WHEN ENOUGH CONTROL IS NOT ENOUGH: THE CONFLICTING STANDARDS OF SECONDARY LIABILITY IN *ROSETTA STONE*

Lauren E. Sims[†]

Today, trademarked terms exist in a variety of forms in online advertising campaigns, including as keyword triggers and in the text of banner advertisements, hidden metatags, and "sponsored links" on search engine results pages. Some of these trademark uses are legitimate exercises of comparative and descriptive advertising. Nevertheless, trademark owners remain wary of the potential for increased competition on the Internet as well as the availability of counterfeit items displaying their trademarks, which may directly decrease sales and injure their marks' goodwill. These concerns have led to a wide range of cases against Online Service Providers (OSPs), which trademark owners believe have the ability to control illegitimate trademark usage through their services.[1]

In the recent case of *Rosetta Stone v. Google Inc.*,[2] the district court in Eastern Virginia granted summary judgment for Google after determining that AdWords, Google's online advertising program, did not violate the Lanham Act.[3] In its complaint, Rosetta Stone alleged that Google should be liable for vicarious and contributory trademark infringement for the sale and display of sponsored links containing trademarked terms, which third parties purchased and formulated.[4] Disagreeing with the plaintiff, the court held that

† J.D. Candidate, 2012, University of California, Berkeley School of Law.

1. *See, e.g.*, Tiffany (NJ) Inc. v. eBay, Inc. (*Tiffany II*), 600 F.3d 93 (2d Cir. 2010) (against the online auction house); 1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400 (2d Cir. 2005) (against software creator that used trademark-related domain names in an index for generating pop-up advertisements); Gov't Emps. Ins. Co. v. Google, Inc. (*GEICO*), 330 F. Supp. 2d 700 (E.D. Va. 2004) (against a search engine operator); Lockheed Martin Corp. v. Network Solutions, Inc. (*Lockheed Martin II*), 194 F.3d 980, 984 (9th Cir. 1999) (against domain registration service).

2. Rosetta Stone Ltd. v. Google Inc., No. 1:09cv736, 2010 US Dist. LEXIS 78098, at *1 (E.D. Va. Aug. 3, 2010) (granting summary judgment for defendant search engine operator predominantly because Rosetta Stone failed to show that sponsored links were likely to cause confusion under the Lanham Act).

3. *Id.* at *2–4.

4. *Id.* at *1–2.

these sponsored links containing Rosetta Stone marks were unlikely to cause consumer confusion and emphasized that Google did not actively attempt to influence or encourage third parties to bid on trademarked terms in keyword auctions.[5]

Rosetta Stone is one of the first cases decided on the merits after the Second Circuit's landmark decision in *Rescuecom v. Google*, which held that OSPs like Google "use" trademarks in commerce in conjunction with their advertising services.[6] Although the *Rosetta Stone* decision turned largely on the plaintiff's failure to establish that the contested sponsored links were likely to cause consumer confusion, the case raises important questions about the mechanics of holding OSPs secondarily liable for infringement due to the actions of third-party advertisers. For example, if a plaintiff establishes a likelihood of confusion based on third-party trademark usage, which test should a court apply to determine whether the service provider is contributorily liable for trademark infringement?

The predominant test for contributory liability, expounded in *Inwood Laboratories v. Ives Laboratories*,[7] imposes liability if a defendant "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."[8] Although the test has traditionally been applied to cases involving manufacturers and producers, it has been expanded to apply to other circumstances, such as those involving landlords whose tenants sold infringing goods on their premises.[9] However, *Lockheed Martin II*[10] amended the *Inwood* test for cases considering online services and required that a service provider have a requisite level of control over the "infringing instrumentality" before the *Inwood* test is applied.[11]

This Note argues that the *Lockheed Martin* test for contributory liability for online services is too stringent in light of the previous tests and conceptions of contributory liability under *Inwood*, which find liability in spite

5. *Id.* at *44–48.

6. Rescuecom Corp. v. Google Inc., 562 F.3d 123, 129–31 (2d Cir. 2009) (definitively determining that "use" under the Lanham Act includes the use of trademarks as keyword triggers).

7. 456 U.S. 844 (1982).

8. *Id.* at 853–54.

9. *See, e.g.*, Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (7th Cir. 1992) (holding that the *Inwood* test for contributory liability could apply to a flea market operator that allowed his tenant-vendor to sell trademark infringing goods on the property).

10. 194 F.3d 980 (9th Cir. 1999).

11. *Id.* at 984.

of a lack of control.[12] Moreover, the test does not provide adequate criteria for determining what "control" means or how much of it is required to impose liability. This lack of guidance is particularly problematic because the test for vicarious trademark liability is essentially a test for whether the defendant has control over third parties. The integration of a control standard into the consideration of contributory liability therefore creates tension between the two forms of liability: is the amount of control necessary for a finding of contributory liability enough for a finding of vicarious liability, given that OSPs only have a limited number of ways to facilitate or interrupt third-party infringers? This Note suggests that due to the features of AdWords and similar OSPs, perhaps such programs should not even be considered strictly "services or products," and therefore adjustments to the traditional tests for contributory liability may be beneficial so long as they are well defined and can be consistently applied to a range of OSPs.

Part I of this Note discusses the evolution of contributory liability as applied in trademark cases. Part II describes Rosetta Stone's claims against Google and summarizes the district court's holdings regarding contributory and vicarious trademark liability. It also discusses how the opinion highlights the inadequacy of guidance for implementation of the current *Lockheed Martin* test for services. Part III discusses the inconsistencies of the application of the *Inwood* test and the test for vicarious liability in *Rosetta Stone*, illustrating the importance of understanding the meaning of "control" in secondary trademark liability claims. Part IV discusses the need for a tailored test for contributory trademark infringement for claims arising from internet activity, given that OSPs are not always easily conceptualized as either products or services. Part V employs the factors used by the district court in *Tiffany v. eBay*[13] to analyze whether such factors would have changed the outcome in *Rosetta Stone*, and argues that a similar set of factors could be developed to provide guidance to courts considering secondary trademark liability claims involving OSPs.

12. *Inwood*, 456 U.S. at 853–54 (explaining the test for contributory liability, which applies "[e]ven if a manufacturer does not directly control others in the chain of distribution").

13. Tiffany (NJ) Inc. v. eBay, Inc. (*Tiffany I*), 576 F. Supp. 2d 463, 506–07 (S.D.N.Y. 2008), *aff'd*, 600 F.3d 93 (2d Cir. 2010).

I. SECONDARY TRADEMARK LIABILITY IN THE ONLINE SERVICES CONTEXT

The judicially-created theory of secondary liability in the trademark context evolved through case law over the last century.[14] Trademark infringement claims arising from the unauthorized use of marks in virtual advertising campaigns, especially for counterfeit goods, grew as the Internet became a retail marketplace.[15] Because courts have recently found that companies may be directly liable for utilizing competitors' trademarks in internet advertising campaigns,[16] the possibility arises that a court could find an OSP contributorily or vicariously liable for enabling those uses.

A. THE EVOLUTION OF THE *INWOOD* TEST FOR CONTRIBUTORY LIABILITY

This Section will discuss the evolution of the standard for contributory trademark liability from its original application to producers and manufacturers substituting one tangible good for another to its more recent consideration in cases concerning OSPs.

1. Inwood *and the Contributory Liability of Producers and Manufacturers*

Inwood Laboratories, Inc. v. Ives Laboratories, Inc.[17] articulated the test for contributory liability that courts have consistently used for more than two

14. *See, e.g.*, J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:17 (4th ed. 2010) (explaining that contributory liability "is a judicially created doctrine 'that derives from the common law of torts' ").

15. *See* Stephan Ott, *AdWords Lawsuits in the USA*, LINKSANDLAW.COM, http://www.linksandlaw.com/adwords-google-court-usa-greico.htm (last visited Nov. 11, 2010) (providing a list of Lanham Act claims against Google through 2009).

16. *See, e.g.*, Austl. Gold, Inc. v. Hatfield, 436 F.3d 1228, 1241 (10th Cir. 2006). In that case, the court affirmed the lower court's finding that the defendant intended to cause consumer confusion by advertising that they were authorized resellers of a product, which they were not, supporting the finding of a likelihood of initial interest confusion. *See id.* at 1238–39. The court found that initial interest confusion created by the ads might divert consumers who then purchased competing products on the defendant's website. *Id.* at 1232–33. Importantly, the first sale doctrine "does not protect resellers who use other entities' trademarks to give the impression that they are favored or authorized dealers of a product when in fact they are not." *Id.* at 1241.

In a similar case, *Hearts on Fire Co. v. Blue Nile, Inc.*, 603 F. Supp. 2d 274 (D. Mass 2009), the court reversed the dismissal of a claim because the purchase of Hearts on Fire marks as keyword triggers was "use" of those marks. *Id.* at 278. Moreover, the court found that this use was potentially infringing, even though the links themselves did not contain the Hearts on Fire marks. *Id.* at 288–89. However, the court did not rule on whether the marks were likely to confuse, remanding to the district court. *Id.* at 282–83.

