Principled Standards vs. Boundless Discretion: A Tale of Two Approaches to Intermediary Trademark Liability Online

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INTRODUCTION

Over the past decade, courts have developed two distinct approaches in evaluating trademark claims against online intermediaries. The first and most common method frames the issue as one of secondary liability: should the intermediary face liability for wrongdoing committed by its advertisers, subscribers, or other users of its services? In this approach, courts struggle with the tension between preserving legitimate, non-infringing uses of technologies on the one hand, and minimizing infringement on the other. While no clear doctrinal consensus has formed, courts are converging on a framework centered on specific knowledge, reasonable response and inducement—principles derived from trademark law but mirroring their counterparts in copyright.1

At the same time, some opinions have suggested a different form of trademark liability focused on the intermediary’s choices in designing services that use—or allow others to use—trademarks in various ways.2 Though branded as direct trademark infringement, the doctrine bears little resemblance to historical direct infringement law. Instead, it resembles a roving unfair competition law, leaving discretion with the fact finder to assess the intermediary’s culpability in enabling confusion.3 Because the likelihood-of-confusion factors map poorly onto such an inquiry,4 this form of direct infringement has no clear doctrinal framework. Nor have courts articulated a coherent normative vision to guide lower courts in shaping and applying the law. Most troubling, the scant case law has paid little attention to issues at the core of secondary liability analysis—namely, the need to strike a balance between infringing and non-infringing uses, and the worry that liability might threaten legitimate uses of trademarks that enhance competition and increase consumer choice.

If this mutant form of direct infringement is here to stay, courts must recognize it as a new cause of action, and must define its normative objectives with an eye to

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2. See Rosetta Stone, 676 F.3d at 152–60; Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 129–30 (2d Cir. 2009).
3. See, e.g., Rosetta Stone, 676 F.3d at 154–56.
4. See id.
both benefits and costs of judicial intervention. Rather than balancing arguably relevant likelihood-of-confusion factors on an ad hoc basis, courts should devise a new set of considerations addressed specifically to intermediaries. In particular, the law should distinguish between policies and practices that directly sow confusion, and those whose only offense lies in creating an environment where counterfeiting, passing off or other forms of infringement can occur. While the first type of behavior may justify direct liability, the second does not. Instead, it resembles the “mixed-use” conduct that the Supreme Court has repeatedly warned against penalizing, because of potential collateral effects. Any rule of liability addressed to such conduct must take these effects into account; it should target deliberately harmful behavior, while protecting market actors’ ability to make non-infringing uses of trademarks and intermediaries’ right to help them.

Part I outlines some core principles that both justify and discipline the rules imposing liability for wrongs committed by others. Most of these principles have surfaced in the copyright context, but they have salience for trademark law. Part II describes the courts’ application of these principles in evaluating contributory trademark infringement claims against Internet intermediaries. As their opinions make clear, contributory infringement doctrine is equipped to balance the rights of trademark holders against the public’s interest in making non-infringing uses of marks. Courts may not get it right all the time, but the structure of secondary liability analysis provides a framework to balance the relevant interests. Part III contrasts this nuanced, normatively grounded framework with the apparently ad hoc standards governing so-called direct infringement claims against intermediaries. Because the direct infringement opinions are scarce and under-analyzed, however, there is much room for development.

I. GENERAL PRINCIPLES OF SECONDARY LIABILITY

Trademark law has a long history of imposing liability against defendants for infringement by related parties. The Supreme Court most recently addressed the issue in Inwood Laboratories, Inc. v. Ives Laboratories, Inc., a suit seeking to hold a pharmaceutical company liable for the behavior of pharmacists who had passed off its generic product as a famous brand-name drug. Citing precedent from the early 1900s, the Court confirmed that parties can face liability for infringement


6. Cf. Stacey L. Dogan, Is Napster a VCR? The Implications of Sony for Napster and Other Internet Technologies, 52 HASTINGS L.J. 939, 943 (2001) [hereinafter Dogan, Is Napster a VCR?] (“At its core, Sony is about preventing copyright holders from interfering with consumers’ ability to make non-infringing uses of technology.”).


committed by others:

[L]iability can extend beyond those who actually mislabel goods with the mark of another. Even if a manufacturer does not directly control others in the chain of distribution, it can be held responsible for their infringing activities under certain circumstances. Thus, if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.9

While Inwood offered a relatively straightforward rule for contributory liability, it was frustratingly short on normative content. The court of appeals in that case had misapplied the relevant standard of review, so the Court reversed without analyzing the substantive claims or defenses.10 As a result, we are left with the Court’s unadorned statement of black-letter law, with little sense of the goals or limits of contributory infringement doctrine in trademark law.

Despite its absence in Inwood, however, normative guidance has emerged from judicial and legislative developments in other areas of intellectual property law. In particular, the legal response to infringement-enabling technologies in copyright law has produced a cluster of normative values to govern secondary infringement analysis. While one could classify these values in various ways, they generally seek to avoid interference, deter intentional wrongs and encourage responsibility in dealings with direct infringers.

A. NON-INTERFERENCE

The non-interference principle dictates that indirect liability rules should seek a balance between providing effective relief to intellectual property holders and avoiding interference with legitimate commerce.11 It recognizes that suits against parties other than direct infringers sometimes provide the only meaningful avenue for relief, either because the related parties are in the best position to prevent the harm or because a direct infringement suit would be impracticable or ineffective.12

The notion of related-party liability is neither new nor unique to intellectual property: “[V]icarious liability is imposed in virtually all areas of the law, and the

9. Id. at 853–54.
10. In addition to the standard for contributory liability, Inwood raised important questions about trademark’s functionality doctrine. See id. at 851, 853, 857.
12. Id. at 442 (finding that indirect copyright liability “is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible”); id. (noting that secondary liability ensures “effective—not merely symbolic—protection of the statutory monopoly”); see also Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913, 929–30 (2005) (“When a widely shared service or product is used to commit infringement, it may be impossible to . . . effectively [target] all direct infringers, the only practical alternative being to go against the distributor . . . for secondary liability on a theory of contributory or vicarious liability.”); Shapiro, Berstein & Co. v. H.L. Green Co., 316 F.2d 304, 309 (2d Cir. 1963) (finding copyright liability appropriate against the party in the best position to police the behavior of the direct infringer).
concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.”

