain circumstances. Thus if a manufacturer or a 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.¹¹

With passage of time and with more cases coming up on this particular issue the concept of secondary infringement became clearer. In one of the cases it was determined that determination of contributory infringement depends upon a defendant's intent and knowledge of wrongful activities.¹² In another case it was held that imposing liability when the actor intentionally induces a third person into a conduct which would be considered infringement, or if the person is not able to take reasonable precaution against the

¹⁰ Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 102 S. Ct. 2182 (1982).

¹¹ William R. Warner & Co. v. Eli Lilly & Co., 265 U.S. 526 (1924).

¹² David Berg & Co. v. Gatto Int'l Trading Co., 884 F.2d 306, 311 (7th Cir. 1989).

act of this third person then secondary infringement can easily be anticipated.¹³

As we can see the concept of knowledge in such cases has cropped up many times so the meaning of this word has extended in a critical series of cases. The 7th Circuit Court extended the Inwood test criteria over the operations of a flea market. The Court held that flea market owners and operators can be held contributorily liable for sale of counterfeit products by the vendors if they were willfully blind to the infringing sales.¹⁴ The Court also found it to be axiomatic that a company is responsible for the torts of those it permits on its premises knowing or having a reason to know that the other is acting or will be acting tortuously.

The next significant decision came in a case where a record company brought a suit for trademark infringement against swap operators where vendors sold infringed cassettes and the Court held it under contributory trademark infringement.¹⁵ The Court affirmed with the "willful blindness test" and stated that this swap meet cannot blatantly infringe upon various trademarks with impunity. Thus after going through the above two cases we can clearly see that at least contributory trademark infringement can theoretically be proved if notices are ignored and such middlemen or sites continue to conduct such infringements directly or indirectly.

In the case of Polo Ralph Lauren Corp. v. Chinatown Gift Shop¹⁶ the plaintiffs contended that landlords were providing their tenants with a safe haven and a marketplace to engage in the sale of counterfeit goods that the tenants had been openly selling. The Court observed that "a landlord is neither automatically liable for the counterfeiting of a tenant, nor is the landlord automatically shielded from liability. The question of liability depends upon the circumstances."¹⁷ The Court held that the landlord had a responsibility under both federal and state law commencing at the time it received notice from the plaintiffs regarding the

¹³ Restatement (Third) of Unfair Competition, Sec 26 (1985).

¹⁴ *Supra* note 4 at 1149.

¹⁵ *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996)

¹⁶ *Polo Ralph Lauren Corp. v. Chinatown Gift Shop*, 855 F. Supp. 648 (S.D.N.Y. 1994)

¹⁷ *Id.* at 648.

counterfeiting, to take "reasonable steps to ride the premises of the illegal activity."¹⁸

International statutes governing secondary liability for trademark infringement

Out of the various treaties which try to address this very issue one of the prominent one was Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications' (SCT) came up with the Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet at its 6th session.¹⁹ Article 2 of this recommendation talks about "commercial effect". What it is trying to convey is that only use that has commercial repercussions in a given member can be treated as having taken place in that member state.

Article 6 talks about unfair competition on the internet where the criteria for judging whether a sign on the internet can be classified as unfair competition with regard to an individual case is determined by the relevant applicable law of the Member States mainly because the private international laws governing unfair competition has not yet been coordinated.

One of the most important articles in SCT is Article 7 because of the reason that only this article talks about liability in case of an infringement though the article is very vague and only states that there shall be a liability in a Member State where the right is infringed. Thus this article gives liberty to the member states to decide upon the parameters or what should be the liability in case of an infringement. Whereas Article 8 talks about exceptions and limitations to Article 7 but that also is quite vague and it is under the control of the member states as to what should be the exceptions and limitations to the above mentioned liability clause.

Article 13²⁰ talks about the fact that the remedy should be proportionate to the commercial effect of the use in the member state and the competent authorities should balance the right of

¹⁸ Id.

¹⁹ Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet (with Explanatory Notes), WIPO (Jan 14, 2016, 8:31 p.m.), <http://www.wipo.int/edocs/pubdocs/en/marks/845/pub845.pdf>

²⁰ Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, WIPO (Jan 16, 2016, 8:38p.m.), http://ipindia.nic.in/iponew/sct_26_2_18May2012.pdf

both the parties and adjudicate the dispute fairly. Whereas article 14²¹ talks about limitations of use of a sign on internet and article 15²² talks about limitation on prohibition to use a sign on the internet.

E-commerce directive

Article 12 talks about mere conduit where an information society service will not be held liable for transmission of information in a communication network on the conditions that a) the information society service did not initiate such transmission, b) it did not select the recipient of such transmission and c) did not alter the information by selecting or modifying it.

Article 14 talks about hosting where an information service provider is not liable for the information provided at the request of the recipient of the service on the conditions that a) the provider bears no knowledge of illegal activities or information provided by the recipient of the services who provides such information and is also not aware of the facts or situations relating to it, b) the provider immediately took efforts to remove such illegal information. Also the above shall not apply to a provider who is under the control of the provider of information. This Article will not affect the powers of the courts and administrative authorities of a country.