17. 456 U.S. at 844.

decades.[18] In *Inwood*, the Court considered whether a manufacturer of a generic drug, identical in appearance to its previously patented predecessor, could be held contributorily or vicariously liable for the actions of pharmacists who sold the generic drug in containers labeled with the trademark of the patented drug.[19] The Court explained that

> [e]ven 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 [1] *intentionally induces* another to infringe a trademark, or if it [2] *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 [sic] responsible for any harm done as a result of the deceit.[20]

Thus, the analysis of a contributory trademark infringement claim requires the application of a two-part test, where liability should be imposed if either factor is established, regardless of whether a manufacturer "directly control[s] others."[21]

Early contributory liability cases focused on the actions of manufacturers or distributors that provided products to retailers who subsequently substituted them for more expensive, trademarked goods. For instance, in *Warner & Co. v. Eli Lilly*,[22] the court found that a distributor of Quin-Coco, a copycat product of Coco-Quinine, was contributorily liable for market substitutions made by pharmacists.[23] Quin-Coco salesmen suggested that their product could be substituted for Coco-Quinine products without consumer detection.[24] However, where the manufacturer was unaware of unauthorized substitutions made by third parties, courts have not held the manufacturer to be contributorily liable. For example, in *Coca-Cola Co. v. Snow Crest Beverages, Inc.*,[25] the court considered whether the manufacturer of "Polar Cola" could be liable for bartenders' use of this cheaper concoction instead of Coca-Cola in their mixed drinks.[26] The court held that the Polar Cola

18. *See id.* at 853.
19. *Id.* at 849–50.
20. *Id.* at 853–54 (emphasis added).
21. *Id.*
22. 265 U.S. 526 (1924).
23. *Id.* at 531.
24. *Id.* at 529–30.
25. 64 F. Supp. 980 (D. Mass. 1946).
26. *Id.* at 987 (discussing the general concerns of the Coca-Cola Company regarding the use of the "Polar Cola" trademark by Snow Crest Beverages and the sale of "Polar Cola" in bars which Coca-Cola also supplied its product).

manufacturer was not secondarily liable under a test equivalent to that in *Inwood*[27] because the manufacturer did not intentionally induce bars to use the less expensive Polar Cola and did not have the requisite knowledge to trigger a duty to investigate whether bars were making such substitutions.[28]

2. *New Applications of* Inwood: *The Development of the* Lockheed Martin *Test for Contributory Liability of Online Service Providers*

While *Warner* and *Coca-Cola Co.* are typical of many cases in which courts apply the *Inwood* test, the doctrine has evolved to address a wider range of issues. In *Hard Rock Cafe Licensing Corp v. Concession Services Inc.*,[29] the court held that, on remand, a flea market operator who rented space to a vendor selling counterfeit merchandise could be held contributorily liable for trademark infringement if the court found the operator to be willfully blind to the third party's infringement.[30] The court noted that there was potential confusion about whether the *Inwood* test could be applied to persons who did not manufacture or distribute infringing goods.[31] In dicta, the court suggested that employees hired to help construct the space used by a vendor selling

27. Although this case preceded *Inwood*, the court asked the following questions of law:

> (a) Was defendant under a duty not to sell its product to a bar for use by that bar in filling a customer's general order for a Cuba Libre or a rum (or whiskey) and cola?
>
> (b) Before it had notice that some bars in filling a customer's specific order for a rum (or whiskey) and Coca-Cola used a substitute cola, was defendant under a duty to investigate possible passing off, or to take steps to safeguard against such passing off, or to eliminate or curtail sales of its product?
>
> (c) After it had notice that some unnamed bars in filling a customer's order for a rum (or whiskey) and Coca-Cola used a substitute cola, was defendant under a duty to investigate such passing off, or to take steps to safeguard against such passing off, or to eliminate or curtail sales of its product?

Id. at 988.

28. *Id.* at 988–89. In its analysis, the court treated "cola" as a generic term for a category of soft drink, and would have found liability only where a customer requested "Coca-Cola" and received a different kind of cola instead. *Id.* Thus, Snow Crest could have been subject to liability if its salesmen induced substitutions, or if a normal bottler would have known that most patrons asking specifically for "Coca-Cola" received Polar Cola from bartenders. *Id.* at 989. This distinction is important in the context of trademark use on the Internet. Claims involving keyword triggers often focus on the use of trademarks to trigger advertisements for competing products. *Rosetta Stone* and *Coca-Cola* can be analogized: in each, the consumer "asks" for one thing (e.g., "Rosetta Stone") and gets another ("Berlitz"). *See id.*

29. 955 F.2d 1143, 1148 (7th Cir. 1992).

30. *Id.*

31. *Id.*

counterfeit products would likely not be liable, even if they knew of the illegal intentions of the vendor.[32] This dicta thus distinguished between manufacturers and "temporary help services," finding that under certain circumstances,[33] an errant landlord in a landlord-tenant relationship should be treated in the same way as a manufacturer if it allows a tenant "on its premises 'knowing or having reason to know that the other is acting or will act tortuously.' "[34]

The rise of the Internet as a medium for retail and advertising has shifted the focus to a new type of secondary liability trademark infringement action. Such infringement claims concern both the dissemination of counterfeit goods[35] and the misdirection of consumers to websites offering products competing with those advertised.[36] One of the first major cases to consider the online use of trademarks was *Lockheed II*.[37] Lockheed Martin claimed that Network Solutions, Inc. (NSI), a domain name registration service, infringed its trademarks by registering domain names similar or identical to Lockheed Martin's marks.[38] The Ninth Circuit held that NSI was not liable for direct infringement based on the reasoning of the district court that found that NSI had not "used" the marks in commerce.[39] Of note is the district court's

32. *Id.*

33. The court found that if, under the correct standard for contributory liability, the plaintiff established that defendant had suspected that the vendor would sell counterfeit products, the lower court may determine on remand that the market operator had been willfully blind and therefore contributorily liable. *Id.* at 1148–49.

34. *Id.* at 1149 (quoting RESTATEMENT (SECOND) OF TORTS § 877(C) & cmt. d (1979)).

35. *See, e.g.*, *Tiffany II*, 600 F.3d 93, 96 (2d Cir. 2010) (explaining Tiffany's claim against the online auction service because of the availability of counterfeit "Tiffany" merchandise for purchase).

36. *See, e.g.*, Austl. Gold, Inc. v. Hatfield, 463 F.3d 1228, 1240–41 (10th Cir. 2006) (finding an unauthorized distributor liable for trademark infringement for using the plaintiff's trademark as a metatag and for advertising plaintiff's products through sponsored links on Overture.com, indicating an intent to cause consumer confusion).

37. 194 F.3d 980 (9th Cir. 1999).

38. *Id.* at 983. Specifically, Lockheed Martin contended that NSI registered names similar to its "Skunk Works" service mark. *Id.*

39. *Id.* at 984–85 (deferring to the district court's "excellent analysis on the" question of whether NSI supplied a product or a service); *see also* Lockheed Martin Corp. v. Network Solutions, Inc. (*Lockheed Martin I*), 985 F. Supp. 949, 961(C.D. Cal. 1997), *aff'd*, 194 F.3d 980 (9th Cir. 1999) (describing NSI as an agent and noting that "NSI is involved only in the registration of domain names, not in the use of domain names in connection with goods and services on the Internet. . . . Infringing acts occur when a domain name is *used* in a Web site or other Internet form of communication in connection with goods or services.") (emphasis added) (relying on *Planned Parenthood Fed'n of Am. v. Bucci*, 42 U.S.P.Q.2D (BNA) 1430, 1437 (S.D.N.Y. 1997)). In its decision about "use," the district court noted that there are two purposes of domain names—a technical purpose as an address and an identification purpose

statement that, "[b]ecause of the inherent uncertainty of a trademark owner's right to stop others from using words corresponding to the owner's trademark in a domain name, the Court finds that an extension of contributory liability here would improperly broaden Lockheed's property rights in its service mark."[40]

Most significantly, the court in *Lockheed Martin II* affirmed the district court's addition of a control prerequisite to the *Inwood* test, citing the reasoning of *Fonovisa, Inc. v. Cherry Auction, Inc.*[41] and *Hard Rock Cafe*[42]:

> *Hard Rock* and *Fonovisa* teach us that when measuring and weighing a fact pattern in the contributory infringement context without the convenient 'product' mold dealt with in *Inwood Lab.*, we consider the extent of control exercised by the defendant over the third party's means of infringement. . . . *Direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark* permits the expansion of *Inwood Lab.*'s 'supplies a product' requirement for contributory infringement.[43]

The court reasoned that in *Hard Rock Cafe* and *Fonovisa*, the licensing relationship established between the swap meet operators and vendors gave the market operators "direct control over the activity that the third-party alleged infringers engaged in on the premises."[44] In the case of NSI, the court held that NSI was unable to control or monitor the websites located at the contested domain names because NSI merely registered them.[45] However, because *Lockheed Martin II* involved a very specific type of OSP—a

as an indication of the source of products—and NSI's use was only "to designate host computers on the Internet. This is the type of purely 'nominative' function that is not prohibited by trademark law." *Lockheed Martin I*, 985 F. Supp. at 957. This type of use might be differentiable from a service like sponsored links, where the advertisement text actively links to a website with infringing content. However, for a finding of trademark infringement, a trademark owner will still need to prove that particular links were likely to cause consumer confusion.

40. *Lockheed Martin I*, 985 F. Supp. at 967.

41. 76 F.3d 259, 265 (9th Cir. 1996) (finding that the plaintiff had properly stated a claim for contributory trademark liability by pleading that swap-meet operator Cherry Auction was willfully blind to the sale of bootleg copies of Latin/Hispanic music recordings and holding that "a swap meet can not [sic] disregard its vendors' blatant trademark infringement with impugnity [sic]").

42. 955 F.2d 1143 (7th Cir. 1992).

43. *Lockheed Martin II*, 194 F.3d at 984 (emphasis added).

44. *Id.* at 985.

45. *See id.* at 984–85 (relying on *Lockheed Martin I*, 985 F. Supp. at 958). The facts of the case from the district court opinion elucidated that approximately ninety percent of domain name applications were processed without "human intervention." *Id.* at 953.

registering agent—it is not completely clear how its iteration of the *Inwood* test is to be applied in other internet-related scenarios.

