

INTERNET SERVICE PROVIDER LIABILITY FOR CONTRIBUTORY TRADEMARK INFRINGEMENT AFTER *GUCCI*

In Gucci America v. Hall Associates (2001), the U.S. District Court for the Southern District of New York held that the Communications Decency Act (“CDA”) did not grant Internet service providers (“ISPs”) blanket immunity from contributory liability for trademark infringement.¹ Given the likelihood that ISPs will host some sites that infringe under the Lanham Act², this iBrief discusses the policy implications of a refusal to extend immunity for some types of tort liability under the CDA to the intellectual property arena.

Introduction

Gucci Background

The plaintiff in *Gucci* owned the famous trademark and trade name of “GUCCI” used on jewelry and related apparel.³ Mindspring (since merged to become EarthLink, Inc.) was the ISP hosting defendant Hall’s website at the URL <http://www.goldhaus.com>.⁴ The plaintiff allegedly notified Mindspring twice via e-mail that the goldhaus website engaged in acts of trademark infringement and unfair competition by advertising jewelry on the site that infringed the Gucci trademark.⁵ The plaintiff further alleged that Mindspring continued to allow Hall to use its web hosting services, despite “actual knowledge of, or in reckless disregard of” the trademark infringement.⁶

Gucci asserted claims against Mindspring for both direct and contributory trademark infringement under § 32(1) of the Lanham Act.⁷ The plaintiff also brought claims under § 43(a) of the Lanham Act for false designations of origin and false descriptions and representations, as well as trademark infringement and unfair competition claims under New York common law.⁸ Mindspring then brought a motion to dismiss based upon two grounds: (1) that the CDA immunized Mindspring from liability for the information on Hall’s website; and (2) that the First

¹ *Gucci America, Inc. v. Hall & Associates*, 135 F. Supp. 2d 409 (S.D.N.Y. 2001).

² *See* Trademark Act of 1946 (“Lanham Act”) § 32, 15 U.S.C. § 1114 (2000).

³ *Gucci*, 135 F. Supp. 2d at 410.

⁴ *Id.* at 410-11.

⁵ *Id.* at 411.

⁶ *Id.*

⁷ *Id.* *See also* 15 U.S.C. § 1114(1).

⁸ *Gucci*, 135 F.Supp. 2d at 411. *See* 15 U.S.C § 1125(a).

Amendment barred the plaintiff's trademark infringement theory.⁹ Although the Lanham Act does not address either contributory or vicarious liability for copyright infringement, courts have used common law concepts to apply these to indirect infringers.¹⁰ The court in *Gucci* denied Mindspring's motion to dismiss on a contributory infringement theory, holding that the CDA did not immunize the ISP from an infringement claim.¹¹ What makes this decision, and those following it, so significant, is that a great deal of uncertainty regarding the issues existed beforehand, as evidenced by Mindspring's claim of blanket immunity.¹²

Scope of Analysis

This iBrief first analyzes the CDA immunity aspect of the *Gucci* decision and then examines the implications of that decision and the direction in which courts are moving. The First Amendment and innocent infringer arguments raised in *Gucci* remain outside the scope of the CDA immunity question, but are addressed as far as they concern the knowledge requirement for contributory liability.¹³ This iBrief will not address vicarious liability, for which there must also be "an apparent partnership between the defendant and the direct infringer, that one has authority to bind the other or exercise control over the product at issue."¹⁴ This partnership relationship is not typical of the ISP/website relationship, which is more distant. The intention of this iBrief is not to establish what constitutes direct trademark infringement by a website, but to instead address the issue of contributory liability of an ISP once it has been determined that a trademark has been directly infringed.

Limitation of CDA Immunity Under *Gucci*

The Statutory Language

In examining the issue of CDA immunity from contributory liability for trademark infringement, the district court first looked to the statutory language. Mindspring argued that §

⁹ *Gucci*, 135 F. Supp. 2d at 411.

¹⁰ Nicole A. Wong, et al., *Online Content Liability Issues*, 711 PLI/Pat 813, 944 (July 2002).

