

08-3947-cv

United States Court of Appeals
for the
Second Circuit

TIFFANY (NJ) INC. and TIFFANY AND COMPANY,
Plaintiffs-Appellants,

– v. –

eBAY INC.,
Defendant-Appellee.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

**BRIEF AMICUS CURIAE OF THE ELECTRONIC FRONTIER
FOUNDATION, PUBLIC CITIZEN, AND PUBLIC KNOWLEDGE IN
SUPPORT OF DEFENDANT-APPELLEE EBAY, URGING
AFFIRMANCE**

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, *Amici Curiae* the Electronic Frontier Foundation, Public Citizen, and Public Knowledge (collectively, “*Amici*”) state that none of *Amici* have a parent corporation and that no publicly held corporation owns 10% or more of the stock of any of *Amici*.

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I. INTRODUCTION

Amici file this brief because they are deeply concerned that requiring intermediaries to take a greater role in policing trademark uses online than the law currently requires will inevitably cause intermediaries to *over-police* those uses (including clear fair uses), drastically impeding the continuing growth of the Internet as a vibrant forum for commerce and speech.

The Internet offers unprecedented opportunities for the exchange of valuable information about a broad range of topics large and small. Trademarks are an integral part of the exchange. If Tiffany has its way, however, trademark rights could become major barriers to online communication. The reason is that online speech and commerce depend on intermediaries to provide a platform. Almost everyone who has a website, from individual bloggers and artists to online retailers and political organizations, needs a hosting service to maintain that site. Individual and commercial sellers need networks like craigslist.org, online marketplaces like eBay, and shopping forums like Amazon.com to reach out to buyers, tell them about their wares, and make sales.

Placing the primary burden of online trademark policing on intermediaries—as opposed to mark owners—could bring all of this activity to a halt. Intermediaries worried about the costs of evaluating whether a trademark use is legitimate and of litigation if they guess wrong (or if the mark owner has a different view) will be inclined to take the easy route, and remove any remotely suspicious posting—even if the posting was protected

by fair use or other speech-protecting doctrines, and even if the trademark owner has done little to enforce its rights directly.¹

Simply put, intermediaries such as eBay are neither well-placed nor well-incentivized to make good infringement determinations in most cases. Asking them to do so will impose unprecedented costs not just on the intermediaries themselves, but on the millions of companies, consumers and speakers that rely on online service providers to communicate with each other. As a matter of law and sound policy, *Amici* urge the Court to reject Tiffany's effort to rewrite trademark law to relieve mark-owners of their traditional obligation to police their own marks, online and off.

II. STATEMENT OF INTEREST OF AMICI

The Electronic Frontier Foundation ("EFF") is a non-profit, membership-supported civil liberties organization working to protect consumer interests, innovation and free expression in the digital world. EFF and its over 13,000 dues-paying members have a strong interest in protecting First Amendment and consumer rights on the Internet and promoting access to online information. This case calls on the Court to consider how trademark law can facilitate as well as impede the growth of online speech and commerce, an issue of critical interest to online speakers, consumers, and technology innovators. As a leading advocate for these groups, EFF has

¹ Indeed, some search engines have already taken this step; Yahoo! does not permit companies to bid on ads using keywords containing their competitors' trademarks. As a result, Yahoo! users are deprived of one important source of comparative advertising.

a perspective that is not represented by the parties.

Public Citizen is a non-profit, public interest organization that has defended the rights of consumers since 1971. Although recognizing that trademark law can protect consumers from false claims about the origin of goods and services, Public Citizen has stood against application of trademark law in ways that restrict free expression and competition on the Internet. Public Citizen has argued in numerous cases, both as *amicus curiae* and on behalf of parties, that overbroad claims of trademark infringement interfere with the right of consumers to criticize products, and that such claims also restrict competition by preventing vendors from engaging in comparative advertising and truthfully identifying the nature of their goods.