Some scholars have rejected *Lockheed Martin II*'s addition of a control prerequisite to the *Inwood* test. These scholars argue that this standard is inconsistent with prior case law and is "doctrinally unsound."[46] For instance, Jason Kessler argues that "[w]hen the courts in *Hard Rock* and *Fonovisa* extended the *Inwood* test to apply to actors that were not manufacturers or distributors, they did not change the actual test; they changed the parties to whom they were applying the test."[47] Kessler's argument is consistent with the language of *Inwood*, which noted that the test should be applied "[*e*]*ven if* a manufacturer *does not* directly control others in the chain of distribution . . . ."[48] Similarly, William Barber notes that "[t]he court's explanation of why NSI was not guilty of contributory infringement is slightly disjointed," and points out that the application of the "direct control and monitoring" language to the case was inconsistent.[49]

The addition of a control standard to contributory liability seems unnecessary given that the requirements of the "continues to supply" factor of the *Inwood* test are already difficult to meet: not only must a plaintiff prove a direct infringement claim—namely by showing that the use of the trademark was in a manner likely to confuse—but that the OSP knew or should have known that specific third parties were infringing. Moreover, one might argue that an element of "control" is already incorporated into the knowledge standard, which serves to mitigate the level of liability: if OSPs function predominantly through automated processes, then they likely have little human knowledge of how third parties are specifically using their services. Nevertheless, the augmented test from *Lockheed* continues to be applied to cases involving OSPs.

---

46. Jason Kessler, *Correcting the Standard for Contributory Trademark Liability over the Internet*, 39 COLUM. J.L. & SOC. PROBS. 375, 386 (2006) (offering an in-depth analysis of why the alteration of the *Inwood* test in *Lockheed Martin II* was incorrect). *See also* Kenneth A. Walton, *Is a Website Like a Flea Market Stall? How* Fonovisa v. Cherry Auction *Increases the Risk of Third-Party Copyright Infringement Liability for Online Service Providers*, 19 HASTINGS COMM. & ENT. L.J. 921, 944 (1997) (analogizing an OSP to the swap meet owner in *Fonovisa*, but specifically addressing copyright, not trademark, infringement).

47. Kessler, *supra* note 46, at 404.

48. Inwood Labs. v. Ives Labs., 456 U.S. 844, 853 (1982) (emphasis added).

49. William G. Barber et al., *Recent Developments in Trademark Law: Cybersquatters Run for Cover, While Copycats Breathe a Sigh of Relief*, 9 TEX. INTELL. PROP. L.J. 231, 266 (2001).

3. After Lockheed Martin*: Setting the Stage for* Rosetta Stone

Since the *Lockheed Martin II* decision, rulings on technical aspects of the Lanham Act, such as what constitutes "use" in commerce,[50] have come to form the legal framework for online trademark infringement claims.[51] In the landmark case of *Rescuecom Corp. v. Google Inc.*,[52] the Second Circuit held that the purchase of trademarks as keyword triggers is "use" in commerce under the Lanham Act.[53] The court held that, on remand, Google could not avoid liability for the use of trademarks by advertisers through its AdWords service if the placement and content of the links caused consumers to be confused about the nature of the products that they ultimately purchased.[54]

In two other significant cases, the court applied *Lockheed Martin II*'s modified *Inwood* test for contributory liability to OSPs and found insufficient control to hold them contributorily liable for third-party trademark infringement. First, in *Perfect 10, Inc. v. Visa International Service Ass'n*,[55] the court denied Perfect 10's action against Visa for processing credit card transactions for illegal purchases through third-party websites hosting

50. *See, e.g.*, Rescuecom Corp. v. Google Inc., 562 F.3d 123, 129–31 (2d Cir. 2009) (finding that Google's advertising service "uses" trademarked terms in commerce, without ruling on the merits of the trademark claim).

51. One of the first cases to consider a Lanham Act claim on the Internet was the oft-cited case, *1-800 Contacts Inc. v. WhenU.com*, 414 F.3d 400 (2d Cir. 2005). That case involved the indexing of domain names containing trademarked terms and a software program that triggered pop-up advertisements for a related product triggered by a user's visit to one of those websites. *Id.* at 404–05. The court determined that the program did not "use" trademarked terms in commerce because the advertisements themselves did not contain any of the trademarked terms and the advertisements were generated randomly (advertisers could not purchase "triggering" domain names). *Id.* at 408–09.

Courts were also asked to determine what constituted "use" in commerce in *GEICO*, 330 F. Supp. 2d 700 (E.D. Va. 2004). The court found that Google may be held liable because it "used [GEICO's] trademarks by allowing advertisers to bid on the trademarks and pay defendants to be linked to the trademarks." *Id.* at 704. On remand, however, the court dismissed claims for advertisements not containing GEICO's marks, but stayed a finding that the evidence supported the likelihood of confusion in order to allow the parties to negotiate a settlement. *See* Gov't Emps. Ins. Co. v. Google, Inc., 2005 U.S. Dist. LEXIS 18642, at *26–27 (E.D. Va. Aug. 8, 2005).

52. 562 F.3d 123 (2d Cir. 2009). For an in-depth analysis of the impact of the *Rescuecom* decision and the types of confusion with respect to Internet trademark usage, see generally Kristin Kemnitzer, Note, *Beyond* Rescuecom v. Google*: The Future of Keyword Advertising*, 25 BERKELEY TECH. L.J. 401 (2010).

53. *See Rescuecom*, 562 F.3d at 131–41 (appending a survey of the history of internet trademark cases and secondary materials supporting the court's finding that particular "uses" of trademarks on the Internet constitute "use in commerce" under the Lanham Act).

54. *Id.* at 130.

55. 494 F.3d 788 (9th Cir. 2007).

copyrighted Perfect 10 content.[56] The court held that Visa did not have enough direct control over the third parties' infringement mechanisms to apply the *Inwood* test, partially because the credit card payment network "[was] not the instrument used to infringe Perfect 10's trademarks."[57] Similarly, Visa did not have enough control to be vicariously liable.[58]

In the second case, *Tiffany II*,[59] the Second Circuit held that the popular online auction house was not liable for trademark infringement for the counterfeit goods sold through its website.[60] In considering the claim of contributory liability, the *Tiffany II* court applied the same reasoning as the *Lockheed Martin II* court, noting that "the Ninth Circuit concluded that *Inwood*'s test for contributory trademark infringement applies to a service provider if he or she exercises sufficient control over the infringing conduct."[61] Because eBay did not dispute that it was subject to the *Inwood* test, the appellate court did not discuss the level of control necessary to apply the test. However, the Second Circuit noted the district court's conclusion that "*Inwood* applied in light of the 'significant control' eBay retained over the transactions and listings facilitated by and conducted through its website."[62] The district court's ruling included a detailed analysis of eBay's control, noting five major reasons why the *Inwood* test should apply: (1) the company preserves control over the software for listings and "facilitates transactions between" buyers and sellers; (2) eBay "has actively promoted the sale of Tiffany jewelry items" and suggested "Tiffany" to sellers as a keyword; (3) eBay earns revenue from the sale of items on its website; (4) some categories of items are completely controlled by eBay, such as the blanket prohibitions

56. *Id.* at 792–93.

57. *Id.* at 807.

58. *Id.* at 807–08. *But see* Kelly Yang, Note, *Paying for Infringement: Implicating Credit Card Networks in Secondary Trademark Liability*, 26 BERKELEY TECH. L.J. 687 (2011) (suggesting that, had the *Perfect 10* court recognized the differences between actors in the credit card industry, it may have found that acquirers possess sufficient control over infringing merchants to be held secondarily liable).

59. 600 F.3d 93 (2d Cir. 2010).

60. *Id.* at 110.

61. *Id.* at 104–05 (relying on *Lockheed II*, 194 F.3d 980, 984 (9th Cir. 1999)).

62. *Id.* at 105–06. The court ultimately found that eBay was not contributorily liable for trademark infringement because generalized knowledge of third party infringement is not sufficient to impose liability on an OSP. *Id.* at 109. For a discussion regarding the need to develop a more dynamic framework to balance the protection of online marketplaces from counterfeiters with the practical difficulties of monitoring trademark usage without specific knowledge of offending parties, see Michelle C. Leu, Note, *Authenticate This: Revamping Secondary Trademark Liability Standards to Address a Worldwide Web of Counterfeits*, 26 BERKELEY TECH. L.J. 591 (2011).

for firearms and alcohol; and (5) eBay is more than just an online classifieds service and not privy to an "innocent infringer"[63] defense.[64]

B. VICARIOUS TRADEMARK LIABILITY

Generally, vicarious liability cases involve the distribution of products by one or two known defendants, and the question of "joint ownership . . . or control" turns on whether the defendant exercised some control over the products after they were distributed to the third-party infringers.[65] Vicarious liability has not been clearly defined in trademark law despite the fact that courts have considered this type of liability in a number of trademark cases.[66] McCarthy's leading treatise on trademark defers to the reasoning set forth in *Hard Rock Cafe*, in which the court held that a flea market operator could be secondarily liable for trademark infringement for allowing a vendor to sell counterfeit merchandise:

> The Seventh and Ninth Circuits have characterized as 'vicarious liability' the responsibility of one who has an apparent or actual partnership with the infringer or who

63. 15 U.S.C. § 1114(2)(B) (2006) provides the following exception to infringement:
> Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of title 18, United States Code, the remedies of the owner of the right infringed or person bringing the action under section 43(a) [15 USCS § 1125(a)] as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

64. *Tiffany I*, 576 F. Supp. 2d 463, 506–07 (S.D.N.Y. 2008), *aff'd*, 600 F.3d 93 (2d Cir. 2010).