¹¹ *See generally Gucci*, 135 F. Supp. 2d 409.

¹² Jonathan E. Moskin, *Navigating Choppy Waters in Safe Harbors: Contributory Liability of Internet Service Providers* (July 2001), at <http://www.pennie.com/news.ihtml?newsType=4&itemID=40&ID=33&content=articleDetail> (Nov. 3, 2002).

¹³ *See Gucci*, 135 F. Supp. 2d at 417-22 (discussing the First Amendment and innocent infringer defenses raised by Mindspring).

¹⁴ Wong, et. al, *supra* note 10, at 945. *Hard Rock Cafe Licensing Corp. v. Concession Svcs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992).

230(c)(1) of the CDA immunized it from contributory liability.¹⁵ Congress enacted § 230 of the CDA in 1996 to provide a safe harbor for ISPs from contributory liability for the content of web sites that they host: “No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.”¹⁶ Section 230 was one of the few left intact after the U.S. Supreme Court ruling in *Reno v. ACLU*.¹⁷ No dispute existed in *Gucci* that Mindspring, as an ISP, fit the definition of an “interactive computer service” under § 230(f)(2).¹⁸ Section 230(e)(2), however, specifically states that “[n]othing in this section shall be construed to limit or expand any law pertaining to intellectual property.”¹⁹ The court found that “[t]he plain language of Section 230(e)(2) precludes Mindspring’s claim of immunity.”²⁰

Despite this apparent bar to extending immunity to trademark infringement, the court addressed Mindspring’s argument that immunity would not “limit” or “expand” any IP laws because such contributory liability for trademark infringement had never before been imposed on an ISP.²¹ The court declined, however, “to incorporate or read into the statute a temporal limit,” stating that nothing in § 230 indicated a limit of § 230(e)(2) to IP laws “as they existed in 1996.”²²

Relevant Case Law

Although the court found that the plain meaning of § 230(e)(2) ended its necessary inquiry, it went further to analyze Mindspring’s other arguments.²³ It next looked to relevant case law interpreting § 230 generally, beginning with *Zeran v. America Online, Inc.*²⁴ *Zeran* held that § 230 “precludes courts from entertaining claims that would place a computer service provider in

¹⁵ *Gucci*, 135 F. Supp. 2d at 412.

¹⁶ Communications Decency Act (“CDA”), 47 U.S.C. § 230(c)(1) (2000).

¹⁷ Jonathan Band, Matthew Schruers, *Safe Harbors Against the Liability Hurricane: The Communications Decency Act and the Digital Millennium Copyright Act*, 20 CARDOZO ARTS & ENT. L.J. 295, 297 (2002). *See also* *Reno v. American Civil Liberties Union*, 521 U.S. 844, 874 (1997) (holding that a number of CDA provisions were facially overbroad and violated the First Amendment).

¹⁸ *Gucci*, 135 F. Supp. 2d at 412. *See* 47 U.S.C. § 230(f)(2) (“The term ‘interactive computer service’ means any information service, system, or access software provider that provides or enables computer access by multiple users to a computer server...”)

¹⁹ 47 U.S.C. § 230(e)(2).

²⁰ *Gucci*, 135 F. Supp. 2d at 413.

²¹ *Id.*

²² *Id.* at 414.

²³ *Id.* at 414.

a publisher's role."²⁵ The *Gucci* court specifically distinguished *Zeran* on the grounds that it applied to "defamation and other forms of tort liability" while the claims in *Gucci* were "grounded in the law of intellectual property" and thus did not raise a § 230 immunity question.²⁶

Mindspring also argued that *Lockheed Martin v. Network Solutions*²⁷ rejected the application of contributory trademark infringement in the Internet context. The *Gucci* court, however, agreed with the plaintiff that *Lockheed Martin* did not preclude contributory liability of ISPs for trademark infringement, but merely held that registration of a domain name does not qualify as use in commerce (which is required for infringement under the Lanham Act).²⁸ The bases for contributory trademark infringement examined in *Lockheed Martin* were analyzed under the test for contributory trademark infringement outlined by the Supreme Court in *Inwood Labs*:

