



# Online Brand Enforcement 2018

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Internet service provider and host liability

**Davis Wright Tremaine LLP**  
*Roxanne Elings and Emily Borich*

**World  
Trademark  
Review**

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# Internet service provider and host liability

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The sheer scope of online counterfeiting and the anonymity that the Internet provides counterfeiters necessitate that brand owners look to internet service providers (ISPs or intermediaries) – whose roles in the world of e-commerce are essential – for assistance in blocking or preventing counterfeiters from using their services. Unfortunately, rights holders (trademark and copyright) and intermediaries have been wary of each other, if not adversarial.

The initial legal framework for intermediary liability – the Digital Millennium Copyright Act in the United States and the E-Commerce Directive in the European Union – was largely enacted before widespread trademark counterfeiting on the Internet, and therefore does not explicitly or primarily deal with brand owners' rights. Rather, intermediary liability in the trademark realm has evolved through case law, but has also been shaped by the Digital Millennium Copyright Act and the E-Commerce Directive, resulting in different expectations and burdens being placed on brand owners and intermediaries.

This chapter explores the history of the statutory regime, the events that followed the establishment of the regime and how both have contributed to the differences in intermediary liability between the United States and Europe today.

## Statutory scheme for intermediary liability

The issue of whether intermediaries should be held liable for the activities carried out by

third parties was one of the earliest concerns facing the then-emerging internet industry. The initial legal decisions concerning liability, for the most part, originated in the United States and focused on the liability of the first intermediaries, such as AOL, CompuServe or bulletin board operators, for hosting, transmitting or publishing material that was libellous, defamatory or contained pornographic content. A few of these early decisions dealt with intermediary liability for hosting copyright-infringing works, such as texts of the Church of Scientology, or posting Playboy copyrighted photographs on community bulletin board sites. The different types of content (each having unique policy issues) and the inability of courts to stay abreast of the role of intermediaries resulted in conflicting legal opinions. From the mid-1990s, this lack of harmonisation in the emerging case law led to calls from the internet industry for certainty and the provision of some form of statutory regime giving immunity from liability.

The European Union and the United States were at the forefront of negotiating and implementing statutory schemes to address these issues. While the EU and US models have since become models for other countries, they are different in how they approach the issue, which can be traced back to the early negotiations and the difference in the way the respective statutory schemes were crafted.

The legislation in both the United States and Europe generally has core provisions, which include that:

- ISPs are not liable for infringing transmissions made by customers as long as they had no reason to suspect infringement was taking place; and
- ISPs will shut down copyright violations once notified.

In turn, the ISPs will turn over identifying information of accused copyright violators.

In the United States, the debate centred on the interests of copyright holders versus intermediaries (other subject matters such as libel or pornography are covered by other statutory schemes; trademark infringement has no corresponding statute). In Europe, the debate was less tied to different types of content – libel, pornography, copyrights and trademarks – and more focused on the general problem of whether intermediaries on the Internet should in general be made responsible for the content they make accessible to the public and more importantly, whether they could in practice take any steps to deal with such responsibility and avoid risk. As a result, unlike the United States, Europe included trademark infringement, unfair competition and other torts in its notice and takedown system, offering service providers the same kind of immunity for these infractions as under copyright law.

### Events following introduction of intermediary liability statutory schemes

During the decade after the introduction of the Digital Millennium Copyright Act and the E-Commerce Directive, the Internet underwent a sea change; the issue of liability for content became a concern not just for the small traditional ISP community, but also for a more diverse field of internet hosts, including universities, traditional media organisations going digital, software providers such as Microsoft, libraries and the emerging social networking sites. Liability issues also became a concern for a wider range of internet communications intermediaries, such as internet backbone providers, cable companies and mobile phone communications providers. The water was further muddied when online intermediaries such as search engines and auction sites, as well as the evolving social networking sites and aggregators, became commonplace and began to comprise a larger part of the market share.