Another important article is Article 15 which clearly states that member states will not impose any general obligation to monitor any website even when there is a possibility of illegal activity going on but if such sort of activities are reported then the member state should act promptly.

Trademark directive

Article 5 talks about rights conferred by a trade mark where it is stated that the proprietor of a trademark shall have exclusive rights and can prevent third parties from using it without consent in its course of trade. This shall include any sign which is identical to that of the proprietors with respect to goods and services identical to those for which it was registered. It can neither use any sign which will cause confusion in the minds of the public because of the similarity of the mark to that of the

²¹ Id at 22-24.

²² Id at 24.

proprietors. The member states can also provide the proprietor rights to prevent third parties from using its mark or a deceptively similar mark for the same of products not similar to that of the proprietors especially when the proprietor is reputed and the third party tries to take advantage of that.

Auction Sites

Internet auction sites have become wildly popular because of its ability to create a large consumer base at minimal cost which entertains both professional and amateur retailers. This has led to ample opportunities for sellers to exploit the brand names of well known companies in order to sell their own counterfeit products. Thus this has led to a series of cases being brought against such auction sites in various jurisdictions dealing with such trademark infringement.

The main question that arises with regard to such auction sites is whether the burden of policing the trademarks on the site should be upon the brand owners or the auction sites. The burden could either be on the brand owners because they alone have intricate knowledge of their products and thus can easily perceive a violation in their trademark or it could be on the auction sites that have extensive ability to filter ads, take actions against sellers and thus prevent trademark infringement. Moreover the auction sites profit at every step of the way from the sale of authentic and counterfeit goods. Auction sites refuse to bear this burden as it goes against the essence of their business model. Similarly brand owners refuse to carry the burden as they sustain huge losses from the same.

The other policy debate arises with reference to passivity. ISP's claim that they are merely the middlemen who help facilitate transactions between buyers and sellers, they are "mere conduit". Moreover since they are not actively checking the credentials of the sellers they cannot be held liable for trademark infringement. Brand owners refute this claim by saying that auction sites provide huge amount of support to sellers that extend to innumerable transactions. Thus the manner and extent of involvement and ways of dealing with sellers by the auction sites is an important criterion to determine the extent of such liability.

Ebay

Ebay is an American multinational corporation and ecommerce company headed in San Jose, California with its current CEO being Devin Wenig. Ebay is a globally operated auction site operating at www.ebay.com which allows registering for the purpose of buying and selling various products. Ebay at no point of time has the physical possession of goods that are sold; neither do they sell the goods themselves. There are 100 million listings at any given time with an addition of six million more listings per day through which ebay charges at first an "insertion fee" for the listing and then a "final value fee" based on the sale price of the item sold. E-bay's services are rendered on a technological platform unlike real world auction houses. Its main aim is to connect buyers and sellers efficiently and keeps developing technical tools to perform that function. E-bay invests more than \$20 million annually "on tools to promote trust and safety on its website" including the development of tools to prevent sale of counterfeit products on its website. E-bay also maintains a procedure known as Verified Rights Owners Program (VeRO) which is a system which takes down infringing listings when notified by a right holder filing a Notice of Claimed Infringement (NOCI). Every listing posted on e-bay is examined within 24 hours and taken down accordingly if it is infringing. It also refunds and reimburses buyers through the use of its "buyer protection program".²³

The main issue that arises out of this context is whether ebay can be held contributorily or vicariously liable for auctioning or selling a counterfeit product? Different countries have come up or at least have tried to come up with a solution to the question through various precedents as most of the countries still do not have an expressly written statute dealing with contributory trademark infringement.

Scenario regarding auction sites in USA

In the United States Lanham Act deals with trademark. Although liability for contributory infringement is not expressly imposed by this act the Supreme Court has recognized that "liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another". If a manufacturer or distributor intentionally induces another to infringe a trademark

²³ Tiffany v Ebay Inc., 600 F.3d 93 (2d Cir. 2010).

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.²⁴ In this case certain criterion was created to successfully claim contributory trademark infringement. Firstly, the plaintiff must show he had the knowledge of the infringement; secondly, he had control over that infringement. Now to prove knowledge it is required to be shown that defendant intentionally induced a direct infringer to infringe or continued to supply its product or services to one who it knew or had the reason to know was engaging in trademark infringement. The latter act is known as willful blindness.

Now that one's criterion for contributory infringement was set the next thing to address was the degree of knowledge an e-commerce site must have to face liability for such kind of infringement.