At the same time, broad secondary liability rules come with costs. In particular, if liability turns on acts or product sales that enable both lawful and unlawful conduct, it may chill or increase the costs of legitimate behavior. In Sony Corp. of America v. Universal City Studios, Inc., for example, a group of copyright holders sued a VCR manufacturer, claiming that the technology enabled home users to make infringing copies of television programs. Drawing from patent law, the Court noted that product-based contributory infringement claims could limit the public’s ability to put the product to lawful, socially productive use:

When a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe a patent, the public interest in access to that article of commerce is necessarily implicated. A finding of contributory infringement does not, of course, remove the article from the market altogether; it does, however, give the patentee effective control over the sale of that item. Indeed, a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.

To avoid undue burden on non-infringing markets, the Sony Court adopted the “staple article of commerce” doctrine from patent law, holding that the sale of products used for infringement cannot constitute contributory copyright infringement as long as the product has a “substantial non-infringing use.”

Although Sony disavowed any direct connection to trademark law, the opinion holds lessons for related-party liability in trademark. First, it reflects the need for balance in crafting secondary liability rules, not only in intellectual property, but in other areas of law as well. While laws may—and often should—reach actors who do not directly commit the act defined as a violation, sensitivity to the law’s effects on legitimate behavior is important. Indeed, Sony suggests a presumption against liability when the defendant is enabling significant lawful behavior that would be threatened by a ruling against it. Second, the Court’s disavowal of trademark’s rules is itself relevant to the appropriate balance in trademark law. The Court declined to turn to trademark law for guidance because of trademark law’s


15. Id. at 440–41.

16. Id. at 442.

17. Id. at 439 n.19.

18. Cf. Dogan, Is Napster a VCR?, supra note 6, at 950–51 (contending that Sony allows liability if the defendant could effectively prevent the infringement while preserving non-infringing uses of its service or technology).
narrower scope relative to patent or copyright. Thus, if anything, courts should be more hesitant to impose trademark liability in mixed-use cases, i.e., in suits based on behavior that enables both infringing and non-infringing conduct.

Because *Sony* involved the one-time sale of goods, however, it left open the question of how to treat defendants whose acts facilitate infringement or who have a continuing relationship with infringers. Since the emergence of the Internet, the lower courts, the Supreme Court and Congress have moved toward a set of rules to govern those contexts.

### B. Culpability

Taken at face value, *Sony* could plausibly immunize any defendant whose behavior or technology has non-infringing applications, regardless of whether the defendant’s core business model centered on promoting infringement. Indeed, in the early days of the Internet, defendants relied on *Sony*’s “staple article of commerce” doctrine to argue against liability for any Internet-based service that had substantial non-infringing uses. In *MGM Studios, Inc. v. Grokster, Ltd.*, the Supreme Court put an end to that notion, at least for defendants whose contributions to infringement were deliberate, rather than tangential to a legitimate motive. *Grokster* involved a peer-to-peer file sharing service that had many legal uses but whose primary use (and apparent purpose) was to facilitate the sharing of copyrighted songs and music. The Supreme Court found *Sony* inapplicable, reasoning that “the case was never meant to foreclose rules of fault-based liability derived from the common law.” The Court crafted a new doctrine of copyright inducement, applicable against parties who distribute a product “with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement.”

Like *Sony*, *Grokster* reflects normative principles that can be generalized to

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19. *Sony*, 464 U.S. at 439 n.19 (describing *Inwood* as a “narrow standard for contributory trademark infringement,” under which the claims in *Sony* “would merit little discussion”); see also Clearline Techs. Ltd. v. Cooper B-Line, Inc., 871 F. Supp. 2d 607, 614 n.10 (S.D. Tex. 2012) (citing *Sony*, 464 U.S. at 439 n.19) (describing secondary liability in trademark law as narrower than copyright); Perfect 10, Inc. v. Visa Int’l Serv., Ass’n, 494 F.3d 788, 806 (9th Cir. 2007) (same). This narrower conception of trademark infringement is not an accident, but reflects the fact that trademark law does not convey any exclusive right to copy or otherwise use trademarks, but instead provides a more limited right to prevent others from using marks in ways that confuse—or more recently, dilute—the distinctiveness of famous marks. Compare, e.g., 17 U.S.C. § 106 (2012) (listing exclusive rights of copyright owners), with 15 U.S.C. § 1125(a), (c) (2012) (trademark infringement and dilution standards, which turn on misinformation or dilution through tarnishment or blurring).

20. See generally *Perfect 10*, 494 F.3d at 806 (“The tests for secondary trademark infringement are even more difficult to satisfy than those required to find secondary copyright infringement.”).


22. *Grokster*, 545 U.S. at 914.

23. Id. at 913.

24. Id. at 934–35.

25. Id. at 936–37.
apply to other areas of third-party liability, including trademark law. For one thing, it validates the notion of culpability, i.e., that parties who intentionally help someone to commit a wrong are legally responsible for the violation, even if their actions also enable lawful conduct. But of equal importance, *Grokster* defines culpability narrowly to include only defendants with specific intent to achieve the infringing outcome. Parties that proceed with knowledge—even certainty—that some people may put their product to illicit use are shielded by the *Sony* safe harbor. The Court invoked *Sony*’s non-interference principle explicitly:

> We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential. Accordingly, just as *Sony* did not find intentional inducement despite the knowledge of the VCR manufacturer that its device could be used to infringe, mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability. . . . The inducement rule, instead, premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.

*Grokster*’s fault-based doctrine thus reaffirms the core lesson of *Sony*: that merely providing tools for infringement cannot justify liability, as long as those tools also have lawful application. That rule, moreover, is no mere technicality, but reflects a normative commitment to protecting “legitimate commerce” against interference by intellectual property owners. The Court made clear that the non-interference principle continues to protect parties who happen to enable infringement through otherwise innocuous behavior—even when those parties know that some infringement will result. *Grokster*’s inducement doctrine applies only if the *intent* is to promote infringement.

Admittedly, the inducement rule announced in *Grokster* leaves broad discretion with the fact finder to distinguish between lawful and illicit motives. In *Grokster* itself, for example, the Supreme Court found evidence of inducement based largely on indirect evidence of the defendants’ unlawful intent and subsequent lower court opinions have adopted a similar “we know it when we see it” approach.

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26. See Restatement (Second) of Torts § 876 (1979) (outlining rules for contributory tortfeasors); see also Alfred C. Yen, Third-Party Copyright Liability After *Grokster*, 91 Minn. L. Rev. 184, 232–38 (2006) (noting that tort law defines “intent,” in context of intentional torts, to include acting: (1) “with the express purpose of causing harm”; or (2) with “substantial certainty” that harm will result to a particular individual as a result of the behavior); cf. United States v. Unruh, 855 F.2d 1363, 1371 (9th Cir. 1987) (“Aiding and abetting a misapplication of bank funds occurs when a bank employee misapplies bank funds and the defendant knows of the bank’s substantive offense and acts with intent to further it.”) (emphasis added).