65. *See, e.g.*, David Berg & Co. v. Gatto Int'l Trading Co., 884 F.2d 306, 308, 311 (7th Cir. 1989) (finding that a distributor of meat products was not vicariously liable because it did not retain control over the products after selling them to the meat broker that infringed upon the plaintiff's trademark).

66. *See, e.g.*, Mark Bartholomew, *Copyright, Trademark and Secondary Liability After* Grokster, 32 COLUM. J.L. & ARTS 445, 446 (2009) (noting that "[c]ases like *Perfect 10 v. Visa* and *Tiffany v. eBay* show courts struggling with an unruly body of law that offers little guidance in confronting issues surrounding new technologies that are capable of facilitating mass infringement of copyrights and trademarks").

> exercises joint ownership or control over the infringing product.[67]

Previous cases considering vicarious liability are most helpful for describing what vicarious liability in trademark law is not—mainly that it is not applied as broadly as vicarious liability in copyright law.[68] Moreover, vicarious liability has not been adjudicated in a number of recent cases considering secondary trademark liability for OSPs.[69] *Rosetta Stone*, being one of the first internet-related cases to consider the matter, applied the test for vicarious liability without contrasting the notion of control under vicarious liability to that under contributory liability.[70]

There are few examples of the application of vicarious liability in trademark law. In *Hard Rock Cafe*, the court found that the landlord-operator of a flea market was not liable for the actions of his vendor because the landlord-tenant relationship itself did not rise to a culpable level of partnership.[71] The court noted that the protection for trademark owners is much narrower than the protection for copyright holders; however, it did not elucidate a clear test for control in the context of vicarious liability.[72]

---

67. MCCARTHY, *supra* note 14, § 25:22 (referring to the Seventh Circuit case *Hard Rock Cafe Licensing Corp. v. Concession Servs. Inc.*, 955 F.2d 1143 (7th Cir. 1992), and the Ninth Circuit case *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996)).

68. *See, e.g.*, Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 439 (1984); *see also Hard Rock Cafe*, 955 F.2d at 1150 ("[T]he Supreme Court tells us that secondary liability for trademark infringement should, in any event, be more narrowly drawn than secondary liability for copyright infringement.") (relying on *Sony Corp.*, 464 U.S. at 439).

69. *See, e.g.*, *Tiffany II*, 600 F.3d 93 (2d Cir. 2010) (considering contributory liability, but not vicarious liability).

70. Rosetta Stone Ltd. v. Google, Inc., No. 1:09cv736, 2010 US Dist. LEXIS 78098, at *45–48 (considering vicarious liability without discussing the immediately preceding analysis of contributory liability). In fact, the *Rosetta Stone* court appears to impart considerations from *Inwood*'s contributory liability test, noting that

> [w]ithout evidence that Google's Keyword Tools or its employees direct or influence advertisers to bid on the Rosetta Stone Marks, Rosetta Stone has not shown that Google controls the appearance and content of the Sponsored Links and the use of the Rosetta Stone Marks in those Links. Therefore, vicarious liability cannot be imposed on Google.

Id. at *48.

71. *Hard Rock Cafe*, 955 F.2d at 1150 n.4. The court noted that this landlord-tenant relationship, without something more, such as the sharing of profits from illegal goods, would similarly not rise to a level of partnership required for liability under copyright law. This case is discussed in further detail *supra* Section I.A.2.

72. *Id.* at 1150.

II. CONTRIBUTORY AND VICARIOUS LIABILITY IN *ROSETTA STONE*

A. THE PARTIES

Rosetta Stone produces a popular line of language software for which the U.S. Patent and Trademark Office has granted a number of marks.[73] The company promotes its products in a variety of ways, including hosting advertisements on the Internet with services like AdWords and allowing select retailers—such as Amazon.com and eBay—to use Rosetta Stone's marks to publicize that their sites sell Rosetta Stone products.[74]

Google operates the popular search engine by the same name.[75] The company allows users to search using Google for free and relies upon associated services—such as online advertising—to garner income. These services raised approximately $23 billion in 2009.[76] One such form of advertising is the company's display of "sponsored links" alongside search results, which are generated in response to the specific terms entered by a user. Should a user "click" on these links, she will be taken to the website of that advertiser, which often offers products for sale. For every click-through to a sponsored link site, Google receives a small commission fee.[77] This display of sponsored links is operated by a program called "AdWords Select Advertising Program" ("AdWords Program"). Because ads appear in response to keyword searches, consumers searching for specific products or services may be attracted to the prominently-listed sponsored links and purchase items from those websites, even if they were initially searching for a different item.[78] In Google's AdWords Program, advertisers bid, as at an auction, on a set of "keywords" from a list that is "generated algorithmically using Google's keyword tools."[79] There are three such tools: "(1) Keyword Tool; (2) Query Suggestion Tool; and (3) a trademark-specific version of the Query Suggestion Tool."[80] Although Google is able to filter some trademarks

73. *Rosetta Stone*, 2010 U.S. Dist. LEXIS 78098, at *4–5.

74. *Id.* at *5–6.

75. *Id.* at *6. Approximately seventy percent of searches on the Internet are performed using Google's engine. *Id.* at *8.

76. *2010 Financial Tables*, Google Investor Relations, http://investor.google.com/financial/tables.html (last visited Nov. 10, 2010).

77. *Rosetta Stone*, 2010 U.S. Dist. LEXIS 78098, at *9–10.

78. *Id.* at *10–11 (explaining, in part, that "advertisers are able to place their advertising in front of consumers who identify themselves as interested in certain products or services offered by the advertisers' companies").

79. *Id.* at *10.

80. *Id.*

and does so after receiving certain types of complaints from trademark owners, advertisers may circumvent such filters in some situations.[81] AdWords generates a sponsored link if the quality of the advertisement—as determined by Google—and bid amount are "sufficiently high."[82]

B. GOOGLE'S TRADEMARK POLICY FOR ADWORDS

The trademark policy for Google AdWords users has changed several times since the program's launch in 2002. Originally, Google's policy protected only certain types of trademarks—allowing anyone to use trademarks that Google deemed generic or descriptive.[83] This policy allowed some trademark owners to request that Google bar some advertisers from using their marks in advertisement text.[84]

The company liberalized its policy in 2004, permitting advertisers to bid on all trademarks for keyword triggers, but it continued to forbid the usage of those marks in advertisement text.[85] In 2006, Google explained that, while their trademark policy allowed owners to contest the use of their marks in advertisement text, it did not entertain complaints pertaining to the use of trademarks as keyword triggers.[86] Under the 2004 policy, individuals who wished to use a blocked trademark in ad text could obtain permission from the trademark holder through a specifically-worded letter submitted to AdWords. AdWords would then unblock use of the trademark for that advertiser.[87]

---

81. *See, e.g.*, Kuhlman, Nikki, *Google AdWords Trademark Policy Changes—Hooray!*, JUMPFLY (May 18, 2009), http://blog.jumpfly.com/public/item/google-adwords-trademark-policy-changes-hooray-0335. However, Google is currently transitioning to an updated version of its Keyword Tool, a description of which is available on the Google AdWords Blog. *See* Kurnit, Katrina, *More Relevant Traffic Estimates Now in the Updated Keyword Tool*, INSIDE ADWORDS (April 29, 2010), http://adwords.blogspot.com/2010/04/more-relevant-traffic-estimates-now-in.html.

82. *Rosetta Stone*, 2010 U.S. Dist. LEXIS 78098, at *10.

83. *See* Susan Kuchinskas, *Google Asks Judge to Lay Down Trademark Law*, CLICKZ (Dec. 5, 2003), http://www.clickz.com/clickz/news/1711944/google-asks-judge-lay-down-trademark-law.

84. Garry Przyklenk, *Google AdWords Allows Trademark Usage in Search Ads*, PPC-ADVICE.COM (May 19, 2009), http://www.ppc-advice.com/2009/05/19/google-adwords-allows-trademark-usage-in-search-ads/.

85. *See* Pamela Parker, *Google Shifts Trademark Policy*, CLICKZ (April 13, 2004), http://www.clickz.com/clickz/news/1703954/google-shifts-trademark-policy.

86. Judy, *AdWords Trademark Policy (Part 1 of 2)*, INSIDE ADWORDS (Dec. 13, 2006), http://adwords.blogspot.com/2006/12/adwords-trademark-policy-part-1-of-2.html.

87. *See, e.g.*, Kuhlman, *supra* note 81; *see also* Judy, *AdWords Trademark Policy (Part 2 of 2)*, INSIDE ADWORDS (Dec. 15, 2006, 10:43 AM), http://adwords.blogspot.com/2006/12/adwords-trademark-policy-part-2-of-2.html (stating that, if a complaint has been received

Google most recently changed its policy in the United States in May 2009, allowing the use of trademarks without deference to requests by trademark owners not to let others use their marks.[88] The current policy explains that the company is "willing to perform a limited investigation of reasonable complaints about use of trademarks in ads," but allows (1) use of the terms in descriptive or generic ways and (2) use of trademarks in nominative ways to refer to the trademarked goods if the website resells those goods or components for them, or if the website offers information about the products.[89]

Google has stated that the change will help make "trademark use in ad text more in line with the industry standard," explaining that not allowing trademark usage would be like creating an advertisement for a supermarket sale that only listed categories—cola, snacks—instead of the actual brands.[90] However, this statement is slightly questionable given that, as the leading search engine, Google likely has the ability to set the "industry standard" for internet advertisement programs.