One of the very first case in this country to discuss the role of websites in determining Contributory Infringement was *Tiffany v ebay*. Tiffany had sold ebay directly and contributorily liable for the sale of non-genuine jewellery on its site. The US Court of Appeals for the Second Circuit recently delivered judgment regarding that. The Court rejected the claim for direct infringement stating that ebay's knowledge of the availability of counterfeit goods on its site was not a sufficient basis for the claim that Tiffany had made against it. It was also rejected on the ground that E-bay used a mark to describe the authenticity of Tiffany products on its site and that that marks in no way suggested that Tiffany was affiliated or endorsed ebay's sales. However when it came to the claim of contributory infringement the question was a bit trickier and mainly depended on whether ebay had continued providing services to the infringing seller even after having knowledge of such infringement. The requisite amount of knowledge required for it to be contributory infringement is another question. It was held in this case that more than the general amount of knowledge was required to be held by the auction site. "Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary". Ebay had not failed to follow this legal standard as it removes infringing listings and suspends repeated offenders as soon as they gain knowledge of such. Court prohibited ebay from

²⁴ Supra note 10.

using "willful blindness" that is to purposely look the other way when aware of such infringement.²⁵

After the decision of the Court in *Tiffany v ebay* it was unclear as to whether a formal take down notice was to be issued to the ISP when brand owners had knowledge of infringement. In *Louis Vuitton Malletier S.A. v. Akanoc Solutions, Inc*²⁶, the Ninth Circuit Court held that a brand owner can show that the service providers had constructive knowledge of such infringement by asserting the contributory infringement on the part of the ISP knowing that counterfeit products were being sold using its service. Although the plaintiff in this case had issued a take-down notice to Akanoc it failed to follow the judgment set in *Tiffany* regarding knowledge of the ISP regarding counterfeit, infringing goods being sold on its website. It was held in this case that a plaintiff (brand owner) need not prove that a defendant intended to help sell counterfeit products.

Establishing the *Akanoc* decision the judge in the District Court of California held that intent could be established on the basis of the failure of the ISP to prevent infringement despite the fact of being aware of such infringement. In *SAS v. Sawabeh Information Services Co.*²⁷, Six luxury brands in this case had held *Tradekey.com* a B2B marketplace responsible for the active selling of counterfeit products in bulk. Although a take-down notice was not issued by the brands the defendant was still held liable because of the "swap meeting" that it held where it knowingly encouraged the sale of counterfeit products.

Finally In *1-800 Contacts, Inc. v. Lens.com, Inc.*²⁸ case the US Court of Appeals for the Tenth Circuit held that knowledge does not always require specific acts of direct infringement. The Court went further and stated that "when modern technology enables one to communicate easily and effectively with an infringer without knowing the infringers specific identity, there is no reason for a rigid line requiring knowledge of that identity.

As we can see the element of "control" is very important to understand the type of knowledge and ultimate finding to liability.

²⁵ Supra note 23.

²⁶ *Louis Vuitton Malletier S.A. v. Akanoc Solutions Inc.*, 658 F.3d 936 (9th Cir. 2011).

²⁷ *SAS v. Sawabeh Information Services Co.*, CASE NO. 11-CV-04147 GAF(MANX).

²⁸ *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229 (10th Cir. 2013).

In *Tiffany v. eBay*²⁹ the Court held that eBay had taken sufficient measures to prevent infringement on its site and it could not "control" it anymore than it already had regarding infringement of listings or future infringement of listings. In *Akanoc*³⁰ the Ninth Circuit Court reasoned that ISPs could "pull the plug" once they come to know of the infringement or else it might be considered with the help of factual evidences that the website monitored and controlled all the listings in the website and that would amount to "control" and thus the website might be held liable. Finally in *1-800 Contacts*³¹, Court conclusively established the amount of "control" required to show liability by stating that the fact that the website had a simple and inexpensive way to control the infringement cuts short the argument that it lacked the specific knowledge required to prove contributory infringement.

Scenario regarding auction sites in European Union

Though European trademark law does not recognize contributory infringement, Article 14 of the e-Commerce Directive helps remove or disables the access to infringing information diligently after being aware of it. Under this directive the intermediary can avoid liability if it promptly removes or disables access to the infringing information on notice.

In *L'Oréal SA v. eBay International AG*, the Court of Justice of the European Union (CJEU) in this case held that the intermediary cannot rely on the hosting defense provided Article 14(1) where (a) they have taken an active role in the relationship between buyers and sellers or (b) they are "aware of facts or circumstances on the basis of which a diligent economic operator should have identified" an unlawful activity and did not make any attempt to remove it. There are two more ways in which the intermediary may be "aware" and cannot resort to said defense. These are : (1) Where reasonable monitoring activities undertaken by the operator reveals infringements and (2) where the operator despite receiving notices of the infringement takes no steps to remove or disable it.

In *Telekabel Wien GmbH v. Constantin Film Verleih GmbH*³², the CJEU held that an ISP that allows its customers to access

²⁹ Supra note 23.

³⁰ Supra note 26.

³¹ Supra note 28.

³² *Telekabel Wien GmbH v. Constantin Film Verleih GmbH*, Case C-314/12 (CJEU Mar. 27, 2014).

protected subject matter made available to the public on the internet may be regarded as an intermediary whose services are used to infringe ones copyright. The Court went forward and granted the National Court the right to grant injunction so that the ISP is prohibited from giving its customers access to such litigious content. Though this was a copyright related case it can be said that the same mechanism or principles may be used even in trademark disputes.