27. *Grokster*, 545 U.S. at 936 (noting that inducement requires “an affirmative intent that the product be used to infringe”).

28. Id. at 937 (emphasis added).

29. Id. at 937–40 (describing the evidence supporting a finding of inducement, which included defendants’ decision to target former Napster users, their failure to adopt filtering technologies and the enhanced advertising revenues due to the availability of infringing files).

30. See, e.g., Columbia Pictures Indus., Inc. v. Fung, 710 F.3d 1020, 1035–36 (9th Cir. 2013) (finding inducement based on evidence similar to the evidence in *Grokster*, including enhanced advertising revenue as a result of infringement). See generally Stacey L. Dogan, “We Know It When We
Alfred Yen has pointed out, however, by creating an outlet for courts to punish intentional wrongdoers, \textit{Grokster} arguably provides breathing space for other parties whose products and services have both infringing and non-infringing applications.\footnote{See \textit{It}: Intermediary Trademark Liability and the Internet, 2011 STAN. TECH. L. REV. 7 (2011) [hereinafter Dogan, “\textit{We Know It When We See It}”].}

\section*{C. Reasonableness in Operation}

With \textit{Sony} insulating one-time sellers of mixed-use products and \textit{Grokster} condemning those who act with a purpose of infringement, the final principle of secondary liability grapples with the obligations of parties who act with neutral motives, but whose ongoing relationships with users give them the power to reduce or eliminate infringement as it occurs. The guidance here has come from Congress and the lower courts,\footnote{Yen, supra note 26, at 192 (“[I]nducement gives courts a new tool for holding culpable defendants liable while reducing the risk of undesirable side effects.”).} which have converged on a framework that essentially requires reasonableness in responding to specific notices of infringement.\footnote{See, e.g., Digital Millennium Copyright Act, 17 U.S.C. § 512 (2012); Religious Tech. Ctr. v. Netcom On-Line Comm’n Servs., Inc., 907 F. Supp. 1361 (N.D. Cal. 1995).} Mindful of \textit{Sony}, the law stops short of dictating technology design choices or defining liability by relation to risk creation. As a result, intermediaries need not anticipate and head off infringement \textit{ex ante}. Yet the commitment to non-interference does not rule out liability altogether where a defendant lacks intent to infringe. Liability can result if a defendant either blinds itself to infringement or fails to take reasonable efforts to respond to notice of infringement.\footnote{“Reasonableness,” of course, is a charged and contested term in the law. \textit{Compare}, e.g., Gregory C. Keating, \textit{Reasonableness and Rationality in Negligence Theory}, 48 STAN. L. REV. 311, 312 (1996) (distinguishing between rationality (the instrumental pursuit of self-interest) and reasonableness (“\textit{restrain[ing] our pursuit of self-interest} by acting in accordance with principles that fix fair terms of cooperation”), with Richard A. Posner, \textit{A Theory of Negligence}, 1 J. LEGAL STUD. 29 (1972) (defending the reasonableness standard in tort law as designed to incentivize efficient resource allocation). At this point, I do not believe that the courts in intermediary cases are consciously pursuing any particular philosophical conception of “reasonableness.” They are, however, grappling toward a contextual approach that requires intermediaries to respond to notice when it seems cost-effective and fair for them to do so.}

The “reasonableness” principle seems—albeit implicitly—to pursue a modified best-cost-avoider strategy:\footnote{See, e.g., Netcom, 907 F. Supp. at 1375.} it places responsibility for infringement detection and elimination with the party best positioned to accomplish each task. Detection falls on the intellectual property owner, who is best suited to recognize unauthorized versions of its work or trademark.\footnote{I call this a “modified” best-cost-avoider strategy because a pure best-cost-avoider approach would take system design into account and require intermediaries to take reasonable steps to head off infringement before it occurs; this modified form takes the technology as a given and deals only with questions of detection and response. Courts have sometimes said this explicitly, but more often they have avoided the normative question and simply invoked \textit{Sony} (or \textit{Inwood}) for the notion that designers of technologies or services have no affirmative obligation to design their products to avoid infringement. \textit{See}, e.g., Tiffany (NJ).} Responsibility for terminating the
infringement, in turn, rests on the intermediary, assuming that it has specific knowledge and control over the means used to infringe.\textsuperscript{37} If the structure of a defendant’s system and its relationship to infringers gives it the power to stop known infringement without threatening lawful use, then the law requires it to exercise that power.\textsuperscript{38}

Doctrinally, this approach has emerged through common-law development of contributory infringement standards in copyright and trademark law,\textsuperscript{39} complemented in copyright by the notice and takedown provisions of the Digital Millennium Copyright Act (DMCA).\textsuperscript{40} Both copyright and trademark law allow liability for parties that knowingly facilitate another party’s infringement.\textsuperscript{41} \textit{Sony} and \textit{Grokster} teach that design choices alone cannot result in liability under this standard, unless the technology either has no substantial non-infringing use or is coupled with a deliberate intent to cause infringement.\textsuperscript{42} As a result, much of the action in secondary liability cases occurs after the technology has launched, and consumers use it to infringe.\textsuperscript{43} Copyright and trademark holders charge intermediaries with contributory infringement because they purportedly “know” of

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\textsuperscript{37} See, e.g., Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1172–73 (9th Cir. 2007).

\textsuperscript{38} Id. (noting question of fact as to “whether there are reasonable and feasible means for Google to refrain from providing access to infringing images”). Again, this principle is often implicit. Courts channel their analyses through doctrinal standards of “knowledge” and “substantial assistance,” but the ultimate question is whether, given the intermediary’s knowledge of infringing acts and the tools at its disposal, it seems reasonable to require it to act on that knowledge. \textit{See generally} Dogan, \textit{Is Napster a VCR?}; supra note 6.

\textsuperscript{39} Vicarious liability has played a more limited role, primarily in copyright. Courts analyzing vicarious liability have shown a similar emphasis on context, with a core inquiry into whether the defendant acted reasonably in policing infringement in its system, in light of the system’s architecture. \textit{See, e.g.,} A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1023–24 (9th Cir. 2001).