C. ROSETTA STONE'S CONTRIBUTORY AND VICARIOUS INFRINGEMENT CLAIMS AGAINST GOOGLE

Rosetta Stone argued that Google should be contributorily and vicariously liable for its AdWords Program.[91] A central claim was that

from a trademark owner, then "unless the trademark owner specifically grants you permission to use their trademarked term by contacting our Trademark team, we are not able to approve the use of the trademark in your AdWords ads").

88. Kuhlman, *supra* note 81.

89. *What Is Google's Trademark Policy for Resellers and Informational Sites?*, ADWORDS HELP, https://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=145626 (last visited Nov. 9, 2010).

90. Dan Friedman, *Update to U.S. Ad Text Trademark Policy*, INSIDE ADWORDS (May 14, 2009, 3:38 PM), http://adwords.blogspot.com/2009/05/update-to-us-ad-text-trademark-policy.html.

91. Rosetta Stone filed an a Notice of Appeal to the Fifth Circuit on August 31, 2010, and its corresponding brief on October 25, 2010. Brief of Appellant at *46–51, Rosetta Stone Ltd. v. Google Inc. (5th Cir. Oct. 25, 2010), No-10-2007, 2010 WL 4818781. In the portion of its brief contesting its claims of secondary liability, Rosetta Stone argues that the court did not adequately consider that Google induced third parties to bid on keywords to make sponsored links more profitable. *Id.* at *47. Under the "continues to supply" portion of the *Inwood* test, the appellant argues that the court did not properly consider the evidence of 200 complaints to Google about the infringing activity and allowed third parties to continue to use the AdWords service despite them. *Id.* at *47–48. On the claim of direct infringement, Rosetta Stone argues that the court erroneously found that Google does not " 'direct or influence' " third parties to bid on trademarked terms, noting that their "evidence shows that Google and its employees directed or influenced Google customers to bid on trademarks and to use those trademarks in the text of their sponsored links." *Id.* at *50–51. Thus,

allowing the purchase of the Rosetta Stone marks to trigger advertisements encouraged third parties to infringe on its trademarks.[92] Moreover, it argued that the links misdirected customers by taking "users to websites of companies that (i) compete with Rosetta Stone, (ii) sell language education programs from Rosetta Stone's competitors, (iii) sell counterfeit Rosetta Stone products, or (iv) are entirely unrelated to language education."[93] Rosetta Stone's main contention was that, because Google profited on each sponsored link clicked, the AdWords keyword auction constituted trademark infringement.[94] The district court held that there was no likelihood of confusion, finding any evidence of actual confusion to be insufficient[95] and finding Google's newly invented tools for detecting and monitoring infringing uses to have mitigated any intent to profit from Rosetta Stone's marks.[96] In the future, for secondary liability claims to be sustained, a plaintiff must show that advertisements directly infringe the trademark owner's marks.[97]

Rosetta Stone's appeal as to secondary liability focuses on the district court's failure to find the evidence supportive of its contributory and vicarious liability claims, not the underlying doctrinal inconsistencies that this Note considers.

92. Rosetta Stone Ltd. v. Google, Inc., No. 1:09cv736, 2010 U.S. Dist. LEXIS 78098, at *14 (E.D. Va. Aug. 3, 2010).

93. *Id.* at *14–15.

94. *See* 15 U.S.C. § 1114(1) (2006). The language of the Lanham Act relevant to the present case was provided by the court:

> Any person who shall, without the consent of the registrant—(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the . . . advertising of any goods or services or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or (b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such . . . to be used in commerce upon or in connection with the . . . advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant . . . .

95. Rosetta Stone presented five witnesses who had been directed to sellers of counterfeit Rosetta Stone merchandise. *Rosetta Stone*, 2010 U.S. Dist. LEXIS 78098, at *28–29. The consumers testified that they had not been confused as to the source of the goods—they were individually aware that they were purchasing from a third-party vendor—but believed that they were buying genuine merchandise, learning only after their purchases that the vendors offered counterfeit goods. *See id.*

96. *Rosetta Stone*, 2010 U.S. Dist. LEXIS 78098, at *24–25.

97. It should be noted that a number of corporations recently offered their support for Rosetta Stone's efforts, filing amici curiae briefs to buttress the plaintiff's appeal. *See* Eileen McDermott, *Industry Backs Rosetta Stone in Google AdWords Appeal*, MANAGING INTELLECTUAL PROPERTY (Nov. 10, 2010), http://www.managingip.com/Article/2713548/Latest-News-Magazine/Industry-backs-Rosetta-Stone-in-Google-AdWords-appeal.html.

1. Rosetta Stone's Contributory Liability Claim

As to Rosetta Stone's claim that the AdWords Program contributed to the distribution of counterfeit goods, the court applied the *Inwood* test and found that Google did not "intentionally induce[] or knowingly continue[] to permit third party advertisers selling counterfeit Rosetta Stone products to use the Rosetta Stone Marks in their Sponsored Link titles and advertisement text."[98] Rosetta Stone contended that Google's Query Suggestion Tool allowed and encouraged counterfeiters to bid on its trademarks.[99] It further contended that Google had reason to know that some advertisers were promoting illegal goods, presenting evidence of 200 complaints that it made to Google and arguing that despite such notice, Google continued to allow use of the trademarks by those same advertisers.[100] The court found that Google had not induced third parties to misuse trademarks, especially given that Google warns its AdWords customers that the keywords chosen may be illegal. The court also noted that although Google benefits economically from the use of trademarks as keyword triggers due to the likelihood of a higher click-through rate, economic benefit is not sufficient on its own for a finding of trademark infringement.[101] Moreover, Google actively monitored the AdWords Program to ensure that counterfeit goods were not offered through sponsored links.[102] Relying on the Second Circuit's decision in *Tiffany II*,[103] the court articulated that "generalized knowledge of infringement of a seller's trademark on its website" is insufficient to provide a remedy to the plaintiff.[104]

Some of these companies were previously plaintiffs in similar actions against Google and other Online Service Providers for their advertising programs, such as 1-800 Contacts and Tiffany & Co. *Id.* This support indicates that the alleged harm claimed by mark owners from such advertising services is not limited to one or two corporations. Thus, the small number of witnesses confused by sponsored links as presented by Rosetta Stone may not adequately evidence the level of confusion created by sponsored links in general.

98. *Rosetta Stone*, U.S. Dist. LEXIS 78098, at *37.

99. *Id.* at *39.

100. *Id.* at *40.

101. *Id.* at *47.

102. *Id.* at *24.

103. 600 F.3d 93, 107–09 (2d Cir. 2010). In *Tiffany II*, the court found that eBay, which provides an online auction service, did not itself infringe on the trademarks of Tiffany Inc., a high-end jewelry retailer, even though it had reason to know that its users sold counterfeit jewelry on its website. *Id.* at 109. Moreover, Tiffany presented evidence that almost three-quarters of the purchases of "Tiffany" jewelry made on eBay were for counterfeit goods—a stark contrast to the 200 instances of potentially infringing sponsored links that Rosetta Stone provided. *See id.* at 107.

104. *Rosetta Stone*, U.S. Dist. LEXIS 78098, at *42.

2. Rosetta Stone's Vicarious Liability Claim

As to the vicarious liability claim, the court found that there was no agency relationship between Google and third-party advertisers using Rosetta Stone's marks, and therefore no vicarious trademark infringement related to an agency scenario.[105] To establish vicarious liability, "Rosetta Stone would have [had] to show that, aside from providing a list of keywords to its AdWords advertisers to choose from, Google ha[d] joint ownership or control[led] the alleged infringing advertisements appearing on its website."[106] The court concluded that Google simply provides advertisement space for its AdWords customers; there was no evidence that Google instructs third parties to break the law.[107] It also emphasized that although Google profited from providing its service to infringing third parties, "a financial relationship with the alleged infringers does not demonstrate Google's control of the Sponsored Links appearing on its website."[108]

III. THE *ROSETTA STONE* COURT'S UNCLEAR USE OF "CONTROL" IN ITS CONTRIBUTORY AND VICARIOUS LIABILITY ANALYSES

This Section argues that the application of the *Inwood* test to the contributory liability claims in *Rosetta Stone* was inconsistent with the court's finding that Google had no control over its website when discussing the vicarious liability claims. Although the court relied on *Tiffany II*, which implemented the *Lockheed Martin* control prerequisite, the *Rosetta Stone* court did not discuss a departure from or adherence to the *Lockheed Martin* test. The inconsistency of impliedly finding control under one test, but no control under another, highlights the importance of defining "control" within secondary trademark liability analysis.

Uncertain about how to extend the *Inwood* test to OSPs, the *Lockheed Martin II* court created a control prerequisite, explaining that "[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark permits the expansion of *Inwood Lab.*'s 'supplies a product' requirement for contributory infringement."[109] In *Rosetta Stone*, the court's application of the *Inwood* test implies that the court felt that Google had

105. *Id.* at *45.
106. *Id.* at *45–46.
107. *See id.* at *41–42.
108. *Id.* at *47.
109. *Lockheed II*, 194 F.3d 980, 984 (9th Cir. 1999).

sufficient control under *Lockheed Martin* to support a contributory liability claim.[110] Prior to jumping into its *Inwood* analysis, the court cited the relevant language from the district court's opinion in *Tiffany I*, which required that a service provider have enough control over the infringing activity for an OSP to fall within the reach of this test.[111] However, unlike the district court in *Tiffany I*,[112] the *Rosetta Stone* court did not discuss its reasons for finding that Google had enough control over the AdWords auction service and sponsored links to meet the *Lockheed Martin* test's control prerequisite. The court simply began its discussion of Rosetta Stone's claims regarding whether Google induced third parties to use trademarks as keywords and whether it had the requisite level of knowledge to be liable under the second part of the *Inwood* test.[113]

Whereas the court found that Google had adequate "control" to meet *Lockheed Martin*'s control prerequisite, it found that Google did not have adequate "control" to meet the control requirement for the vicarious liability claim.[114] In fact, the court determined that Google had "*no* control over third party advertisers' Sponsored Links or their use of the Rosetta Stone Marks in the advertisement text."[115]

The *Rosetta Stone* court's finding of "control" for the plaintiff's contributory liability claims, but not for its vicarious liability claims, suggests that the meaning of "control" under each test is different. Unfortunately, the court's opinion does not adequately explain the differences between "control" under each test, if there is indeed a difference. Prior case law contains hints of different meanings for the two different contexts. The *Lockheed Martin* case, for example, did not consider vicarious liability; only contributory liability.[116] However, its addition of a control perquisite to the *Inwood* test was based on the Seventh Circuit's *Hard Rock Cafe* decision, in which the court found that a flea market operator could be contributorily

110. *See Tiffany II*, 600 F.3d 93, 104–05 (2d Cir. 2010) (requiring that the service provider must have a sufficient level of control before applying the *Inwood* test for contributory liability).