Public Knowledge (“PK”) is a nonprofit public interest advocacy organization that represents consumers’ rights in Washington, D.C. PK works with consumer and industry groups to promote balance in intellectual property law and technology policy, ensuring that the public can benefit from access to knowledge, new innovations, and the ability to freely communicate. PK is particularly concerned with the abuse of intellectual property to curb free speech and the flow of information, and to undermine the promise of an open Internet. This case directly addresses this core of PK’s mission, as it has the potential to drastically shift the balance of the law away from free speech, open communications, and innovation.

Amici file this brief pursuant to Federal Rule of Appellate Procedure

29(a), with the consent of all parties. This brief is being filed no later than seven days, excluding intermediate Saturdays, Sundays, and legal holidays, after the filing of eBay's brief. Fed. R. App. P. 29(e), 26(a)(2). This brief is being timely filed by dispatch, on or before the last day for filing, to a third-party commercial carrier for overnight delivery to the clerk. Fed. R. App. P. 25(a)(2)(B)(ii).

III. SUMMARY OF ARGUMENT

The parties have raised a host of issues on appeal. *Amici* limit themselves to three points that have particularly serious ramifications that extend beyond the scope of this case.

First, *Amici* urge this Court to resist expanding secondary trademark liability beyond its proper scope. Secondary liability should not reach intermediaries that lack direct means to ascertain whether the purported direct infringer is or is not offering infringing goods or services.

Second, even if the Court concludes that secondary liability could, in some cases, extend to intermediaries such as eBay, Tiffany errs in arguing that liability can be premised on a failure to act on generalized suspicion of infringement. Even the circuits that have adopted more expansive standards for secondary liability have not suggested that liability could be based on such tenuous grounds.

Third, regardless of what standard applies to its case in chief, Tiffany argues for a profoundly misguided view of eBay's nominative fair use defense. The viability of a nominative fair use defense cannot, as Tiffany

proposes, depend on demonstrating an absence of confusion; if it did, the defendant would be required disprove confusion—confusion being an element of the *plaintiff's* burden of proof—in order to maintain a nominative fair use defense. The nominative fair use defense does not require disproving confusion emanating from the conduct of a third party. Rather, it requires only that the defendant justify its own conduct, by demonstrating that it has not taken affirmative steps to create confusion, or that it has taken affirmative steps to negate confusion.

The foregoing principles represent fundamentally sound law and public policy. Reaffirming these principles and striking an appropriate balance between the rights of mark owners and the obligations of intermediaries will help ensure the continued vibrant, well-functioning exchange of information on the Internet for the benefit of consumers.

IV. ARGUMENT

A. The *Inwood* Standard for Contributory Trademark Infringement Liability Does Not Apply to Intermediaries That Lack a Direct Means of Determining Direct Infringement.

Inwood Labs., Inc. v. Ives Labs., 456 U.S. 844 (1982), is the seminal case on secondary liability for trademark infringement. From *Inwood*, we know that when a manufacturer (a) induces trademark infringement, or (b) continues to supply its product to “one” whom it knows or has reason to know is engaging in trademark infringement, the manufacturer can be held liable under a theory of secondary liability as a contributory infringer. *Id.* at

854. We also know that the mere fact that a manufacturer “could reasonably anticipate” trademark infringement by its distributors *cannot* support liability. *Id.* at 854 n.13.

Tiffany has pressed its case under the “knows or has reason to know” prong of the *Inwood* standard,² and argues that generalized knowledge that infringement likely is happening somewhere, somehow, on eBay’s website is enough to trigger an obligation on eBay’s part to prevent that infringement. eBay argues that absent reason to know about specific acts of infringement, it cannot be held liable for its sellers’ acts of trademark infringement under *Inwood*. But Tiffany’s secondary infringement case fails for a more basic reason, namely that *Inwood* does not govern where, as here, the alleged contributory infringer has no direct means to establish whether there is any act of direct infringement in the first place.³

² See Special Appendix (“SPA”) 38 (“Tiffany has not alleged that eBay intentionally induced infringement of Tiffany’s marks”); Pls.-Appellants’ Br. at 4-5 (arguing eBay “knows or has reason to know” about infringement).