[I]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit.²⁹

In *Lockheed Martin*, the court found that there was no evidence of inducement to infringe, so the contributory trademark infringement claim rested on whether the domain name registrar had knowledge of the infringement under the *Inwood* test.³⁰ The *Lockheed Martin* court found that there was no knowledge in the case of the domain name registrar.³¹ The appeals court, affirming the district court's decision, also declined to extend the contributory trademark infringement theory advanced in two other cases.³² *Gucci* distinguished mere registration of a domain name

²⁴ *Id.* at 414-15. See *Zeran v. America Online, Inc.*, 129 F.3d 327 (4th Cir. 1997) (holding that the CDA created federal immunity to claims against an ISP for failure to remove defamatory messages posted by a third party).

²⁵ *Zeran*, 129 F.3d at 330.

²⁶ *Gucci*, 135 F. Supp. 2d at 415.

²⁷ *Id.* at 416. See *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949 (C.D.Cal. 1997), *aff'd*, 194 F.3d 980 (9th Cir. 1999) (holding that a registrar of domain names was not liable for contributory trademark infringement where trademark was infringed by domain names registered by third party).

²⁸ *Gucci*, 135 F. Supp. 2d at 416. See 15 U.S.C. § 1114(1)(a) ("use in commerce"); § 1114(1)(b) ("intended to be used in commerce"); § 1125(a)(1) ("uses in commerce").

²⁹ *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 854 (1982), *quoted in* *Fonovisa Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996), *quoted in* *Lockheed Martin*, 985 F. Supp. at 960-61.

³⁰ *Lockheed Martin*, 985 F. Supp. at 961.

³¹ *Id.*

³² *Id.* See *Hard Rock Cafe*, 955 F.2d at 1148; *Fonovisa*, 76 F.3d at 265 (holding that the landlord-tenant relationship between a flea market operator and vendors was a basis for imposing

from hosting of content, and the court pointed out that *Lockheed Martin* itself contrasted the role of a domain name registrar with that of an ISP.³³ There is a more tangible connection between an ISP and its hosted websites than between a domain name registrar and the names it registers.

Mindspring also argued that copyright law developments supported its assertion that immunity under the CDA would not limit existing trademark law.³⁴ It claimed that Congress had the opportunity in enacting the Digital Millennium Copyright Act of 1998 (“DMCA”) to “alter the extent to which ISPs may assert statutory immunity from trademark infringement” and had not done so.³⁵ The court rejected the argument that the DMCA’s protection from copyright liability extends to trademarks.³⁶ The DMCA’s enactment only two years after the CDA actually reinforced the assertion that § 230 does not provide immunity to ISPs from all intellectual property claims, as doing so “would render the immunities created by the DMCA from copyright actions superfluous.”³⁷ Developments in copyright law actually worked against such an assertion in trademark law, despite granting greater immunity from contributory liability.

Legislative History

Even though Mindspring conceded that no legislative history existed as to subsection (e)(2), it claimed that the “general legislative history of Section 230” supported its claim of CDA immunity.³⁸ There is nothing in the record, however, to indicate that § 230 was meant to apply to IP law. In fact, the legislative history specifically states that Congress enacted § 230 with the goal of “online family empowerment.”³⁹ The House Report goes even further in stating that “[o]ne of the specific purposes of this section is to overrule *Stratton-Oakmont v. Prodigy* and any other similar decisions which have treated such providers and users as publishers or speakers of content that is not their own *because they have restricted access to objectionable material* [emphasis added].”⁴⁰ Accordingly, the *Gucci* court found that the legislative history showed only

contributory trademark infringement where there was willful blindness of the market operator toward blatantly infringing acts by vendors).

³³ *Gucci*, 135 F. Supp. 2d at 416.

³⁴ *Id.*

³⁵ *Id.* at 417.