111. *Rosetta Stone*, U.S. Dist. LEXIS 78098, at *37–38.

112. *See Tiffany I*, 576 F. Supp. 2d 463, 506–07 (S.D.N.Y. 2008), *aff'd*, 600 F.3d 93 (2d Cir. 2010) (considering five factors in its determination that eBay has sufficient control over third parties to apply the *Inwood* test, discussed *infra* Part III).

113. *Rosetta Stone*, U.S. Dist. LEXIS 78098, at *38–40.

114. *Id.* at *48.

115. *Id.* at *45 (emphasis added).

116. *See Lockheed Martin I*, 985 F. Supp. 949, 950–51 (C.D. Cal. 1997), *aff'd*, 194 F.3d 980 (9th Cir. 1999) (outlining the claims against NSI, which do not include vicarious trademark liability).

liable on remand, but lacked sufficient "control" to be vicariously liable.[117] That court held that the application of the *Inwood* test should be extended to landlords because of the common law recognition that landlords should be responsible "for the torts of those it permits on its premises 'knowing or having reason to know that the other is acting or will act tortuously . . . .' "[118] Thus, the *Lockheed Martin* court's addition of a control prerequisite to contributory liability suggests that the levels of control required under contributory liability and vicarious liability should be different. Otherwise, the test for vicarious liability would be redundant in cases where there are both vicarious and contributory infringement claims.[119]

The *Rosetta Stone* opinion highlights a lack of clarity as to what "control" means. Without a clear understanding of control, courts may apply the standard inconsistently from one case to the next, especially given the variety of formulations of OSPs. For instance, is the ability to change the algorithm that allows or disallows certain functions on websites sufficient "control" for contributory liability? Or must a human approve every posting by a third party on a website's pages for the website owner to be liable for the third party's infringement? And should courts treat "control" differently in cases in which the plaintiff brings both contributory and vicarious liability actions, as *Rosetta Stone* did, or should plaintiffs raise only one of these claims? Based on traditional notions of vicarious liability and its stringent standards[120]—often related to agency law—and the pre-*Lockheed* notion of contributory liability that excluded control, one could argue that the level of "direct control and monitoring" discussed in *Lockheed Martin* should be of a lower level or different quality than what would suffice for a vicarious liability claim. In this

117. Hard Rock Cafe Licensing Corp. v. Concession Servs. Inc., 955 F.2d 1143, 1150 (7th Cir. 1992).

118. *Id.* at 1149 (quoting RESTATEMENT (SECOND) OF TORTS § 877(C) & cmt. d (1979)).

119. It is also important to note that the *Hard Rock Cafe* court did not explicitly indicate that adding a control element prior to the *Inwood* application was its intention—it stated that "[i]n the absence of any suggestion that a trademark violation should not be treated as a common law tort, we believe that the Inwood Labs. test for contributory liability applies." *Id.* at 1149.

120. *See* Bartholomew, *supra* note 66, at 451 (explaining that "the vicarious trademark infringement cause of action has become a dead letter. It is simply too hard to satisfy the [agency] relationship requirement in light of recent precedent [like *Grokster*]"). In his article, Bartholomew considers in depth the differences between secondary liability standards under trademark and copyright law. In his analysis of vicarious trademark liability in relation to vicarious copyright liability, he determines that, "for trademark plaintiffs, demonstrating that the defendant had some supervisory role over the direct infringer is normally insufficient. Instead, they must prove that the defendant had complete individual authority to bind the direct infringer." *Id.*

way, one might argue that "control" in the framework of secondary trademark liability operates on a sliding scale—a possible solution to this issue of potentially redundant or conflicting standards.

IV. THE NEED FOR A TAILORED CONTRIBUTORY LIABILITY TEST FOR ONLINE SERVICES

Although the addition of the "direct control and monitoring" prerequisite to OSPs for contributory liability diverges from the *Inwood* test applied to other types of defendant-third party relationships, there are reasons why a tailored test for contributory liability in this context would be valuable to protecting both plaintiff and defendant concerns. Notably, OSPs are not easily conceptualized as either products or services.

At least four categories of relationships between defendants and third parties have been defined by courts in the consideration of indirect trademark liability: manufacturers and distributors of products to retailers,[121] landlord-tenant,[122] franchisor-franchisee,[123] and service providers, particularly OSPs.[124] Google could be conceptualized as an actor in at least two of these groups: as a producer or manufacturer of sponsored links, or as an advertisement service provider. *Rosetta Stone* characterized Google's search engine as a service provider.[125] However, each OSP is somewhat different

121. *See, e.g.*, Coca-Cola Co. v. Snow Crest Beverages, Inc., 64 F. Supp. 980, 988–89 (D. Mass. 1946) (applying a test equivalent to *Inwood* to a manufacturer and distributor of soft drinks).

122. *See Hard Rock Cafe*, 955 F.2d at 1149–50 (applying the *Inwood* test for contributory liability to a flea market operator); *see also* Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 264–65 (9th Cir. 1996) (same).

123. *See* Mini Maid Servs. Co. v. Maid Brigaid Sys., Inc., 967 F.2d 1516, 1521–22 (11th Cir. 1992) (holding that the correct test for contributory liability in a franchisor-franchisee relationship is an extension of the *Inwood* test, not whether the franchisor exercised "reasonable diligence" in supervising the franchisee).

124. *See Lockheed II*, 194 F.3d 980, 984–85 (9th Cir. 1999) (refusing to apply the *Inwood* test to a domain name registration service because it did not have direct control over the registered websites); *see also Tiffany II*, 600 F.3d 93, 105–06 (2d Cir. 2010) (applying the *Inwood* test to an online auction house because it controlled many elements of user interactions with third parties); Perfect 10, Inc. v. Visa Int'l Serv. Ass'n, 494 F.3d 788, 806–07 (9th Cir. 2007) (refusing to apply the *Inwood* test to a credit card processing company because it merely facilitated payments within the normal course of business, but did not control or participate in the infringing activity of stealing protected content).

125. Rosetta Stone Ltd. v. Google, Inc., No. 1:09cv736, 2010 U.S. Dist. LEXIS 78098, at *38 (E.D. Va. Aug. 3, 2010).

from one another, and it is not clear that a blanket test should be applied to all of them regardless of their functional differences.[126]

There are similarities and differences between Google and the other services considered in internet trademark infringement cases. As a "service,"[127] Google's AdWords system provides advertisers with an instrument to create postings, much like a newspaper classified section or a billboard owner.[128] Similarly, it offers search engine users a service that presents links to products for which they may be searching.[129] Google is similar to NSI—the website registration service in *Lockheed Martin*—because Google uses the terms and text that advertisers create, just as NSI registered names based on the applications of users, without running searches for trademarked terms prior to their acceptance.[130] However, Google is different from NSI because the advertisements linking to other websites appear within its own web page, whereas NSI did not have knowledge of the use of the web pages associated with the domain names it registered.[131] Google is also unlike Visa, which did not itself create or post infringing material, but only processed payments for purchase of access rights to the content on third-party websites that were infringing.[132] Thus, while Perfect 10, the trademark holder, did not claim that Visa's credit card processing was the instrumentality by which the infringement occurred, Rosetta Stone claimed

126. *See* Kessler, *supra* note 46, at 384–86 (suggesting that business models on the Internet may be conceptualized in a number of ways—such as analogous to a landlord-tenant relationship in the physical world—but that no pre-internet legal model can be easily applied to OSPs).

127. Black's Dictionary defines a service in three applicable ways:

> [1] The act of doing something useful for a person or company, usu[ally] for a fee . . . [2] A person or company whose business is to do useful things for others <a linen service> . . . [3] An intangible commodity in the form of human effort, such as labor, skill, or advice.

BLACK'S LAW DICTIONARY 1137 (8th ed. 2005).

128. *See Rosetta Stone*, 2010 U.S. Dist. LEXIS 78098, at *21, *47–48 (comparing Google first to magazines and newspapers that offer space in their circulations, and then to a billboard owner in New York's Times Square).

129. *See, e.g.*, *id.* at *10–11.

130. *See Lockheed II*, 194 F.3d 980, 982 (9th Cir. 1999) (noting that only ten percent of the time an employee for NSI reviews applications for domain name registration).

131. *See id.* at 981–82 (explaining that after registration, NSI only rerouted internet users entering a specific domain name to websites, but did not "translate" the pages nor act as a web hosting service).