³ eBay argued below that *Inwood* does not apply due to the limited nature of its involvement in the alleged infringement by its sellers. See SPA 40 (“eBay argues that its website is not a ‘product,’ as defined by *Inwood*. Rather, eBay characterizes its website as a ‘service [that] does not trade in the products at issue.’”) (quoting Def.’s Pretrial Mem. at 11). eBay has not pressed this argument on appeal, instead defending the district court’s reasoning that eBay wins even if *Inwood* applies. While *Amici* agree that the district court should be affirmed even if *Inwood* controls, see Section IV.B.1, *infra*, we raise the threshold issue of whether *Inwood* controls because of its important implications beyond this case.

1. Tiffany’s expansive reading of *Inwood* is inconsistent with the Supreme Court’s express intent.

Noting that the trademark law has always set a particularly high standard for third-party liability (in contrast, for example, to copyright’s somewhat more flexible tests), the Supreme Court has stressed that the *Inwood* standard is a narrow one. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984) (declining to import “narrow” *Inwood* standard into copyright law). Yet Tiffany wants to read the standard expansively, to cover a dramatically different factual situation.

Tiffany’s erroneous argument builds on a prior error of the Seventh Circuit. Notwithstanding the Supreme Court’s admonition to read *Inwood* narrowly, in *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143 (7th Cir. 1992), the Seventh Circuit expanded *Inwood* liability beyond manufacturers and distributors to all who might have secondary liability under the Restatement of Torts. *Id.* at 1149. Extending *Inwood* liability by reference to common law tradition was inconsistent with the Supreme Court’s plain guidance to the contrary.⁴

The Second Circuit has not yet adopted or rejected the *Hard Rock* standard. *See* SPA 41. Instead of embracing and extending the Seventh Circuit’s misreading of *Inwood*, *Amici* urge the Court to follow the Supreme Court’s guidance and limit *Inwood* liability to the narrow set of

⁴ Tiffany’s reading of *Hard Rock* is itself overly broad. *See* Section IV.B.1, *infra*. Even under the *Hard Rock* test, this Court should affirm. *See id.*

circumstances to which it was intended to apply.

2. Tiffany’s proposed standard is fundamentally impracticable.

A review of the underpinnings of *Inwood* demonstrates the fundamental practical as well as legal flaws in Tiffany’s reasoning. In *Inwood*, the question was when a manufacturer or distributor can be held liable for the actions of a downstream retailer who mislabels goods with another’s mark. 456 U.S. at 854-55. The Second Circuit, in an earlier appeal in the same case, had similarly held only that “a manufacturer or wholesaler” could be liable for infringement by a retailer’s mislabeling if it “suggested” the mislabeling or “had reason to know [the retailer] was engaging in the practice[.]” *Ives Labs., Inc. v. Darby Drug Co.*, 601 F.2d 631, 636 (2d Cir. 1979). Both the Second Circuit and the Supreme Court relied on *Coca-Cola Co. v. Snow Crest Beverages, Inc.*, 64 F. Supp. 980 (D. Mass. 1946), *aff’d*, 162 F.2d 280 (1st Cir. 1947), which also addressed whether a manufacturer could be held liable for downstream undisclosed substitution of its product for another.

In both cases, the defendant had a direct means by which to learn of the counterfeits. Snow Crest had no need to speculate whether Polar Bear Cola was or was not Coca-Cola, because Polar Bear Cola was Snow Crest’s own product. For the same reason, Inwood knew that the generic cyclandelate capsules it had made and distributed were not Ives’s Cyclospasmol capsules.

In sharp contrast, eBay stands accused of trademark infringement based on the offering by third parties of goods manufactured by other third parties.⁵ eBay has no physical access to the goods being sold by sellers on its site, and thus has no direct means of determining whether they are genuine or counterfeit.