\textsuperscript{40} 17 U.S.C. § 512 (2012). The DMCA provides a “safe harbor” for intermediaries that implement a system for receiving notification of infringement and blocking access to infringing content that they learn of through that system. \textit{See id.}

\textsuperscript{41} See Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 854–55 (1982) (stating that liability would turn on whether petitioners intentionally induced mislabeling by pharmacists); \textit{Sony} Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 437 (1984) (“[T]he label ‘contributory infringement’ has been applied in a number of lower court copyright cases involving an ongoing relationship between the direct infringer and the contributory infringer at the time the infringing conduct occurred.”).

\textsuperscript{42} Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 545 U.S. 913, 933 (2005) (“\textit{Sony} barred secondary liability based on presuming or imputing intent to cause infringement solely from the design or distribution of a product capable of substantial lawful use, which the distributor knows is in fact used for infringement.”); id. at 939 n.12 (“Of course, in the absence of other evidence of intent, a court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement, if the device otherwise was capable of substantial noninfringing uses.”)

\textsuperscript{43} \textit{See, e.g.,} Perfect 10, 508 F.3d at 1172–73.
infringement or counterfeiting behavior and fail to stop it. Courts thus have to decide two issues: first, what level of “knowledge” satisfies the contributory infringement standard, and second, to what lengths must intermediaries go to eliminate the behavior?

In addressing these questions, courts have taken a contextual, pragmatic approach that reflects reasonableness and modified best-cost-avoider principles. The approach dates back to the seminal opinion in Religious Technology Center v. Netcom On-Line Communication Services, Inc., which considered whether online service provider Netcom contributorially infringed by failing to remove copyrighted content after the copyright holder informed it of the posting. In everything from assessing the sufficiency of the notice to considering the service provider’s obligation to respond, the court asked whether the service provider acted reasonably. In analyzing notice, for example, the court rejected the defendant’s argument that only a formal copyright registration would suffice, but the court showed more sympathy for the idea that a plausible claim of fair use could defeat a showing of knowledge:

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

Similarly, in deciding whether Netcom had “substantially participated” in its user’s infringement, the court considered the feasibility and fairness of requiring the intermediary to block the infringing content. The court found Netcom to be in a different position than a mere landlord, based on its ongoing role in enabling infringement and its ability to terminate it: “[I]t is fair, assuming Netcom is able to take simple measures to prevent further damage to plaintiff’s copyrighted works, to hold Netcom liable for contributory infringement where Netcom has knowledge of Erlich’s infringing messages yet continues to aid in the accomplishment of Erlich’s purpose of publicly distributing the postings.” Netcom’s capabilities, in other words, required it to act, but only if it knew of the infringement and could stop it with “simple measures” that would not interfere with its other operations.

Intermediary copyright law has developed substantially since Netcom, and a substantial part of that development has been animated by the notion that intermediaries must act reasonably when they learn of infringement on their...

44. See id.
46. See id. at 1374.
47. Id. (emphasis added).
48. Id. at 1375.
49. Id.
Admittedly, the law is not a model of clarity, and critics claim that legal uncertainty has chilled Internet innovation. What constitutes reasonable intermediary behavior, moreover, lies in the eye of the beholder. Both courts and Congress, however, have embraced a modified best-cost-avoider approach: to encourage intermediaries to share responsibility for responding to known infringement on their networks, without mandating ex ante policing, filtering or other preventative technology design. Intermediaries need not seek out infringement, but they must act when they obtain knowledge of specific infringing content. The DMCA, in particular, establishes a notice and takedown regime that limits liability for intermediaries that act promptly upon receiving knowledge of infringement.

The million-dollar question, of course, is what level and type of knowledge triggers an intermediary’s duty to act. Courts appear to be moving toward a consensus on four points. First, “knowledge” under the DMCA means specific knowledge of particular infringing content, rather than generalized awareness of infringement on the intermediary’s network. Second, such specific knowledge need not arise from formal, DMCA-compliant copyright notices; it can result from third-party communications or other “facts that would have made the specific infringement ‘objectively’ obvious to a reasonable person.” Third, the underdeveloped “willful blindness” doctrine forbids intermediaries from turning a blind eye and actively avoiding knowledge of infringement. And fourth, neither the

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54. 17 U.S.C. § 512 (2012). The DMCA limits service provider liability for linking, caching, transmission and storage of content at a user’s direction, as long as the service provider qualifies as such and satisfies other requirements of the statute. See Viacom, 676 F.3d at 26–28.

55. See Shelter Capital, 718 F.3d at 1020–23; Viacom, 676 F.3d at 30–32.

56. Viacom, 676 F.3d at 31. This so-called “red-flag” knowledge, like actual, subjective knowledge, triggers the intermediary’s obligation to remove or disable infringing content. Id.; see also 17 U.S.C. § 512(c).

57. See Viacom, 676 F.3d at 34–35. “Willful blindness” does not appear in the DMCA; the Second Circuit imported it from the common law. See id. at 35 (“Because the [DMCA] does not speak directly to the willful blindness doctrine, [17 U.S.C. § 512(m)] limits—but does not abrogate—the doctrine. Accordingly, we hold that the willful blindness doctrine may be applied . . . to demonstrate knowledge or awareness of specific instances of infringement under the DMCA.”). Because the DMCA explicitly rules out any obligation to monitor or search for infringement in 17 U.S.C. § 512(m), willful blindness cannot result from a failure to act; it can occur only when an intermediary makes a “deliberate
willful blindness doctrine nor the “red flag” knowledge principle requires the intermediary to take affirmative steps to monitor or seek out infringement.\textsuperscript{58}

This contextualized, fact-specific approach to knowledge no doubt reduces the power of the DMCA safe harbor. In particular, as Eric Goldman has pointed out, the “red flag” knowledge and willful blindness doctrines can prolong litigation and draw out discovery, which can drain the resources of upstart intermediaries.\textsuperscript{59}

Substantively, however, these doctrines have understandable appeal for a Congress and courts seeking a balanced approach to intermediary responsibility. Even if copyright holders ordinarily have the burden of detecting and giving notice of infringement, when an intermediary has specific knowledge of a blatant act of infringement, it seems reasonable and cost-effective to require it to act without waiting for a formal notice. And if courts limit “red flag” knowledge to such unequivocal infringement, they will preserve the Netcom notion of plausible deniability.\textsuperscript{50} Intermediaries who learn of allegedly infringing behavior but make a reasonable determination that the behavior is protected by fair use, for example, have room to argue that the infringement would not have been “obvious” to a reasonable person.\textsuperscript{61}

When combined with the non-interference principle, the reasonableness principle suggests that rules of intermediary liability should encourage reasonable response to known wrongdoing, without burdening other socially valuable uses of online technologies.