The decisions of Courts such as CJEU or the General Court of European Union are stringently binding on the Court of a specific Member State presenting the question and they are concerned with the issues from which the questions arise, thus the Member States are bound by the decisions of such Courts. Though other Member States do not have these decisions binding on them they still have to oblige to it having regards for the interpretation of harmonized European law.

Scenario regarding auction sites in United Kingdom

In UK L'Oréal had filed a suit against eBay for joint and primary liability and the Court held that the joint liability factor should be decided by national law. The judge in this case led that ebay does "facilitate the infringement of third parties' trademarks including L'Oréal trademarks by sellers they do know that such infringements have occurred and are likely to continue to occur and they profit from such infringements except where the rights owner makes a VeRO³³ complaint in sufficient time". The Court held in this case 1) eBay is under no legal duty to prevent infringement, 2) facilitation with knowledge and profit is not enough.³⁴

Scenario regarding auction sites in France

In France his verdicts against eBay were different in different cases. In LVM v eBay³⁵ the Commercial Court had rule in favor of Louis Vuitton stating that eBay was not a mere host but a broker, facilitating the sale of illicit products moreover failing to stop the sale of such products. It held that eBay had "failed to setup effective and appropriate measures to combat trademark

³³ eBay's Verified Rights Owner or VeRO programme is a notice and takedown system that is intended to provide intellectual property owners with assistance in removing infringing listings from the site.

³⁴ L'oreal SA v eBay International AG, (2009) E.T.M.R. 53.

³⁵ LVM v eBay, Case RG 07/11365.

infringement and the anti counterfeit measures were inadequate because eBay did not require sellers to authenticate their merchandise nor did eBay permanently terminating infringing sellers account"

However in a more recent case in France i.e., *L'Oreal v eBay*³⁶ the judge had ruled in favor of eBay stating that eBay had taken due care and diligence and had acted in good faith while fulfilling its obligations to prevent the sale of counterfeit, infringing products on its site.

Liability of Search Engines for the Sale of Trademark as Keywords

When internet users search for other sites using a search engine they come across two types of results "natural results" and "sponsored links". The natural results are featured on the basis of the relevance with the keywords and are arranged in descending order of priority. Initially there was a huge dependence by search engines on "meta tags" in facilitating the output of natural results. However modern algorithms have reduced the use of such meta tags considerably. However "sponsored links" work in a different way. Advertisers pay a certain fee to search engines so that their websites are featured first when the keywords in the search matches that of the link. Complications arise when an advertiser bids on a keyword which constitutes the trademark of another party. In this case a user might be exposed to a sponsored link from the brand's competitor which makes the consumer wrongly construe that the two brands are affiliated. This poses a huge problem for the trademark owner. This activity raises the question of who should be held liable, the search engine, the advertiser or both.³⁷

Google

The Google search engine is undoubtedly the world's largest search engine which operates at www.google.com and 150 other domains in various languages in different countries aims "to organize the world's information and make it universally accessible and useful." Google offers various other services which are mostly free for private as well as business users. It finances its services by selling space for advertisements on its site. It does this

³⁶ *L'Oreal SA v eBay France SA*, Case C-324/09.

³⁷ Jonathan Cornthwaite, *Adwords or Bad Words? A UK Perspective on Keywords and Trademark Infringement*, E.I.P.R. 2009, 31(7), 347-352, at 347.

via Google Adwords, Google AdSense, and supporting tools such as Google Analytics, Website Optimizer, and Insights for Search, and AdPlanner. Google facilitates internet users to find the sites that they are looking for by matching the "keywords" with the search term. The advertisers bid on specific keywords and are charged on a "pay per click" basis which means that Google charges a certain fee from the advertisers each time users click on the advertisers link. Adwords give advertisers a chance to bid on the trademark of another party as keywords thus there is a high probability that the purchaser of these keywords may be competitors of the brand owner or they may be offering non genuine goods. In both these instances the actual trademark owner will face financial and reputational loss.

Scenario regarding search engines in USA

In the United States, the Second Circuit Court in the landmark verdict of *Rescuecom v Google*³⁸ held that the act which consists of sale of plaintiff's trademark as a keyword to competitors cause the competitors advertisement to appear whenever a user searches for the plaintiff's company and it was sufficient to constitute "use in commerce". This case is not technically over as it has been passed down to the US District Court to determine the second element which is "likelihood of confusion". However, in March 2010 Rescuecom discounted further proceedings against Google by filing a statement of dismissal and also a press release was conducted in which they declared victory in the case.³⁹

Scenario regarding search engines in the European Union

In the European Union, The European Court of Justice had the opportunity to look into three different cases pertaining to contributory trademark infringements. In the case of Louis Vuitton Malletier (LVM) it was seen that, when users entered LVM's trademark in the Google search engine many sponsored links popped up offering imitation or counterfeit versions of the petitioner's products. Thus LVM sued Google for infringement of trademark and it was successful both at trial court and the court of appeal. Finally when the case reached Cour de Cassation the Court conclusively looked into the matter and ruled on the liability of the ISPs on one hand and the advertisers on the other.