132. *See* Perfect 10, Inc. v. Visa Int'l Serv. Ass'n, 494 F.3d 788, 793 (9th Cir. 2007) (noting that Visa "automatically" processes credit card transactions with accepted merchants).

that Google's links themselves infringe.[133] Google is most similar to eBay, facilitating the purchase of goods. But Google's relationship to counterfeit merchandise is more attenuated than that of eBay's because auction items were bought directly through eBay's website, whereas Google does not take payment for products. Google's AdWords profits are derived from impressions and click-through rates, and are not directly tied to the sale of physical goods.

Google's sponsored links might also be conceptualized as products, [134] although there is little scholarship to suggest that such an assertion would succeed in convincing the court to apply the traditional *Inwood* test for manufacturers rather than the *Lockheed Martin* test for service providers. Under this formulation, AdWords itself offers an auction service much like eBay—the products upon which the advertisers bid are the sponsored links and the chance to have those links placed above all others.[135] Although an automated process, the creation of sponsored links requires action by Google in order for links to be posted—in other words, the goods require manufacturing. While the service of linking a user from Google's results page to a website selling counterfeit or competing merchandise is part of the trademark claim, a distinct portion of the claim concerns the sponsored link itself insofar as its text contains trademarked terms. If a link, then, is considered a "product" in and of itself, the infringing activity at issue in *Rosetta Stone* is a hybrid of both products and services. The question of how to classify the allegedly infringing activity at issue illustrates the difficulty with creating multiple requirements for applying the contributory liability test. A better alternative may be to subsume those questions into factors of the test itself, such as making a lack of control a mitigating factor for the knowledge prong of the *Inwood* test.

1. *Where Properly Defined, Control May Be an Appropriate Additional Element in the* Inwood *Test*

Because OSPs are mostly automated, their ability to thoroughly control each working element of the website is necessarily limited. Moreover, the blurry line between whether an OSP offers a product or a service, especially

133. *See id.* at 807.

134. Black's Law Dictionary defines a product as, "Something that is distributed commercially for use or consumption and that is usu[ally] (1) tangible personal property, (2) the result of fabrication or processing, and (3) an item that has passed through a chain of commercial distribution before ultimate use or consumption." BLACK'S LAW DICTIONARY 1012 (8th ed. 2005).

135. *See* Part II.A, *supra*, explaining the mechanics of Google's AdWords program.

now that some services on the Internet are substituted for physical products (such as streaming movies for physical DVDs), indicates that trying to apply one test to "product manufacturers" and another to "service providers" will continue to become more complicated. Such division will likely result in inconsistent contributory liability analyses of OSPs at the margins. Thus, there is a need for a tailored contributory liability test for trademark infringement claims pertaining to OSPs because the nature of the claims differs greatly from those arising in the brick-and-mortar retail context. A clearer definition of "control" is necessary to guide courts so that they do not impose upon contributory liability claims a requirement of control at as high a level as that for vicarious liability. However, the *Lockheed Martin* conception of the *Inwood* test—that control is an important consideration for determining liability—is an appropriate solution because it recognizes the distance at which OSPs and third parties transact and the difficulty with requiring OSPs to personally monitor every use of their services. That conception, however, needs to be refined.

The amount of direct control that an OSP has over how their services are used is dependent upon the business model that those OSPs themselves create.[136] However, the types of "control" available for OSPs are different than those that exist in a physical environment. Most notably, unlike the ability for a manufacturer to hire, instruct, and fire employees, hosts of internet websites and OSPs do not directly or physically control who or how people use their websites, beyond designating to which elements users have access and what can ultimately appear on their web pages.[137] OSPs do have an ability to alter the amount of control that is retained by users. For instance, if Google determined the winner of sponsored link auctions simply on the highest bid, with no weight given to quality (as per current practice),[138] Google's control would be reduced because it would not influence how much third parties bid. On the other hand, Google might block questionable

136. *See* Kessler, *supra* note 46, at 394 (2006) (discussing that under the *Lockheed Martin* conception of the *Inwood* test, OSPs might be incentivized to structure their businesses in particular ways and not to monitor their websites to avoid a finding of control by the court).

137. In some contexts OSPs like Twitter have relinquished significant control to users but retain the ability to remove or hide the postings of its users, such as on comment boards or in forums where users post inappropriate material. Another interesting question to consider is whether the requirement by some OSPs that users create profiles before being able to access functional aspects of websites inures a higher level of control in the OSP.

138. Rosetta Stone Ltd. v. Google, Inc., No. 1:09cv736, 2010 U.S. Dist. LEXIS 78098, at *10 (E.D. Va. Aug. 3, 2010).

postings with trademark-identifying filters, which would give it more control over who may ultimately post what in sponsored links.

The *Lockheed Martin II* decision is constructive only to the extent that it helps define what control is not: a domain-registering agent without a clear connection to the creation of infringing material on the registered websites has insufficient control over the "instrumentality used by a third party" to be contributorily liable.[139] In *Tiffany I*, the district court for the Southern District of New York began to create a framework for determining "control" through a factor analysis[140]—an approach that may provide guidance for later courts. Part V, *infra*, suggests that the *Tiffany I* court's application of the *Lockheed Martin* control pre-requisite provides better guidance on how "control" operates in the online services contributory liability context. More specifically, the five factors enumerated by the *Tiffany I* court provide a better means for determining whether the *Inwood* test should be applied to AdWords, as well as whether Google's control of AdWords is adequate on its own to warrant a finding of contributory liability.

V. *TIFFANY'S* FIVE FACTORS FOR ANALYZING "CONTROL" IN THE CONTRIBUTORY LIABILITY CONTEXT

Because the *Lockheed Martin* conception of contributory liability integrates a control element, it is important to understand precisely what "control" for contributory liability means, especially given that the test for vicarious liability is essentially one of control. In other words, the level of control required for contributory liability must be differentiated from that necessary for the imposition of vicarious liability. Although the court did not consider a vicarious trademark infringement claim, the factors enumerated by the district court in *Tiffany I* provide some notion of the types of control that would be sufficient for an *Inwood* analysis within the online services contributory liability framework.

In *Tiffany I*, the district court found that eBay retained enough control over the operations of third-party sellers on its website to meet the "direct control and monitoring" standard set forth in *Lockheed Martin II*.[141] In so

139. *See Lockheed Martin II*, 194 F.3d 980, 984 (9th Cir. 1999).

140. *Tiffany I*, 576 F. Supp. 2d 463, 506–07 (S.D.N.Y. 2008), *aff'd*, 600 F.3d 93 (2d Cir. 2010).

141. *Tiffany II*, 600 F.3d 93, 105–06 (2d Cir. 2010) (noting that it will apply the *Inwood* test because eBay did not appeal its application, and explaining that the district court "adopted . . . the reasoning of the Ninth Circuit in *Lockheed* to conclude that *Inwood* applies

holding, the court articulated five factors that this Note argues could be helpful for clarifying what "control" means in the contributory liability context: (1) the company preserves control over the software for listings and "facilitates transactions between" buyers and sellers; (2) eBay "has actively promoted the sale of Tiffany jewelry items" and suggested "Tiffany" to sellers as a keyword; (3) eBay earns revenue from the sale of items on its website; (4) some categories of items are completely controlled by eBay, such as those for firearms and alcohol; and (5) eBay is more than just an online classifieds service and not privy to an "innocent infringer" defense.[142] Ultimately, the district court found that because eBay was only generally aware of the counterfeit Tiffany goods listed on the website, it did not have sufficient knowledge that it supplied its services to users committing trademark infringement.[143]

These factors are helpful because they outline some of the general characteristics of OSPs and would therefore be applicable in many scenarios. For instance, the first factor could be tailored to apply generally to whether the OSP retains control over the software embedded within the website and to how users interact with the OSP and utilize its services. The second factor questions whether the OSP has promoted its website using the plaintiff's trademarks despite an absence of a relationship between the OSP's services or products and the marks. The third factor is closely related, asking if the OSP profits from the use of these marks. The fourth factor is somewhat particular to eBay, but it could be extrapolated to ask whether the OSP retains control over or password protects specific features of the website, such as who is allowed to post on a forum. Finally, the fifth factor recognizes that some OSPs should be able to use trademarks that they do not own for some purposes, such as to accurately describe products for sale or in a product review.

Although the *Rosetta Stone* court would likely have reached the same conclusion regarding Google's contributory liability regardless of whether Rosetta Stone had proven a likelihood of confusion resulting from the links,[144] these factors may have led to a slightly different analysis regarding

to a service provider who exercises sufficient control over the means of the infringing conduct").

142. *Tiffany I*, 576 F. Supp. 2d at 506–07.

143. *Id.* at 511.

144. *See* Rosetta Stone Ltd. v. Google, Inc., No. 1:09cv736, 2010 US Dist. LEXIS 78098, at *33 (E.D. Va. Aug. 3, 2010) (having considered the evidence presented by both Google and Rosetta Stone, the court stated that, "[b]alancing all of the disputed likelihood of

vicarious liability in that the court would have recognized that Google had greater than "no" control over third parties. Rosetta Stone was unable to show that Google knew or should have known that its marks were being used to promote counterfeit products.[145] If Google had no knowledge of the offending links, then, under both *Inwood* and *Lockheed Martin II*, Google could not "continue to supply" an infringing product or service to third parties, and thus summary judgment would still have been proper.[146] Moreover, the Rosetta Stone marks present a particularly difficult case: although they would likely be considered suggestive and therefore inherently distinctive and protectable on the national register, [147] the "Rosetta Stone" of antiquity is a historical artifact and therefore might be used by third parties to advertise things other than language learning products. Thus, had the court applied the *Tiffany* factors to evaluate the specific level of control Google possessed over the third-party infringers, it would probably still have found that Google was not contributorily liable under either part of the *Inwood* test.

