
CONTRIBUTORY INFRINGEMENT AND SECONDARY LIABILITY FOR TRADE MARKS INFRINGEMENT

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Introduction

Trademark law stands on the principle application to prevent deceptive trade practices and fraud through the use of a particular mark. Such a practice leads to identification of certain mark as indicator and deceives as another's authenticity. The application of marketing over certain platforms has eventually complicated the marketplace such as online platforms where inspection becomes a tedious task to perform. The result of which is evident as increased number of fraud and harm to consumers.¹ Stats in United States are evident of the fact that Internet auction fraud has been a most reported offence which eventually comprises 44.9% of such bulk complaints.² The capital value of counterfeiting product has estimation of around \$600 a year only in United States and a loss result states that only United States has lost around \$200 billion a year in revenue and 750,000 jobs due to Trade Mark improper use.³

A vibrant use of new marketing platforms such as online marketplace in global standard requires some mechanism to block the sale of counterfeit products. A huge debate has emerged regarding the sharing of responsibility for infringement of policing the same. Sharing the responsibility for such purposes should make only Trade mark holders responsible for the acts or along with the platform holders who let their services in a way solicit the propagation of marketing of such unlawful conduct. The requirement of allocating responsibility solely to one party would defeat the principles of natural justice and would seem erroneous to the blamed party. Trademark law seeks to protect both the public and trademark holder by preventing

¹ Virginia Welch Contributory Trademark Infringement: Who Bears the Burden of Policing Online Counterfeit Activity? 13 SMU Sci. & Tech. L. Rev. 361 (2010)

² Justin N. Redman, Post Tiffany (NJ) Inc. v. eBay Inc.: Establishing a Clear, Legal Standard for Online Auctions, 49 JURIMETRICS J. 467, 470 (2009)

³ *Ibid* at 1.

consumer confusion and preventing infringement and unfair misappropriation by competitors respectively.⁴

History of Trade Marks Infringement and Secondary Liability-

The Inwood Test

The inception of the theory of secondary liability to is found to be contributory liability. Like any other principle of intellectual property even this emerged from west. In the year of 1982 United States Supreme Court case of *Inwood v. Ives* at first principled the divided standard of infringement in contribution.⁵ The test elucidated the standard in a two-way form to establish the liability. To claim the contributory infringement, a plaintiff must show that the defendant either;

(1) “Had sufficient intention of inducement to another for infringement.”

(2) “Despite of having sufficient means to know about such counterfeit business transaction, if the platform still provides supply of products”⁶

Hard Rock Test

The United States Seventh Circuit, in *Hard Rock Cafe Licensing Corp. v. Concession Services, Inc.*, extended the ambit of contributory trademark infringement liability to even landlord.⁷ The Ninth Circuit followed the new test in *Fonovisa, Inc. v. Cherry Auction, Inc.*⁸ These circuits courts held that a company is duly responsible for the infringement if at all it permits the use of such intended products on its premises, knowing or having reason to know that the other is acting or will act in violation of trademark law.⁹ It is important to understand that the liability was meant to be extended with a different understanding, although the standard of the test remain unchanged. The first test is meant to be applied with manufacturers and distributors whilst the other test applies to landlords but both of these will direct a liability id the accused had the knowledge of the act or performance of the act. It can be easily understood as the

⁴ Mark Bartholomew, Advertising and the Transformation of Trademark Law, 38 N.M. L. REV. 1, 1 (2008).

⁵ 456 U.S. 844, 854 (1982).

⁶ *Id.*

⁷ 955 F.2d 1143 (7th Cir. 1992).

⁸ 76 F.3d 259 (9th Cir. 1996).

⁹ *Hard Rock*, 955 F.2d at 1148-49; *Fonovisa*, 76 F.3d at 265.

infringement is the product in the Inwood test and the discussion relating to premises is in the Hard Rock test.

Contributory Trademark Infringement-

The common law understanding of contributory infringement is said to be attached when the accused enterprise knows or is believed to know the infringement is being intentionally induced or has been materially propagated.