³⁸ *Rescuecom v Google*, 562 F.3d 123 (2nd Cir. 2009).

³⁹ Lawsuit battle with Google over after six years, *Rescuecom* (Jan 14,2016, 8:10p.m.), <http://www.rescuecom.com/news-press-releases/a-case-of-david-versus-googleiath.aspx>.

Firstly on the issue of "use" Court held that "an internet referencing service provider which stores as a keyword, a sign identical with a trademark and organizes the display of advertisements on the basis of that keyword does not use (emphasis added) that sign within the meaning of the Trademark Directive". The Court went further and stated that use by an advertiser of a sign which is deceptively similar with a trademark as a keyword in the context of an internet referencing service falls within the concept of use "in relation to goods or services" which is within the ambit of Article 5(1)(a) of the Trademark Directive.

Another question of law was whether Google was eligible to avail the defense of safe harbor under Article 14 of the E-Commerce Directive to which the Court was of the opinion that the availability of this defense depends on whether the search engine played an "active role" for which it will possess knowledge and control over the data stored. Thus if the search engine has acted in a neutral manner then it will escape liability but the fate of the search engine concerned would be the opposite if it would had been active in this respect. However even if the keyword operator has been neutral it might still be liable if it fails to act expeditiously to remove or disable access of an act after obtaining knowledge of the unlawful nature of the act.

The ECJ handed down another decision following a referral from Netherlands. Both the parties in the case manufactured and sold mobile buildings where the plaintiff used the trademark PORTAKABIN while the trademark PRIMAKABIN was used by the defendant. The defendant had purchased keywords from Google using the plaintiff's mark with minor variations to it in response to which the plaintiff brought a suit against the defendant after which the Hoge Raad der Nederlanden (Supreme Court of Netherlands) posed a number of questions to the Court of Justice. The ECJ further established the decision in LVMH v Google reiterating that the usage of a trademark as a keyword by an advertiser is a "use in the course of trade". It further laid down how national courts should deal with keyword cases. Article 6(1) (b) and Article 6(1) (c) of the Trademark Directive was referred to which ensures free movement of goods and services within the Community by reducing the effects of trademark holders rights. Whether a defendant can resort to these sections in a keyword advertising case will vary from case to case at the discretion of the national courts which should be based on whether the use has been "in accordance with honest practices in industrial or

commercial matters⁴⁰ ".This standard involves a "duty to act fairly in relation to the legitimate interests of the trademark proprietor⁴¹".

Scenario regarding search engines in the United Kingdom

In the United Kingdom, though after ECJ'S ruling in *Google v. LVM* almost all disputes have been sorted out but still English Courts feel that further classification is required on what exactly constitutes "use" within the ambit of Article 5(1) and (2) of the Trademark Directive and Article 9(1) of the CTM Regulation.⁴²

Virtual Media

With passage of time popularity of social networks have grown dramatically all across the globe. Websites such as Facebook, Twitter, and YouTube etc have become forums of immense significance as new people and business are getting connected everyday via these websites. The chance of trademark infringement is also at an all time high as these websites follow different marketing models and policies which we will try to explain with the help of examples rather than by discussing everything in a general sense.

Facebook

Facebook refers to itself as a social utility that helps people communicate more efficiently with their friends, family and co-workers. This communication is done via the sharing of various comments, photographs and links with the help of profile pages created by the user. Though the headquarters is in the United States, 70% of the Facebook's users are from various other countries. Thus activities on Facebook involve the trademark laws of various jurisdictions. To prevent itself from being liable for such trademark disputes Facebook on June 12, 2009 created "vanity URLs" which enabled users to have a unique username (e.g. www.facebook.com/YourName). Since this created the possibility of users to easily choose a name consisting of a brand owners trademark. To prevent this Facebook provided rights to brand owners in the form of a "sunrise period"⁴³ during which brand

⁴⁰ LVMH v Google, Case C-558/08, paragraph 66.

⁴¹ Id at 40.

⁴² *Interflora Inc v Marks and Spencers PLC*, (2010) EWHC 925 (Ch).