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These three core principles—non-interference, fault and reasonableness of response—have shaped the rules of secondary liability in copyright and trademark law. Courts have refused to impose \textit{ex ante} obligations on intermediaries to prevent infringement because of concerns about collateral effects,\textsuperscript{62} but they have not hesitated to single out deliberate wrongdoers or those who fail to act responsibly in responding to known infringement. As the above discussion demonstrates, the limitations built into copyright and trademark’s secondary effort to avoid guilty knowledge.” \textit{Viacom}, 676 F.3d at 35 (quoting \textit{In re Aimster Copyright Litig.}, 334 F.3d 643, 650 (7th Cir. 2003)).

58. \textit{Id}.

59. See Eric Goldman, \textit{UMG v. Shelter Capital: A Cautionary Tale of Rightsowner Overzealousness}, TECH. \& MARKETING L. BLOG (Dec. 17, 2011, 8:19 AM), http://blog.ericgoldman.org/archives/2011/12/umg_v_shelter_c.htm. Specifically, Goldman notes that because internal and third party communications can establish red flag knowledge, plaintiffs can drain defendants’ resources by seeking discovery of voluminous communications between the intermediary and its users. See \textit{id}. (pointing out that, despite its win in court, the video-streaming service Veoh ran out of money: “This case’s real result is that Veoh is legal, but Veoh is dead—killed by rightsowner lawfare that bled it dry.”).


61. Any notice of infringement emanating from the copyright holder itself, of course, must satisfy the formal notice requirements in the DMCA, to avoid unraveling the statutory process. See \textit{UMG Recordings, Inc. v. Shelter Capital Partners LLC}, 718 F.3d 1006, 1024–25 (9th Cir. 2013). See generally 17 U.S.C. § 512(c)(3) (DMCA’s formal notice requirements).

62. See, \textit{e.g.}, \textit{Netcom}, 907 F. Supp. at 1375.
liability standards are neither accidental nor anachronistic; to the contrary, they reflect a normative commitment to distinguishing between those who engage in behavior that is itself harmful and those whose wrong lies in enabling someone else’s harmful acts. Unless these facilitators act with illicit purpose, the law limits their obligation to snuffing out particular instances of infringement, in order to preserve their ability to help legitimate actors. This limitation is intended to ensure public access to technology and intellectual property for socially valuable, non-infringing uses.

II. CONTRIBUTORY TRADEMARK INFRINGEMENT AND THE INTERNET

Given the apparently narrow standard of Inwood, there was some fear among scholars that dealing with online intermediaries under standards of contributory, rather than direct, infringement would effectively provide them immunity in trademark suits. At the other extreme, some (including this author) feared that aggressive liability standards in trademark law would hobble Internet commerce. Contributory trademark doctrine, however, gives courts adequate tools to balance the core principles of intermediary liability. On the one hand, it promises meaningful—not merely symbolic—protection for trademark holders who identify abuses of their trademarks online. On the other hand, by focusing on known acts of infringement, contributory infringement doctrine seeks to avoid interference with legitimate trade, including legal and information-disseminating uses of trademarks. Of course, trademark holders would prefer a standard requiring more aggressive policing by intermediaries, and intermediaries fear the costs of responding to notice of infringement. But the standard emerging in the case law suggests that courts are groping toward a reasonable balance. While courts may

63. See, e.g., Graeme B. Dinwoodie & Mark D. Janis, Confusion Over Use: Contextualism in Trademark Law, 92 IOWA L. REV. 1597, 1605 (2007) (suggesting that rejecting direct infringement claims against those who facilitated infringement would result in “immunity” for search engines and other online intermediaries).
64. See, e.g., Stacey L. Dogan & Mark A. Lemley, Grounding Trademark Law Through Trademark Use, 92 IOWA L. REV. 1669, 1672 (2007) (warning of “a world in which intermediaries, for fear of liability, fail to use consumer-generated trademark signals at all in designing their business models”).
66. See generally Thomas C. Rubin, Leveraging Notice and Takedown to Address Trademark Infringement Online, 37 COLUM. J.L. & ARTS 585 (2014) (explaining that IP owners are in the best position to identify infringement of their rights).
67. So would some scholars. See, e.g., Graeme B. Dinwoodie, Secondary Liability for Online Trademark Infringement: The International Landscape, 37 COLUM. J.L. & ARTS 463 (2014) (describing courts’ current approach to contributory trademark infringement as “wooden” and “binary,” and arguing in favor of a full “least cost avoider” approach).
68. See, e.g., ELEC. FRONTIER FOUND., THE IMPACT OF TRADE AGREEMENTS ON INNOVATION, FREEDOM OF EXPRESSION AND PRIVACY: INTERNET SERVICE PROVIDERS’ SAFE HARBORS AND LIABILITY 3 (2012), https://www.eff.org/files/filenode/ISPLiability_FNL.pdf (noting that “Internet intermediaries often do not have the legal resources to review takedown notices” and that “the cost of compliance means that most Internet intermediaries are not able to bear the costs of hosting critical or unpopular content”).
not dictate design choices or require affirmative policing, they will take the “reasonableness” principle seriously in assessing intermediaries’ response to notice of infringement. And though this reactive approach may appear, at first glance, to be a “wooden” application of the non-interference principle, it may well prove to be an optimal allocation of enforcement efforts between intellectual property holders and intermediaries.

_Tiffany (NJ) Inc. v. eBay Inc._ is the seminal example. Tiffany sued eBay for its failure to stop the widespread counterfeit sales of Tiffany jewelry on eBay’s auction site. Tiffany’s theory was contributory infringement, i.e., that eBay either knew or should have known “that counterfeit Tiffany goods were being sold ubiquitously on its website,” but nonetheless “continued to make its services available to infringing sellers.” eBay, in turn, pointed to its elaborate system for receiving and responding to notices of counterfeit goods sold on its service. In eBay’s view, _Inwood_ limited liability to those who knowingly facilitated particular instances of infringement. Because eBay itself took swift action upon receiving specific knowledge of counterfeit auctions, such a standard would preclude liability against it.

Both the district court and the Second Circuit agreed with eBay’s interpretation of _Inwood_ and its application to the facts of the _Tiffany_ case. On its face, the Second Circuit’s analysis of contributory infringement looks like a rote application of _Inwood_, without much normative inquiry. After reciting the legal standard, the court quoted _Sony_ as endorsing an individual acts-based interpretation of _Inwood_. Having determined, as a matter of doctrine, that _Inwood_ limits liability to parties who know of specific acts of infringement, the court easily concluded that Tiffany had failed to make its case. At least in the contributory infringement portion of its opinion, the court avoided any discussion of reasonableness or whether eBay had an obligation to run its operations responsibly.