(1) Knowledge

The requirement of knowledge as a criteria is subjective towards the nature of the product involved. United States Supreme Court while dealing with the question as to nature of the goods held that-

*“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.”*¹⁰

In such instances actual or constructive knowledge may be sufficient to hold a person liable for contributory infringement. Actual knowledge is said to exist when it can be projected that the accused secondary infringer actually knew of specific instances of direct infringement.¹¹

Constructive knowledge is said to exist where an obligation is imposed on the accused in a way that he should have known of the direct infringement.¹² When the supply of a specific service rather than a product is alleged to have been contributed there must be control or direct monitoring of the alleged accused has to be established.¹³ In the instances of copyright cases, the actual knowledge requirement is different as compared to the trademark cases. Mere knowledge is not enough.¹⁴In *Sony Corp. v. Universal City Studios*, the United States Supreme Court did not impose contributory liability where a "staple article of commerce" used in

¹⁰ *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 (1982).

¹¹ *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir. 2001)

¹² *Id.*

¹³ *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir.1999).

¹⁴ *In Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984)

infringement possessed "substantial non-infringing uses."¹⁵ It was held that when a product is evident to be capable of both in. substantially infringing state and non- infringing uses, accused's mere knowledge is not sufficient to establish contributory infringement. Albeit it has very limited application and has not been applied in many cases.¹⁶

2. Inducement/ Material Contribution

There is no set standard for material contribution in Trade Mark infringement cases. Judicial interpretations have only held manufacturers and distribution of infringing products under the garb of contributory infringement. The generally accepted standard is believed to be the case if the defendant had direct monitoring authority or control over the instrumentality which is alleged to have infringed the plaintiff's marks.¹⁷ The amount of control is the key issue in determination of liability. As believed, the standard is lower in Copyright cases. In such cases the accused has to be established in in personal conduct that encourages the infringing act.¹⁸

In *Grokster, Ltd.*, the Supreme held that "one infringes contributorily by intentionally inducing or encouraging direct infringement."¹⁹ There are two branches:

- (1) active participation or inducement activity.
- (2) distributing a product distributees use to infringe copyrights.

Internet Service Providers & Contributory Liability-

In the year of 2005, the United States Supreme Court extended the possibilities of secondary liability against Internet Service Providers (ISPs), even in those cases who have grounded themselves on legitimate purposes.²⁰ In case of *Metro-Goldwyn- Mayer Studios, Inc. v. Grokster* which involved a distributor of an file-sharing platform technology which was used by consumers to download music with illegal means.²¹ Initially the case in hand took over

¹⁵ *Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984)

¹⁶ *MGM Studios, Inc. v. Grokster*, 125 S. Ct. 2764 (2005).

¹⁷ *Lockheed Martin v. Network Solutions*, 134 F.3d 980 (9th Cir. 1999).

¹⁸ *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1019 (9th Cir. 2001).

¹⁹ 545 U.S. 913, 930, 781 (2005).

²⁰ Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in a "Formalistic" Age*, 24 *BERKELEY TECH. L.J.* 897, 909 (2009).

²¹ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 919 (2005).

subject of copyright infringement but the opinions opined in the case shed light on how judicial approach should second the understanding of secondary trade mark infringement, stating:

“It is not only that encouraging a particular consumer to infringe a copyright can give rise to secondary liability for the infringement that results. Inducement liability goes beyond that, and the distribution of a product can itself give rise to liability where evidence shows that the distributor intended and encouraged the product to be used to infringe. In such a case, the culpable act is not merely the encouragement of infringement but also the distribution of the tool intended for infringing use.”²²

The San Jose Division of United States District Court, California, Malletier, S.A. v. Akanoc Solutions, Inc., Louis Vuitton filed a case against hosting companies and their respective owners for having knowledge and still allowing and granting resources such as platforms for infringing Louis Vuitton’s trademarks and copyrights. Jose Division of the United States District Court for the Northern District of California. Plaintiff served several notices to defendants concerning these web sites and infringements, the sites were still either remained operable or were moved to different IP addresses owned by defendants. On discovering the same the plaintiff uncovered several internal communications with regard to complaints and furnished notices to disable such sites. Defendants in response to the same moved an application for summary judgment on the secondary liability infringement claim. The court in response to the same granted Defendant’s move for summary judgment on the issue of vicarious liability claims. With regard to copyright claims of infringement, the Court held that there are no sufficient evidences to furnish the claim of defendant’s having any direct financial interest in the alleged infringement. On the question of Trade Mark infringement court held that there is no apparent infringement as similar to the case of alleged copyright infringement.²³

The whole matrix of the case got a reverse opinion after the jury trial of the matter. In the year 2009 after the trail on merits, the jury returned the findings in favor of Plaintiff while stating that the Defendant knew or had obligations to know/should have known that the customers were eventually infringing Louis Vuitton’s intellectual property such as copyright and trade mark and went on to award \$31 Million in damages on the trademark and copyright claims.