However, applying these factors reveals that Google theoretically retains at least some control over how third parties may use AdWords and how sponsored links appear, and therefore the court may not have found that Google had "no control" for purposes of vicarious liability. [148] The following analysis highlights at least some similarities to eBay, which is significant because the *Tiffany I* court, applying the *Lockheed Martin* prerequisite, found enough control to apply the *Inwood* test for contributory liability.[149] First, like eBay, Google controls the software and algorithms that generate results for both its search engine and the sponsored links. Second, Google does not itself sell products, and does not physically inspect the products that are offered by advertisers at their websites. Because Google does not offer products, it is not clear that the second factor—actively promoting the sale

confusion factors, the Court concludes that Google's use of the Rosetta Stone Marks does not amount to direct trademark infringement").

145. *Id.* at *43–45.

146. *Id.* at *42 (finding that "there is no evidence that Google is supplying a service to those it knows or has reason to know is engaging in trademark infringement").

147. "Rosetta Stone" as applied to language products is suggestive because it requires that the consumer take an extra step in connecting the undecipherable historical artifact and the inability to understand a foreign language, a problem Rosetta's programs are aimed at solving. However, when discussing the artifact, "Rosetta Stone" is not a source identifier, nor a protectable trademark. For a discussion on the fair use of terms for descriptions (not in their trademark sense), *see, e.g.*, MCCARTHY, *supra* note 14, § 10:14.

148. *See Rosetta Stone*, 2010 U.S. Dist. LEXIS 78098, at *45.

149. *See Tiffany II*, 600 F.3d 93, 105–06 (2d Cir. 2010) (applying the *Inwood* test after agreeing with the district court that eBay had sufficient control over its auction house listings).

of counterfeit items—applies. But, Google's Keyword Tools program suggests trademarked terms to users, just as eBay "advised" its sellers that "Tiffany" may be a beneficial keyword to use on their auction pages. Third, while eBay earned revenue from the sale of goods through auctions, Google earns revenue for creating impressions[150] of advertisements in the sponsored results and receives additional income for each link that is clicked. Fourth, Google has demonstrated that it can control the usage of trademarks, which they did under previous trademark policies.[151] This is equivalent to eBay's control of certain categories of goods, such as firearms and alcohol.

Finally, although the *Rosetta Stone* court compared Google's sponsored links to a magazine or newspaper classified section, Google's advertisements differ in three significant ways from these services, and thus the company should not necessarily be protected by the innocent infringer exception.[152] First, Google generates sponsored links based upon specific inquiries by users, whereas print advertisements are not so specifically tailored. Second and more importantly, Google's sponsored links are active: not only do they convey to consumers available outlets for products in which they may be interested, but they transport those users directly to the tills of the advertisers. Finally, rather than earning a flat fee for posting advertisements, Google makes additional revenue based upon whether users follow those links to advertiser pages.[153] Taken together, these factors indicate that Google has significant control *over the sponsored links* that appear on its website, but does not have control over the content or the products available *on the landing pages of those links*. Given that Google has at least an equivalent amount of control over its sponsored links as eBay has over the products in its listings,[154] the *Rosetta Stone* court was correct in applying the *Inwood* test under

150. "Impression" refers to the display of the advertisement in the sponsored link box, regardless of whether the link is clicked. *See Impressions Per Day*, ADWORDS HELP, http://adwords.google.com/support/aw/bin/answer.py?hl=en&answer=18262 (defining "Impressions Per Day" as "[t]he number of times an ad has been displayed to web users in the course of one advertising day").

151. *See supra* Section II.B.

152. 15 U.S.C. § 1114(2)(B) (2006).

153. For a description of Google's AdWords program and trademark policy, *see supra* Section II.B.

154. In fact, one might argue that Google retains more control over the transactions on its website than eBay because it receives payment directly from third parties for the creation of the advertisements and click-throughs from links, whereas eBay receives commission on goods sold from sellers to buyers, both external to eBay itself.

the *Lockheed Martin* framework;[155] under the *Tiffany* factors, Google's control over third-party users had met *Lockheed Martin*'s control prerequisite.

Applying a set of factors, such as those developed in *Tiffany I*, will provide consistency among courts in analyzing whether a particular defendant has the amount of control required under *Lockheed Martin* for exposure to liability. However, the problem of determining how much control, and over what types of elements, an Online Product-Service Provider needs to have legal "control" still remains, especially given that there are many different types of models that an OSP can develop. Moreover, should courts consider how much control the OSP actually exercises, or the ability of the OSP to exercise it? The *Tiffany* factors, therefore, are not exhaustive, and as the Internet continues to evolve, courts should continue to refine and add to this list to respond to new innovations in internet technology and in the way that third parties interact with online products and services. In any event, there should be a general recognition that OSPs likely have at least *more* control over what appears on their websites than the third-party users that are potentially infringing trademarks. For example, as Google's former trademark policy indicates, it has the ability not only to destroy illegitimate links and the accounts of their posters, but also to block those uses from ever occurring.[156] Consequently, third parties do not have ultimate control over their postings because they can be filtered or deleted. In the case of Google, because an algorithm measuring "quality," in addition to bid price, is used to select which sponsored links are generated, third parties cannot create a link by a high bid alone—some action by Google's software is required.[157]

Regardless of the factors used to examine the control of an OSP, courts should also recognize the important role that OSPs play in increasing competition and facilitating consumer transactions.[158] Thus, the cost of some consumer confusion likely justifies the operation of Google AdWords. Moreover, limiting the use of trademarks in some scenarios is costly and

155. *See Tiffany II*, 600 F.3d 93, 105–06 (2d Cir. 2010) (applying the *Inwood* test after agreeing with the district court that eBay had sufficient control over its auction house listings).

156. *See* Rosetta Stone Ltd. v. Google, Inc., No. 1:09cv736, 2010 U.S. Dist. LEXIS 78098, at *13 (E.D. Va. Aug. 3, 2010) (discussing Google's Trust and Safety Team, filtering tools, and the ability to remove postings).

157. *See id.* at *9–10 (explaining that Google's AdWords program uses a combination of bid amount and "quality" to choose which sponsored links to display).

158. *See* Peter S. Menell & David Nimmer, *Unwinding* Sony, 95 CALIF. L. REV. 941, 1008 (2007) (recognizing that "[m]any social activities cause harm, but simultaneously yield substantial utility").

difficult. For instance, it might be impossible, in some cases, to develop an algorithm able to differentiate between types of trademarks in order to apply the different levels of protections federally afforded to some marks as opposed to others.[159] Furthermore, mandating that Google disallow the use of trademarks in advertisements—except for trademark owners—could lead to an overprotection of owners' rights by treating trademarks as property without regard to the importance of those marks as product identifiers.[160] Although using "control" as a standard to limit secondary liability may incentivize the structuring of web services in ways that allow for or induce illegal activity by creating completely automated interfaces or providing the defense that OSPs have "no specific knowledge" that infringement is occurring,[161] guidelines for what kinds and levels of control will "count" for contributory liability will give all parties a clearer understanding of what behavior is prohibited under the law.[162]

VI. CONCLUSION

Evaluating the application of the modified *Inwood* test for service providers under the standard set forth in *Lockheed Martin* indicates that the control element typically associated with vicarious liability has now entered the realm of contributory liability, even though the *Inwood* court articulated that the test should be applied in spite of a lack of control. The requirement that plaintiffs claiming contributory liability show that the OSP exercises direct control and monitoring over third parties recognizes that OSPs

159. For example, descriptive marks are "weaker" and afforded less protection than arbitrary marks. *See, e.g.*, MCCARTHY, *supra* note 14, § 11:2 (explaining the different types of "marks"—generic, descriptive, suggestive, and arbitrary or fanciful—and observing that "[t]he Second Circuit has noted that the spectrum of distinctiveness is an attempt to balance the grant of exclusive trademark rights against the right of competitors to use the language to characterize and describe their goods and services").

160. *See, e.g.*, *id.* § 25:52 (explaining that comparative advertising, where truthful and not confusing, is permitted); *see also Tiffany II*, 600 F.3d at 113 (dismissing claims against eBay partially because advertisements promoting Tiffany-branded products were not misleading altogether—users did sell second-hand Tiffany jewelry and were therefore using the brand in its descriptive sense, not as a source identifier).

161. *See* Kessler, *supra* note 46, at 394 (discussing that under the *Lockheed Martin* conception of the *Inwood* test, OSPs might be incentivized to not monitor their websites to avoid a finding of control by the court).

162. *See* Menell & Nimmer, *supra* note 158, at 1022 (arguing that, by failing to apply the appropriate standards for indirect liability under theories of tort law, the court "distorted the incentives of technology developers by holding out a broad safe harbor," despite the fact that the outcome—Sony's non-liability for use of its recording system to infringe copyrights by private users—would have been the same under such analysis).

operate at a greater distance from third-party infringers than those in trademark cases involving manufacturer-distributor, landlord-tenant, and franchisor-franchisee relationships. However, it is important to have a concrete understanding of "control" and how to evaluate its existence when faced with a range of OSPs employing diverse and evolving business models. This diversity requires that courts establish and implement a set of factors that can be consistently applied in various internet-related trademark cases. The factors developed by the *Tiffany I* court are currently the best guidance available; however, they must be abstracted and expanded from their current form to apply outside the online-auctioneer context. They should also take into account other types of control that an OSP might possess. Flexibility in the weight afforded to each factor will allow courts to consider the social benefits that services like Google provide on a case-by-case basis. Thus, courts should continue to develop these factors when considering claims of secondary trademark infringement so that plaintiffs able to show a likelihood of confusion under the Lanham Act will understand the levels of control required to prove both contributory and vicarious liability.