The full opinion, however, reveals a more nuanced and contextual analysis of eBay’s reasonableness, not only in responding to infringement, but also in opening itself to knowledge of it. After rejecting the contributory infringement claim under the _Inwood_ standard, the court considered Tiffany’s alternative argument, that eBay should face liability for willfully blinding itself to the pervasive counterfeit sales.
The court agreed with Tiffany that willful blindness could constitute “knowledge” for purposes of contributory infringement, but found willful blindness absent in this case. 80 More specifically, the court upheld the district court’s factual finding regarding willful blindness, which itself was based on a detailed examination of the efforts that eBay made to root out counterfeit auctions. 81 While rejecting the notion that eBay had an obligation to “ferret out” infringement, the district court opinion was rife with images of eBay’s reasonableness in making such ferreting-out possible. 82 The district court opinion thus suggested—without holding—that eBay’s generalized knowledge of widespread counterfeiting required it to do something to facilitate the detection and removal of counterfeit goods. The problem with Tiffany’s argument was that eBay had done something; indeed, it had done a lot:

[T]he evidence establishes that when eBay had general knowledge of counterfeiting on its website, it took reasonable steps to investigate and stop that wrongdoing through general anti-fraud measures. Indeed, eBay has invested significant financial, technological, and personnel resources in developing tools to ferret out and eliminate counterfeit goods from its website. 83

In retrospect, Tiffany was an easy case. eBay not only responded to proven cases of infringement, but also took preemptive efforts to thwart counterfeit sales on its site. If efforts like those were required to avoid a finding of willful blindness, smaller intermediaries could never survive an infringement suit. The Second Circuit’s opinion, however, stopped short of defining willful blindness in this way. As in the copyright context, the court made clear that generalized knowledge of infringement does not make an intermediary willfully blind. Willful blindness, instead, requires deliberate avoidance of knowledge of infringement. 84 eBay’s own actions were almost certainly sufficient, but not necessary, to avoid liability.

Tiffany promotes the core principles of secondary liability in intellectual property law. It does not simply immunize intermediaries; to the contrary, its willful blindness analysis suggests that intermediaries who actively avoid knowledge of infringement face a real risk of liability. The law thus promotes reasonableness in intermediary operations. 85 But it stops short of imposing

80. Id. at 109.
82. Id.
83. Id. at 515.
84. Tiffany, 600 F.3d at 109–10 (suggesting that if eBay had “intentionally shielded itself from discovering the offending listings or the identity of the sellers behind them, eBay might very well have been charged with knowledge”); id. (“When [a service provider] has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way.”).
85. “Reasonableness,” of course, does not require the intermediary to do the impossible, and courts have made clear that contributory infringement defendants must have “sufficient control over the infringing activity to merit liability.” Gucci Am., Inc. v. Frontline Processing Corp., 721 F. Supp. 2d 228, 248 (S.D.N.Y. 2010); see also Ascentive, LLC v. Opinion Corp., 842 F. Supp. 2d 450, 471 (E.D.N.Y. 2011).
requirements that might interfere with legitimate use of technology or, indeed, of trademarks. By limiting enforcement responsibilities to known instances of infringement, the opinion allows resellers and others to make legal, information disseminating uses of marks. In so doing, it leaves open the possibility of fault-based liability against intermediaries who deliberately enable another party’s infringement.

Other opinions follow a similar contextual analysis of contributory infringement, refusing to find liability that might interfere with legitimate operations but imposing it against parties that appear eager to promote or ignore infringement. For example, the Southern District of New York found contributory liability against a credit card company that, even after receiving a copy of a legal complaint of counterfeiting, continued to provide credit card services to the counterfeiter. The Fourth Circuit reversed a grant of summary judgment for Google, based on evidence that the search engine had allowed “known infringers and counterfeitors” to continue to use its keyword-based advertising service. The Northern District of New York allowed a claim alleging that a party “offer[ed] licensing rights to images containing [plaintiff’s] trademarks, despite knowing that the images constituted [trademark] infringement.” In another case, the Southern District of New York rejected a contributory infringement claim against Amazon.com, when Amazon had “specifically sought to bar” the defendant “from infringing on the trademarks of third parties.” Moreover, after receiving specific notice, Amazon had “promptly initiated enforcement action against [the direct infringer] and eventually terminated its contractual relationship with the company in large part because it continued to infringe on plaintiff’s mark.”

Finally, 1-800 Contacts, Inc. v. Lens.com, Inc., while not a traditional Internet intermediary case, further demonstrates the importance of reasonableness and context in contributory trademark infringement standards. The case involved allegations that one of Lens.com’s affiliates had placed confusing ads using 1-800 Contacts’ trademarks as keywords. 1-800 Contacts sued Lens.com for contributory infringement, claiming that it knew of its affiliate’s infringement and failed “to make reasonable efforts to halt the affiliate’s practice.”

86. Cf. Tiffany, 600 F.3d at 103 (in discussing direct infringement claims against eBay, finding no liability because “eBay used the [Tiffany] mark to describe accurately the genuine Tiffany goods offered for sale on its website”); id. at 103 (“To impose liability because eBay cannot guarantee the genuineness of all of the purported Tiffany products offered on its website would unduly inhibit the lawful resale of genuine Tiffany goods.”).
87. Tiffany (NJ) LLC v. Dong, No. 11 Civ. 2183(GBD)(FM), 2013 WL 4046380, at *7 (S.D.N.Y. Aug. 9, 2013) (noting evidence that the defendant “had knowledge that [their clients] traded in counterfeit products, or was willfully blind to that fact”); see also Gucci, 721 F. Supp. 2d at 249.
91. Id.
92. 1-800 Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229 (10th Cir. 2013).
93. Id. at 1237.
94. Id. at 1252.
appeared not to have known about the infringement initially, but on receiving the complaint, it could hardly deny general notice of the confusing ads. Under a wooden application of Inwood, Lens.com would appear to have the better argument. The Tenth Circuit, however, rejected this reading of the precedent, in an opinion that—for the first time—explained the specific-notice requirement as an attempt to reconcile the principles of non-interference and reasonableness:

The obvious rationale for ordinarily requiring that the defendant know the identity of the infringer is that otherwise the defendant could not halt the infringement without also stopping perfectly proper conduct—throwing the baby out with the bath water, so to speak. But what if, as argued in the case before us, the defendant need not know the identity of the infringer to stop the allegedly infringing practice without affecting legitimate conduct? We do not infer from Rosetta Stone and Tiffany that either court would have required knowledge of the particular offender to impose contributory liability in such a situation.