In addition to the tremendous growth in intermediaries, a few key events took place to further shape the nature of intermediary liability. First, beginning around the late 2000s and early 2010s, brands experienced a flood of counterfeits on business-to-consumer platforms (eg, eBay), as well as in the creation of what appeared to be independent websites, intended to mirror legitimate brand owners. These became known as ‘rogue websites’ and at their peak, a popular brand could have over 10,000 such websites selling apparel and other goods bearing counterfeits of its trademarks.

Second, following the passing of the Digital Millennium Copyright Act, the US music industry used subpoena power provided for under the act to pursue infringement claims against consumers on peer-to-peer file sharing networks. From 2003 to 2009, the music industry filed, settled or threatened legal action against as many as 30,000 individuals, causing what some have termed a public relations nightmare.

Third, the US music industry campaign in particular may have helped lay the groundwork for what has become known as the ‘internet blackout’ on January 18 2012, when web giants including Google, Wikipedia, Reddit and Tumblr blacked out some or all of their web pages (as did thousands of smaller websites) in protest of two IP bills in the United States: the Stop Online Piracy Act in the House of Representatives and the Protect IP Act in the Senate. This marked the first time that trademark rights were included in legislation involving the role of intermediaries in controlling infringements. The purpose of the legislation was to make it harder for sites – especially those located outside the United States – to sell or distribute pirated copyrighted material, as well as physical goods. The Stop Online Piracy Act enabled the US attorney general to seek a court order to require “a service provider (to) take technically feasible and reasonable measures designed to prevent access by its subscribers located within the United States to the foreign infringing site”. The act required sites to refrain from linking to any sites “dedicated to the theft of US property”. It also prevented companies from placing adverts on the sites and blocked payment processors, such as credit card companies and Paypal, from transmitting funds to the site. The complaints about these bills included that they would



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destabilise the Internet, could easily be abused and did not afford due process.

### Intermediary liability through the courts

Beginning in 2010, both European and US courts begin issuing major decisions addressing intermediary liability with respect to trademark infringement. The decisions reflected the structural differences in the initial statutory schemes, as well as the events that occurred after, particularly in the United States, as discussed above. Whereas US courts have shaped intermediary liability for trademark violations primarily through the development of common law, European courts looked to the comprehensive set of directives from the European Commission.

While generally, European trademark law does not expressly recognise contributory trademark infringement as a theory of liability, online marketplaces and ISPs have an explicit obligation under the EU directives to expeditiously remove or disable access to any infringing information on becoming aware of it. Unlike the United States, Europe includes trademark infringement, unfair competition and other torts under the notice and takedown system, offering service providers the same kind of immunity for these infractions as they receive under copyright law. The safe harbour law explicitly provides that intermediaries need not actively root out infringement.

In addition, the European Court of Justice's 2011 ruling in *L'Oréal SA v eBay International AG* states that online marketplaces, such as eBay, cannot rely on the hosting defence provided under the European Commission directives where:

- they have taken an active role in the relationship between buyers and sellers; or
- they are "aware of facts or circumstances on the basis of which a diligent economic

operator should have identified" an illegal activity and did not act to remove or disable the infringing information.

An online marketplace takes an active role when it "provide[s] assistance which entails, in particular, optimising the presentation of the offers for sale in question or promoting those offers".

In addition, the decision in *Cartier v British Telecommunications* was the first to order an ISP to block content-infringing trademarks. While there was no explicit UK law providing for such an injunctive order under trademark law, the court looked to its inherent powers and EU directives to require intermediaries to prevent access to a website with unauthorised trademarks. Most significantly, the directives require member states to ensure that "rights holders are in a position to apply for an injunction against intermediaries whose services are used by third parties to infringe an intellectual property right". In other words, even if they fall within the internet safe harbour (and are thus immune from damages), intermediaries may face an injunction requiring affirmative efforts to reduce infringement on their service, without any need to show liability. This follows the 2010 decision of first impression in *Twentieth Century Fox (MPAA) v British Telecommunications (BT)*, where the court issued a similar blocking order under copyright law (although in this case the plaintiffs invoked a specific UK statute authorising injunctions in copyright infringement cases) together with the European Commission directive requirement.

In Germany, courts have ordered intermediaries to adopt technical measures such as filtering to minimise future infringement.