²² *Id.*

²³ Louis Vuitton Malletier, S.A. v. Akanoc Solutions

In European Union before making the service provider liable for the infringement courts have to determine the whether an active role was played by the service provider, and whether the service provider has knowledge and control over the all the date stored by it. In *Louis Vuitton Malletier v. Ebay Inc*²⁴ court held that by not imposing obligations on the sellers of seeking certificate of authenticity of products and not terminating the accounts of guilty seller and by not withdrawing illicit advertisement when the trademark owner informed Ebay committed negligence thereby was ordered to compensate.

Auction Sites & Secondary Liability

In *Tiffany (NJ), Inc. v. eBay Inc.*²⁵, Tiffany acted as plaintiff in the present case sued eBay in lieu of direct and contributory trademark infringement and dilution claims, on the claims that eBay facilitated the online platform and allowed counterfeit Tiffany products to be sold. There were strong allegations and no disputes over responsibility of listing of the products and liability of eBay being the platform owner selling the infringed products. Apart from these claims Tiffany argued that they had served several notices on the infringement since eBay had the obligation to keep a check upon the articles being sold on the website and activities which are seller specific. Plaintiff claimed that despite of such notices eBay refused to turned their infringing products down with immediate effect and suspend such sale activities. In response to the alleged claims made by the plaintiffs eBay gave the response that it was Tiffany's burden to keep a check on the eBay website for counterfeits and to bring counterfeits to eBay's attention. After the trial eBay was declared not liable for contributory infringement by the court. The court applied the Inwood standard and checked whether eBay continued to supply its services to sellers when it knew or had reason to know of infringement by those sellers when a notice was served to eBay by Tiffany intimating infringing goods of Tiffany. Ultimately Court ordered eBay to turn down such sales form all of its websites with immediate effect. eBay immediately removed those listings after the Judgement

Secondary Liability and Indian Courts

*Christian Louboutin SAS v Nakul Bajaj and Ors.*²⁶

²⁴ San Jose Division of United States District Court, California

²⁵ 576 F. Supp. 2d 463 (S.D.N.Y. 2008)

²⁶ 2018 SCC Online Del 12215

In this case Delhi High Court tried to explain the role of online platforms or intermediaries in trademark Infringement. In this case the plaintiff was the owner of registered trademark of women's luxury shoe brand. The products of the plaintiff were sold only through the authorized dealership. The defendant in this case was a website www.darveys.com which was marketing itself as 'luxury brands marketplace'. It was alleged by the plaintiff that defendant was selling counterfeit goods using the trademark of the plaintiff as meta tags and using the mark of the plaintiff on the website. Court examined the website of the defendant and found that Darvey takes responsibility for the authenticity of the products and also facilitates the purchasing and sourcing of the products from third party sellers. It was further found that the website also arranges the transport for the products. Court concluded that the defendant is more than an intermediary as it exercises complete control over the products being sold and held that use of mark in an invoice, displaying advertisement containing the mark, enclosing the goods with its own packaging and selling them onwards would constitute infringement and falsification of u/s 29 of Trade Marks Act. Further the courts held that meta tags by the defendant also constituted infringement.

Conclusion

Contributory Infringements and Secondary infringements in context of Intellectual property with specific concern with Trade Marks is an emerging arena which is giving space to new avenues of legal arguments. The judicial interpretation which has emerged the understanding of contributory infringements is important since Internet being a the market place has no monitoring body over such interests. The issues which came into being through cases emerged in United States initially are having positive repercussions in Indian jurisprudence as well.

But apart from these judicial understanding it requires statutory backing as well which would endorse positive protection and enforcement mechanism to Indian Trade Marks protection and contributory trade related infringements.