Inwood’s specific-knowledge requirement, in other words, exists to protect the rights of non-infringers to engage in lawful uses of marks—and the right of intermediaries to help them. On the other hand, if the intermediary can cut off the offending conduct without substantially impairing lawful use, then the reasonableness principle suggests that it should do so. In 1-800 Contacts, the facts suggested that Lens.com could have prevented the ongoing infringement simply by sending an email blast to its network of affiliates. Absent such an attempt, the court held that “a reasonable jury could find that during the period between the filing of [the] complaint and Lens.com’s corrective action, Lens.com knew that at least one of its affiliates was publishing an ad bearing 1-800 Contact’s mark, yet it did not take reasonable action to promptly halt the practice.”

Together, these cases reveal contributory infringement as a flexible doctrine designed to promote the core principles of secondary liability. Its inducement branch assures liability for culpable parties. For others—those whose acts create a risk of wrongdoing but who are not wrong themselves—the doctrine takes a contextualized approach to determining what they knew and what they could do with their knowledge. Consistent with the non-interference principle, the doctrine ordinarily limits liability to those who know of specific acts of infringement and fail to use the tools at their disposal to stop it. However, the concept of willful blindness, paired with the “reasonable response” analysis in 1-800-Contacts, together suggest that even those with only generalized knowledge of infringement have a duty not to structure their business to avoid knowledge of infringement, and

95. Id.
96. Id.
97. Id. at 1254.
98. Id.
99. Id. at 1254–55 (emphasis added).
to act responsibly in stopping known, specific infringing acts. The contributory infringement standard in *Inwood*, complemented by a robust doctrine of willful blindness, thus offers a balanced and normatively grounded approach to intermediary liability online.

## III. DIRECT INFRINGEMENT

Unlike the carefully calibrated balance in contributory infringement doctrine, direct infringement claims against intermediaries lack the normative coherence that might both justify them and define their limits. Given the paucity of opinions discussing this type of claim and the flimsiness of theses opinions’ analyses, it may be premature to fret about the doctrine. The two recent opinions that have endorsed direct infringement claims, 100 however, give reason to worry that direct infringement could disturb the balance between culpability, reasonable response and non-interference—a balance that is critical to distinguishing between wrongdoing and risk creation, and thus ensuring the availability of trademarks and technologies for information-facilitating, non-infringing use.

The first opinion, *Rescuecom Corp. v. Google, Inc.*, involved claims against Google based on its keyword advertising program, which allows advertisers to place ads keyed to trademarks as search terms. 101 The plaintiff had alleged that Google’s use of Rescuecom’s marks in this program caused a likelihood of confusion, “in that would-be purchasers (or explorers) of its services who search for its website on Google are misleadingly directed to the ads and websites of its competitors in a manner which leads them to believe mistakenly that these ads or websites are sponsored by, or affiliated with Rescuecom.” 102 Because Google enabled this potential confusion, the court suggested it could face liability as an infringer. 103

*Rescuecom* did not define the scope and contours of Google’s potential direct liability based on keyword ads. The above language suggests that Google could face liability even if it was the advertiser itself that sowed confusion through a misleading ad. The court, however, indicated that its primary concern was whether Google itself was creating confusion by obfuscating the difference between advertisements and search results:

> [Confusion] is particularly [likely], Rescuecom alleges, when the advertiser’s link appears in a horizontal band at the top of the list of search results in a manner which makes it appear to be the most relevant search result and not an advertisement. What Rescuecom alleges is that by the manner of Google’s display of sponsored links of competing brands in response to a search for Rescuecom’s brand name (which fails

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102. *Id.* at 130–31.

103. *Id.* at 130.
adequately to identify the sponsored link as an advertisement, rather than a relevant search result), Google creates a likelihood of consumer confusion as to trademarks. If the searcher sees a different brand name as the top entry in response to the search for “Rescuecom,” the searcher is likely to believe mistakenly that the different name which appears is affiliated with the brand name sought in the search and will not suspect, because the fact is not adequately signaled by Google’s presentation, that this is not the most relevant response to the search.\footnote{104} 

I have elsewhere advocated a reading of Rescuecom that would limit Google’s liability to confusion caused by its presentation of the search results page, rather than the content of particular ads.\footnote{105} Yet the opinion does not specifically limit itself to that context. By allowing a claim against Google based on its “use” of marks to sell advertisements, and by defining confusion by reference to the consumer’s response to particular ads, the court leaves open the possibility of a direct claim against Google for confusion caused by advertisers.\footnote{106} Indeed, the court appeared convinced that it needed direct infringement doctrine to address the risk of inducement: “If we were to adopt Google’s and its amici’s argument, the operators of search engines would be free to use trademarks in ways designed to deceive and cause confusion.”\footnote{107} Under Inwood, however, such use of trademarks would easily satisfy the inducement standard, and therefore direct infringement is unnecessary.\footnote{108}

If Rescuecom is limited to its facts—the allegations that Google confused consumers through placement of ads and search results—then it represents an aberrational but probably harmless use of the doctrine of direct infringement. If, however, future courts interpret Rescuecom to allow direct infringement claims against intermediaries based on confusion sowed by their users, then this new form of direct infringement would conflict directly with the non-interference rule. It is beyond question by now that trademark-focused keyword advertising has many lawful applications—for example, to call attention to competing products, complementary products, used products, criticisms or third-party reviews. By finding an intermediary liable for particular confusing ads, without prior notice, the law would inevitably burden such legitimate speech.