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

³⁹ H.R. CONF. REP. NO. 104-458, at 86 (1996).

⁴⁰ *Id.* at 194. *See Stratton Oakmont, Inc. v. Prodigy Services Co.*, 1995 WL 323710 (N.Y. Sup. Ct. 1995) (This case viewed an ISP as a publisher, subjecting it more easily to contributory liability *because* it took steps to control content).

that § 230(c) immunizes ISPs from defamation and non-IP state law claims resulting from third-party content.⁴¹

The *Zeran* decision discussed in *Gucci* also reflects the policy choices made by Congress not to immunize ISPs against IP-related claims.⁴² Section 230 specifically precludes claims that place computer service providers into the roles of publishers.⁴³ ISPs do not carry out these traditional publishing roles, and it follows that they should not be held liable in these areas. Congress chose “not to deter harmful online speech through the separate route of imposing tort liability on companies that serve as intermediaries for other parties’ potentially injurious messages.”⁴⁴ Section 230 was enacted in part, according to *Zeran*, “to maintain the robust nature of Internet communication” and to curb government regulation of online speech.⁴⁵

Implications

Other Issues in Gucci

Though not directly within the scope of the CDA immunity issue, Mindspring raised several other issues that go to the issue of what constitutes knowledge for the purposes of contributory trademark infringement. Foremost among these was a First Amendment claim that the plaintiff advocated a “strict [or notice-based] liability” where an ISP does not immediately censor disputed speech.⁴⁶ The court dispensed with this contention by pointing out that there was no “additional expressive element or ... communicative message that went beyond commercial identification of the source of a product” present in this case.⁴⁷ Furthermore, the “innocent infringer defense” available under § 32(2) of the Lanham Act undermined Mindspring’s argument that strict or notice-based liability would arise without CDA immunity.⁴⁸ This defense would limit the remedies of the plaintiff to an injunction against future printing or transmission of the mark.⁴⁹ Plaintiffs must also show “actual malice” to recover damages, thus satisfying First Amendment requirements.⁵⁰

⁴¹ *Gucci*, 135 F. Supp. 2d at 417.

⁴² *Id.* at 415.

⁴³ *Zeran*, 129 F.3d at 330.

⁴⁴ *Gucci*, 135 F.Supp.2d at 415, quoting *Zeran*, 129 F.3d at 330.

⁴⁵ *Zeran*, 129 F.3d at 330.

⁴⁶ *Gucci*, 135 F.Supp. 2d at 417-18.

⁴⁷ *Id.* at 418.

⁴⁸ *Id.* at 420. See 15 U.S.C. § 1114(2).

⁴⁹ 15 U.S.C. § 1114(2).

⁵⁰ *Gucci*, 135 F.Supp.2d at 420. (Using *New York Times v. Sullivan*, 376 U.S. 254 (1964) to derive an actual malice standard for contributory trademark infringement as acting “either (1)

Mindspring also asserted that the First Amendment free speech issue is especially important in dealing with the Internet.⁵¹ But the court distinguished the importance of this issue in the trademark area from its importance in defamation and other torts, as addressed by the congressional policy decision outlined in *Zeran*.⁵²

Other Recent Decisions

In *Ford Motor Co. v. Greatdomains.com* (2001), the district court denied a supplemental motion to dismiss Great Domains from a trademark infringement suit where the motion was filed pursuant to CDA § 230.⁵³ Great Domains claimed to be an “interactive computer service provider” within the CDA definition and thus immune from contributory liability for the trademark infringement claim.⁵⁴ The district court found that whether the motion to dismiss would succeed must be determined without the use of the CDA, citing *Gucci*’s plain language interpretation of CDA § 230(e)(2) as expressly precluding its application to the case.⁵⁵ This is yet another move toward clarification of defenses against contributory liability for trademark infringement by service providers.