This explicit authority to mandate filtering or other proactive enforcement efforts has



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no counterpart in US law. Unlike under the EU directives, one cannot bring an action for injunctive relief under the Digital Millennium Copyright Act. The act was invoked in a single reported case, *Arista Records, Inc v AT&T Broadband Corp* (August 2002). The Recording Industry Association of America sought an injunction against ISPs from routing traffic to certain China-based websites offering copyrighted music files for download. The website went offline within days and the plaintiffs withdrew their complaint. In any event, this matter likely would not have been upheld because the Digital Millennium Copyright Act cannot be the sole statutory basis for a website

blocking injunction. Legislative history makes it clear that an injunction pursuant to the Digital Millennium Copyright Act is available only in cases in which a provider is “engaging in, or actively contributing to, infringing activity”.

Moreover, US contributory infringement law requires specific knowledge of particular acts of infringement before an intermediary has an obligation to act. In 2010 *Tiffany Inc v eBay Inc* set the precedent in the United States that trademark owners bear the burden of policing the online marketplace for their counterfeit products. The court ruled against the plaintiff on the direct trademark infringement claim on the basis of fair use, and stated that

“[knowledge] alone of another party’s sale of counterfeit or infringing items is insufficient to support direct liability”. Further, the court ruled against the plaintiff on the contributory trademark infringement claim on the basis of the defendant’s continuous effort to refine anti-fraud measures and its removal of the infringing listing once it had sufficient knowledge. Thus, while the Digital Millennium Copyright Act did not address trademark infringement, it likely influenced this decision and subsequent case law.

The ruling in *Tiffany* did not foreclose the possibility of contributory liability for intermediaries in trademark infringement cases. In another contributory liability case involving an e-commerce marketplace brought in the US District Court for the Northern District of California, a federal jury awarded Louis Vuitton Malletier damages for contributory trademark and copyright infringement because the marketplace failed to shut down a specific group of China-based websites selling counterfeit handbags that the marketplace had hosted. Louis Vuitton argued that the defendants had direct oversight and monitoring of the websites selling the counterfeit goods and that it had sent numerous letters to the marketplace putting them on notice of the infringement and demanding that the websites be taken down, but that the marketplace failed to comply. The jury specifically found that the marketplace operators knew or should have known that their customers were engaging in counterfeiting and that they were in a position to stop providing these services but did not.

In addition, while there is no specific intermediary statutory scheme in the United States allowing for an injunction without some finding of liability on the part of the intermediaries, case law has developed over time using the more general Rule 65 statute. The North Face Apparel Corp and PRL USA, Inc brought an action against a large group of rogue website operators residing in China but directing their infringing activity to the United States, alleging direct trademark infringement and counterfeiting. Instead of proving that any of the intermediaries providing services to those websites were contributorily liable, the plaintiffs invoked the Rule 65 ‘aiding and abetting’ statute to obtain its injunctive relief. In 2010 the court in *The North Face Apparel*

*Corp v Fujian Sharing Import and Export* was the first US court to require internet intermediaries to cease providing services to infringing websites. Following the precedent in the 1989 Ninth Circuit decision in *Reebok v Marnatech* the court also ordered payment processors to cease providing services and to freeze proceeds from the counterfeit sales found in the defendants’ accounts. When a registry contested the injunctive relief, the court held that the registry could be found in contempt of a court order if it has notice of a counterfeiting website and does not take action to disable that website. More recently, the court’s decision in *Warner Brothers (MPAA) v DVDSea* became the first to use Rule 65 to enjoin intermediaries from providing services to copyright-infringing websites.

While US case law has found a way to get around proving liability as against intermediaries using Rule 65, and some intermediaries have come to rely on the resulting court orders, Rule 65 has not tested other intermediaries, specifically internet search engines which, in part, argue that the Digital Millennium Copyright Act shields them from such relief, or backbone providers, which would no doubt claim they are in no position to aid or abet. Because of the lack of statutory directives, the US law on intermediary liability has been created in a patchwork fashion rather than from a unified source as in the European Union. While the results have led to a decrease in counterfeiting, the Internet would benefit from a more unified process, whether through statute or on a voluntary basis. **WTR**



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