⁴³ Adam Smith, *International – Engage: Trademark Protection in Social Media*, *World Trademark Review*, Nov 4 2009.

owners could register their trademarks as "Facebook URLs" prior to the registration being open to the general public. Brand owners have embraced this "vanity URL"⁴⁴ and use it to communicate with their customers. These pages utilize vanity URLs in the following manner: www.facebook.com/brandname. Facebook established the mechanism of reporting infringing usernames because the rampant use of marks with authorization throughout the site increases the risk of unauthorized use of marks, therefore causing consumer confusion. An automated IP infringement form can be filed by the trademark owner so that Facebook can remove or disable access to the page. Facebook does not allow generic terms to be used for registration. Thus Facebook enables the brand owners to use their brand name or any name via which it effectively communicates with the public. Facebook usernames are not transferable. Facebook has established these norms to eliminate registrations made in bad faith and the removed usernames shall not be available to other users. As Facebook grows exponentially the complexities of the appropriate framework shall increase. For example form required for reporting an infringing username requires a registration number which should preferably US registration numbers. It is unclear as to whether the current procedures to prevent trademark infringement are well equipped to deal with territorial conflicts and various other groups of problems.

Twitter

The main aim of twitter is "a real-time information network powered by people all around the world that lets users share and discover what's happening now. In this website people can write and read messages which are known as tweets but all such tweets should be limited to 140 characters in length. Though these tweets becomes public, users will have all the freedom to decide what type of messages they would like to receive, such as messages from friends, messages posted by their favorite celebrities, or messages relating to a particular topic. The company's headquarters in United States of America but translations are available in many languages.

The main problem is for the trademark owners and a tweet may mislead their users as to the authorized or unauthorized use of the mark. The risk is constantly increasing due to the rapid flow

⁴⁴ Sally M. Abel, Trademarks and Rights of Publicity in the Converged World, 978 PLI/Pat 57, at 61 (2009).

of disseminating information over the site and also because many companies have opened their official profiles in twitter. Twitter has a strong Trademark policy⁴⁵ which allows brand owners to report trademark violations. Twitter has gone into record stating that it will suspend user's account if there is a clear intention to mislead others through unauthorized use of mark.

In the Case of *La Russa v. Twitter Inc*⁴⁶, the plaintiff was a manager of baseball teams in the United States. An Anonymous user created a twitters account by the plaintiff's name and posted inappropriate comments on the death of two of his teammates. The plaintiff's contention was his photo was used in conjunction with the phrases "Tony La Russa is using Twitter" and "join today to start receiving Tony La Russa updates as the plaintiff needed to prove that the false account was likely to confuse consumers into thinking he endorsed Twitter. In the Case of *Oneok Inc. v. Twitter Inc.*⁴⁷, a natural gas distributor bought suit against Twitter for allowing a third party to use the Plaintiff's mark and not only the mark was used, according to the plaintiff's messages were posted which were misleading to the consumers as the consumers would believe them to be the official voice of the company. In both the cases the lawsuits were voluntarily dismissed and in the latter case the Twitter account in question was transferred to the plaintiff. Though no liability has ever been pronounced on Twitter till now, it is certain stronger measures are needed so any kind of Trademark infringements are avoided in the future.

Scenario in India

After analyzing the situation in United States of America and the European Union we will look into the situation in India pertaining to the liability of the ISPs when it comes to contributory trademark infringement. We will look at the Indian perspective from a general point of view without classifying it into segments like auction sites and virtual media as there have not been many case laws or development regarding this aspect of the law. Now to understand the crux of the matter we need to understand what is the ambit of the intermediaries which has been laid down under the Information Technology Act, 2000. If they are in compliance with the requirements of the Act, they are exempted from any

⁴⁵ Trademark policy, Twitter (Jan 14,2016,9:18p.m.), <http://support.twitter.com/groups/33-report-a-violation/topics/122-reporting-violations/articles/18367-trademark-policy>.

⁴⁶ *La Russa v. Twitter Inc.*, Case No. CV-09-2503 (N.D.C.A. June 5, 2009).

⁴⁷ *Oneok Inc. v. Twitter Inc.*, Case No. 4:09-cv-00597 (N.D.O.K. Sep 15, 2009).

breach of law or third party rights by those who use the service of such intermediaries. Thus even the concept of safe harbor was put into the act so that such ISPs can be exempted from liabilities which crops up due to the act of a third party.

This was not very much needed as many intermediaries are part of such businesses where they cannot control nor have knowledge of any infringement if it arises out of the work of third party infringers. This included social networking sites, ISPs and e-commerce companies. Though there were certain compliances which were needed to be followed to take the advantage of such exemption.

Originally the definition of the term intermediaries was laid down in IT Act 2000 which talked about any particular electronic records as any person who on behalf of another person receives, stores or transmits that record or provides any service with respect to that record with the advent of IT Act 2009, the definition of intermediary has become more comprehensive and includes almost all the big players of the e-commerce market places in India. Now the new definition includes service providers, internet service providers, network service providers, web hosting service providers, search engines, online auction sites, online payment sites and even cyber cafes. Also the words "or provides any service with respect to that record" further increases the ambit of the word "intermediaries".

Now once we have established that e-commerce websites, search engines and even auction sites fall within the ambit of intermediaries one now needs to look into the extent of the liability of such intermediaries. Under Section 79 of the IT Act⁴⁸ which is primarily a non-obstante clause the intermediary shall not be liable for any third party information, data, or communication link made available or hosted by him if certain requirements as stated in clause 2 of section 79 is dealt with. The exception to the clause comes into picture if the intermediary has conspired or abetted or aided or induced in commission of the unlawful act or receiving actual knowledge or on being notified by the appropriate government or its agency that any information, data or communication link anyhow connected and controlled by the intermediary is being used to commit an unlawful act.