In *Perfect 10, Inc. v. Cybernet Ventures, Inc.* (2002), the plaintiff claimed that the operator of an online age verification service was liable for contributory infringement of its trademark.⁵⁶ The plaintiff did not argue that there was intentionally induced infringement, and the court found that the claim thus centered around the *Fonovisa* test of whether the defendant “knows or has reason to know of the infringing activity” and liability applied specifically to “those who are ‘willfully blind’ to such activity.”⁵⁷ While not mentioning the CDA, the district court declined to extend any CDA defense to this case, as the defendant could be subject to contributory liability if it knew or should have known that infringement was taking place.⁵⁸

with knowledge of the infringement or (2) with reckless disregard as to whether the material infringed the trademark owner’s rights.”)

⁵¹ *Gucci*, 135 F. Supp. 2d at 420-21.

⁵² *Id.* at 421.

⁵³ *Ford Motor Co. v. Greatdomains.com, Inc.*, 2001 WL 1176319, 1 (E.D.Mich. 2001) (order denying “supplemental motion to dismiss defendant Greatdomains.com, Inc.”).

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F.Supp. 2d 1146, 1188 (C.D.Cal. 2002) (granting motion for preliminary injunction).

⁵⁷ *Id.* at 1188-89, discussing *Fonovisa*, 76 F.3d at 265.

⁵⁸ *Id.*

Conclusion

What Qualifies as Knowledge?

The First Amendment concerns raised in *Gucci* and the need to show “actual malice” to recover damages necessitate a clearer standard of what qualifies as knowledge. Notice may not be sufficient to qualify as “knowledge” within the definition of trademark infringement.⁵⁹ There are some policy problems in saying that notification means knowledge. ISPs could be given “notice” of frivolous infringement claims, thus forcing them to take action where no infringement had in fact occurred. Calling for excessive proactive measures by ISPs to ferret out trademark infringement would also be burdensome, especially given the number of sites they host. This calls for caution in going after ISPs where infringers can put forth content easily and anonymously, as is often the case on the Internet.⁶⁰

Also, if one takes the view of an ISP as an intermediary, the prudent policy decision would call for direct enforcement of trademark rights against the infringing party, and not the ISP. Once it has been legally determined, however, that a website is infringing, and if the ISP is given adequate notice, it is also appropriate policy to hold the ISP accountable for continuing to aid in the illegal infringement. From this standpoint, the *Gucci* decision seems to be moving in the direction of a clearer legal standard.

Imposing a heightened duty of care on ISPs to troll the websites they host for instances of trademark infringement would be an undue burden. This is especially true when the ISPs may not be part of a group that would easily recognize a given trademark, and ISPs could not be expected to keep track of every licensing agreement one of their sites makes with trademark owners.

Closing the Door

As part of a trend, the *Gucci* decision shows that ISPs and other services providers can no longer turn a blind eye to the activities of their users.⁶¹ As with copyright owners, if trademark owners cannot stop actual infringers, they may be more inclined in the future to go after ISPs that facilitate infringing behavior.⁶² The framework of Internet law was one where “the law is still

⁵⁹*Internet Service Provider Could Be Liable for Its Customer’s Trademark Infringement*, Leonard, Street and Deinard Publications (June 2001), at <http://www.leonard.com/publications/getpub.asp?pubid=44> [hereinafter *Infringement*].

⁶⁰ Moskin, *supra* note 12 at

<http://www.pennie.com/news.ihtml?newsType=4&itemID=40&ID=33&content=articleDetail>.

⁶¹ *Infringement*, *supra* note 59 at <http://www.leonard.com/publications/getpub.asp?pubid=44>.

⁶² *Id.*

contending with already outdated perceptions of the Internet as a frontier society without rules ... If not already closed, the frontier is surely closing fast.”⁶³ Although it seems that a reasonable middle ground will be reached in holding ISPs accountable for infringing behavior of their hosted websites, the days where ISPs did not share in the responsibility of what they help provide are fast coming to a close.

By: Gregory C. Walsh

⁶³ Moskin, *supra* note 12 at <http://www.pennie.com/news.ihtml?newsType=4&itemID=40&ID=33&content=articleDetail>.