Given this risk and the inconsistency of such a reading with Tiffany (also a Second Circuit opinion), Rescuecom may well be limited to its facts. The Fourth Circuit’s direct infringement analysis in Rosetta Stone, however, is harder to cabin.\footnote{109} In that case, the plaintiff charged Google with direct infringement based on a 2009 policy change, in which Google decided to allow the use of trademarks in the text of keyword-generated ads.\footnote{110} The evidence suggested that, at the time of

\footnote{104} Id. at 131.
\footnote{105} Dogan, “We Know It When We See It,” supra note 30, at ¶ 20 (“Direct liability required Google itself to engage in consumer manipulation.”).
\footnote{106} Rescuecom, 562 F.3d at 131–32.
\footnote{107} Id. at 130.
\footnote{109} Rosetta Stone Ltd. v. Google, Inc., 676 F.3d 144, 144 (4th Cir. 2012).
\footnote{110} Id. at 151–52. From 2004 until 2009, Google allowed keyword-based advertising but prohibited the unauthorized use of trademarks in ads themselves. Before 2004, Google’s policy
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due to the policy change, Google knew that confusion could result from the use of trademarks in ads.\footnote{111} In fact, a number of counterfeiters \emph{had} misused the policy to advertise counterfeit Rosetta Stone software.\footnote{112} Yet undoubtedly, the policy change also enabled perfectly lawful and informative ads, such as advertisements for used versions of the expensive software.\footnote{113} Google’s new policy, in other words, was not in itself illegal or confusing; like other “mixed-use” acts and products, it created a risk that third parties might misuse it in infringing ways.

Because of the mixed-use nature of Google’s service and its secondary role in enabling infringement, the principles of secondary liability have obvious salience. The non-interference principle has special relevance, given the public’s interest in access to trademarks for informational and other uses. Yet the Fourth Circuit ignored those principles and undertook a bizarre, truncated analysis of the “likelihood of confusion” factors used in analyzing direct infringement claims.\footnote{114} Most of these factors, of course, made no sense in a suit against a search engine. Google’s use of the Rosetta Stone mark, the court found, was largely nominative, meaning that factors such as the strength of the mark and similarity between the marks were “clearly of limited value.”\footnote{115} Moreover, because Google did not itself offer products or services under the mark, several additional factors, including similarity in products or services, quality of products and similarities in sales channels and advertising, were also irrelevant.\footnote{116}

After finding almost all of the likelihood of confusion factors inapt, the court was left with only three plausible candidates: intent, actual confusion and consumer sophistication.\footnote{117} The court’s analysis of these factors suggests that direct infringement could turn into an exercise in bare fact finder discretion, which could jeopardize or undo the calibration achieved in the contributory infringement context. On intent, the court concluded that a reasonable fact finder could find that Google “\emph{intended to cause confusion} in that it acted with the knowledge that confusion was very likely to result from its use of the marks.”\footnote{118} This is like saying that a reasonable fact finder could conclude that Sony had \emph{intended to cause} copyright infringement because it knew that some home tapers would use its machine to infringe. Google’s policy change did not create confusion; it enabled

\footnote{111} See \emph{id.} at 156.
\footnote{112} \emph{Id.} at 152.
\footnote{113} \emph{See} Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 128–29 (1947) (allowing use of original manufacturer’s trademarks in connection with the sale of used or reconditioned goods). Google’s policy specifically allowed the use of trademarks in the text of ads in four contexts: “(1) the sponsor is a reseller of a genuine trademarked product; (2) the sponsor makes or sells component parts for a trademarked product; (3) the sponsor offers compatible parts or goods for use with the trademarked product or (4) the sponsor provides information about or reviews a trademarked product.” \emph{Rosetta Stone}, 676 F.3d at 151–52. All of these, of course, constitute lawful uses of third-party marks.
\footnote{114} \emph{Id.} at 154–56.
\footnote{115} \emph{Id.} at 154.
\footnote{116} \emph{Id.} at 155.
\footnote{117} \emph{Id.} at 153–56.
\footnote{118} \emph{Id.} at 156 (emphasis added).
others (including sellers of counterfeit Rosetta Stone products) to do so. The fact that Google knew that some of its advertisers would abuse its advertising policies does not mean that it intended them to do so, any more than the defendants in Tiffany and Sony intended to cause infringement. Google’s knowledge went to risk of confusion, not certainty; both Sony and Inwood proscribe liability under those circumstances. The court’s analysis of intent flatly violated the non-interference principle.

The court’s conflation of Google’s and its advertisers’ acts in its actual confusion analysis is equally problematic. In considering whether consumers were actually confused, the court did not look at Google’s ad policy across the board to determine whether trademarks in ad text consistently caused confusion. Instead, the court looked only at counterfeit ads, and thus attributed to Google the confusion created by counterfeit sellers, who were acting in violation of Google’s ad policy. Again, Google’s ad policy may well have created a risk that this wrongdoing would occur, but it was the ads—not the policy—that led to deception of consumers. Like the auction site in Tiffany v. eBay and the VCR in Sony, the policy enabled both legitimate and illegitimate uses and therefore did not alone cause the “actual confusion” related to the counterfeit ads.

I do not mean to suggest that Google should be immune from liability for confusion caused by advertisements for counterfeit products. If Google knows of a particular advertisement that is hawking counterfeit goods, it has an obligation to disable access to that ad. More generally, Google has a responsibility to keep its eyes open to evidence of actual counterfeit advertisements and sales. Yet these obligations go to its responsibility to help police another party’s wrongdoing; they have nothing to do with whether Google committed a wrongdoing itself by allowing advertisers to use trademarks in the text of ads. Its policy has important informational value to consumers, because it enables them to find used, reconditioned and compatible products. By holding that a jury could find that Google had intentionally created confusion through its policy, the court conflated questions of risk and wrongdoing, and violated the core principles of secondary liability.

IV. CONCLUSION

Given the interests at stake in intermediary liability cases, courts must take care to preserve the careful balance between non-interference, culpability and reasonableness. As the Supreme Court has made clear, special rules apply to parties who do not themselves violate intellectual property rights, but who facilitate others’ infringement. In evaluating their liability, courts must take care not to


120. The evidence of actual confusion consisted of: (1) consumer testimony; (2) an expert report; (3) Google documents and (4) testimony suggesting that Google’s own employees could not tell the difference between ads for genuine and for counterfeit Rosetta Stone products. See Rosetta Stone Ltd., 676 F.3d at 156–59.
interfere with legitimate commerce, including legal and information-disseminating uses of protected trademarks.

If, as seems likely, direct infringement claims against intermediaries are here to stay, courts must take care to distinguish between behavior that is harmful in itself, and behavior that increases the risk of wrongdoing by others. If, as in Rosetta Stone, a policy change by an intermediary increases the risk of infringement but also creates possibilities for non-infringing use, it must be evaluated under standards of contributory infringement and principles of secondary liability. Direct infringement claims should be reserved for behavior that on its own creates the harm that the law seeks to avoid. While a narrow reading of Rescuecom is consistent with that treatment, Rosetta Stone is not. Courts should restore the law of intermediary liability to a system of principled standards, rather than leaving boundless discretion to fact finders.