⁴⁸ Information Technology Act, Section 79 (2000).

Now to make things more clear and to elaborate the rights and the duties of intermediaries the Central Government has come up with the Information Technology (Intermediaries Guidelines) Rules, 2011 which talks about the due diligence which is needed to be observed by an intermediary if one reads the exemptions provided under the IT Act and also goes through the guidelines prescribed in the Information Technology (Intermediaries Guidelines) Rules, 2011 one can clearly understand the intent of the legislature to create safe harbor provisions drawing inspiration from US and EU laws and stating that if the intermediary has acted as a mere medium it shall not be liable for the acts of the third parties.

One of the leading cases in India regarding the issue was *Consim Info Pvt. Ltd v. Google*⁴⁹ where the plaintiff company provides matrimonial services using the medium of internet which includes 15 regional portals, providing service to millions of Indians as well as people living outside India. Mr. Janakiraman Murugavel who was the promoter/ founder Director of said company obtained trademark registration for a host of trademarks adopted by him, which were assigned to the company which called itself *Bharat Matrimony.com Pvt. Ltd* by virtue of a deed of assignment which was subsequently changed to *Consim Info Pvt. Ltd* in 2008 (the Plaintiff company). The plaintiff's claim was that the defendants 2 to 4 who also rendered matrimonial service on the internet were infringing the plaintiff's registered trademarks by using ad words and texts which were identical or deceptively similar to that of the plaintiff's. The plaintiff's asked for a permanent injunction against the defendant's and all people connected with the defendant company from using their registered trademarks as a relief and also a permanent injunction to prevent the defendants or any person working on behalf or connected with the defendant company from diverting the business of plaintiff to its potential competition by using the plaintiff's registered trademarks or and domain names which facilitated others to carry out the business of the plaintiff. The plaintiff's also demanded that the defendants should renounce any material bearing the plaintiff's registered trademark. They also claimed for damages to the tune of Rs 10, 05,000 for such trademark infringement by the defendant. The plaintiff's also demanded temporary injunction against the defendants on the above grounds during the pendency of the suit.

⁴⁹ *Consim Info Pvt Ltd v. Google*, 2013 (54) PTC 578 (Mad).

The defendants were Google.com, second being shaadi.com, a domain offering matrimonial services and the third being a business division of the company going by the name of Info Edge India Ltd which also had a domain offering matrimonial services by the name www.jeevansathi.com. The fourth defendant also being a domain offering matrimonial services by the name www.simplymarry.com.

Whenever a web surfer would browse with the help of the Google search engine the name of the Plaintiff's 22 trademarks as keywords or any of its constituted parts, the defendants' (2 to 4) websites would appear as "sponsored links" on the right hand side of the page. A sponsored link consists of three parts, namely a) an ad title, b) an ad text and c) the URL which is the Uniform Resource Locator. The defendants therefore by using a deceptively similar or identical trademark of the plaintiff's in its ad title or ad text allowed an infringement to happen. Thus the plaintiff charged defendants 2 to 4 for direct infringement and Google search engine (Defendant no 1) for contributory or indirect infringement for aiding the occurrence of the trademark infringement. They held Google liable for the abetment because though the advertiser gets to choose the ad texts or ad titles they also get keyword suggestions which are provided by the search engine.

Section 28 of the Trade Marks Act, 1999 confers certain rights on the registered trademarks.

The main dispute however arose concerning "the use of the trade mark" within the meaning of section 28(1) of the Trades Mark Act, 1999.

The Defense of the defendants: Their first defense was how the plaintiff's registered trademarks consisted of generic and descriptive words which were outside the realm of protection. The terms used by Plaintiff such as "Tamil" and "matrimony" were in fact descriptive but the Plaintiff argued that they had received registration on the combination of such which through this combination has become distinctive. The Court held that they could not prevent the defendants 2 to 4 from using those words as they were carrying out the same line of business where such words were in fact necessary to use. The Court also held that by granting injunction to the Plaintiff they would have monopoly over the term "matrimony" which could have disastrous results.

The second defense of the defendants which arises from section 15 and 17 of the Act was that the plaintiff had received

registration for the combination of words and not the words itself and the plaintiff cannot claim monopoly over the individual words. However the Court on this ground favored the plaintiff's as they had no intention of preventing the defendants from using the individual words.

Third defense was that words used by the Plaintiff such as "Tamil", "Telegu" etc were used more in the descriptive sense than in the trade mark sense and that their use of words do not constitute the "use of a mark" as explained under section 2(2) (b) or 2(2) (c) and was therefore not an infringement under section 29. After the Court had carefully analyzed section 29 it came to the conclusion that "various acts of infringement revolve either around the use of the mark in the course of trade or the use of the mark as a trade/business name or the use of the mark on packages, labels and advertisements." The Court finally held that the defendants should not have any unfair advantage in industrial or commercial matters within the meaning of section 29(8) (a).

Fourth defense of the defendants was that the Plaintiff was equally guilty of what they alleged was the wrongdoing of the defendants, that when web surfers would search for the defendants' 2 to 4 on the search engine the plaintiff's links would come on the right hand side under "sponsored links", thus arguing that the plaintiff's cannot ask relief for something that they themselves were guilty of doing but the Court did not wish to decide this dispute.

The fifth defense was that the registration of plaintiff's marks is in violation of section 9(1) (b) but such was not accepted by the Court Section 31(1) was prima facie evidence of its validity. Thus it was not accepted by the Court.

The sixth defense was that "the plaintiff ought to have availed of the remedy provided under the Uniform Domain Names Dispute Resolution Policy (UDRP) of the Internet Corporation for Assigned Names and Numbers (ICANN) and that they should not have rushed to this Court "to which the Court said that "the jurisdiction conferred upon this Court by statute, is not ousted by the said Policy. There is no bar of jurisdiction of this Court, to adjudicate a dispute relating to the alleged infringement of a registered trade mark and of passing off in the internet." the claim was therefore rejected.

A similar tone echoed in the Delhi High Court when it heard the case of *Christian Louboutin Sas v Nakul Bajaj and others*⁵⁰. In this case the plaintiff filed a suit for infringement of trademark, publicity rights, and passing off, unfair competition among many other things against the defendants. The plaintiff company, a French company derived its name from the famous designer Mr. Christian Loubotin and was known for selling high end luxury products. It had its business spread over 60 countries including India and carried it out through high end fashion boutiques like SAKS, SELFRIDGES, and HARRODS etc. The plaintiff had registration for the trade mark CHRISTIAN LOUBOTIN along with the plaintiff's "Red sole" trademark. The defendants organized an event at Town Hall, Khan Market, and New Delhi where they were exhibiting various luxury brands including the plaintiff's.

The case of the plaintiff's was that the defendants would be exhibiting the plaintiff's products at an event called Bridal Asia 2014 at the Ashok Hotel, New Delhi. Another reason for filing the trademark infringement case was the fact that the plaintiff's products were sold through www.darveys.com which was confirmed when the plaintiff visited the site. The plaintiff stated that, " (i) Defendants' goods are deemed to be counterfeit as they are being sold without the due permission, authorization and quality control of the plaintiff, on the internet. Even in case the defendants are selling grey market goods, the normal rule applicable in respect of grey market goods does not extend to the internet. The potentiality of harm on the internet is much higher as compared to the physical world, due to anonymity and ubiquity of the internet, where it is impossible for a proprietor of a trademark to verify the authenticity or exercise quality control over products bearing the proprietor's trademarks. It is almost impossible to enforce any damages awarded against such wrong doers as it is very easy for such operators to hide behind the veil of anonymity which the internet provides."

The Court after going through the merits of the case realized that the balance of convenience lies in favor of the plaintiff and against the defendant and if injunction was not granted the plaintiff would suffer irreparable loss and injury. Thus the Court restrained the defendants from selling, offering for sale, advertising, or directly or indirectly dealing in footwear and leather goods including shoes, handbags, purses, footwear or any other goods bearing the registered trademarks through their e-

⁵⁰ *Christian Louboutin Sas v Nakul Bajaj and others*, CS (OS) 2995/2014.

commerce website www.darveys.com and/or any of their outlets and/or during any event or exhibition whatsoever till the next date of hearing.

Conclusion

From the above research regarding liabilities of intermediaries relating to trademark infringement by third parties it is crystal clear that the Internet service providers get a certain level of protection from liability only if they lacked knowledge of infringements occurring. However if it can be proved that the intermediaries had sufficient knowledge regarding infringements yet did not take sufficient measures to eliminate or take care of such a situation then they should be penalized accordingly.

Right now in most of the countries in the world the benefit of safe harbor is given to the internet service providers if they act as a mere medium. The rationale behind such a law is that it is simply impossible to detect every infringement taking place as innumerable buyers and sellers come and utilize the platform provided by the ISPs and also because of the simple rationale that one must not suffer for the sins of others.

The problem with such a law is that it is very difficult to claim damages from the direct infringers as they might be anywhere in the world. So these entities whose counterfeit products are being sold through these ISPs, most of the time, cannot recover the loss which it has suffered.

We, the authors of this paper feel that there should be a penalizing statute which shall take care of the ISPs in cases where they have knowledge of such infringements, yet they continue to not take any measures to remove such infringement and thus protect the rights of the trademark holders.

As above mentioned if in spite of having knowledge the ISPs continue to encourage such infringement or remain oblivious to it then they shall compensate the trademark holders by the amount of loss suffered by such trademark holders from the time which the ISPs had such knowledge till the time they continued to encourage or allow such infringement.