This is not a distinction without a difference. The key elements of the direct infringement case include that the goods are being sold using the plaintiff's mark and that the goods are counterfeit. The key element of the *Inwood* test for secondary liability, when it applies, is knowledge of the direct infringement. When applied to a manufacturer or distributor, the *Inwood* test imposes liability on a defendant that knows that the goods it sold to a downstream purchaser were not authentic goods branded by the plaintiff. While the plaintiff may have difficulty establishing the defendant's knowledge that the retailer was selling the goods with the plaintiff's mark, the use of the plaintiff's mark presents a straightforward factual issue.

But determining whether goods are counterfeit is a different matter. For a manufacturer, distributor or franchisor, it is relatively easy to determine whether the goods or services are the authentic, because the

⁵ This distinction also applies to the Eleventh Circuit case *Mini Maid Servs. Co. v. Maid Brigade Sys., Inc.*, 967 F.2d 1516 (11th Cir. 1992), on which Tiffany relies. The Eleventh Circuit reasoned that “[a]lthough *Inwood Laboratories* involved the relationship between manufacturers and retailers, the analysis employed in that case governs the relationship between a franchisor and its franchisees.” *Id.* at 1521. As the franchisor of the brand that the franchisee was using, Maid Brigade *knew* that its franchisee's services were not Mini Maid services.

manufacturer, distributor or franchisor has direct knowledge of their provenance. But as the district court found in this case, and as common sense dictates, determining whether a given piece of silver jewelry is authentic generally requires physical inspection of the good by someone knowledgeable about Tiffany’s detailed and proprietary quality standards. *See* SPA 5. Because eBay has not and cannot inspect the goods, it has no direct means to determine their authenticity. It makes little sense to force intermediaries like eBay try to make difficult determinations of authenticity based on what often will be inadequate circumstantial evidence—a small, ill-lit photo; advertising copy that may or may not be true; a large claimed inventory of an item that one might expect to be relatively uncommon on the secondary market.⁶

Indeed, the burden such a rule would impose on intermediaries like eBay would be enormous even if it somehow were limited to Tiffany-branded goods. But of course Tiffany is not the only potential trademark plaintiff out there. If intermediaries were required to make authenticity determinations about goods sold on their sites by third parties under the brand names Tiffany, Louis Vuitton, Rolex, Prada, Gucci, Cartier, Christian Dior, Mont Blanc, Versace, and Chanel, to say nothing of the millions of lesser-known brands, the burden would be crushing.

⁶ The trial record apparently “offers little basis from which to discern the actual availability of authentic Tiffany silver jewelry in the secondary market.” SPA 7.

The result for consumers would be predictable and disappointing. No intermediary could take on the burden Tiffany seeks to impose on eBay. Instead, they would remove anything they believe has even a possibility of infringing a trademark. “As a general rule, trademark law does not reach the sale of genuine goods bearing a true mark even though the sale is not authorized by the mark owner.” *Polymer Tech. Corp. v. Mimran*, 975 F.2d 58, 61-62 (2d Cir. 1992) (citation omitted). Yet the rule Tiffany advances would grant a mark owner the practical ability to shut down the lawful secondary market on the Internet, leaving consumers little option but to buy from the more expensive primary market controlled entirely by the mark owner.

To be clear, *Amici* do not mean to suggest that no intermediary could ever be liable for secondary trademark infringement, only that such circumstances will be the exception rather than the rule. There may be specific factual scenarios in which an intermediary could have a sufficiently direct and clear basis for determining direct infringement. For example, if an eBay executive purchased Tiffany-branded goods from an eBay seller and received merchandise that plainly was counterfeit, eBay would likely then have an obligation to address the situation with that seller. Similarly, to the extent an intermediary intentionally induced third parties to infringe, liability might be appropriate under *Inwood*'s inducement prong. The precise outer boundaries of *Inwood* need not be explored in this case. For present purposes, it suffices to note that the facts in the case at bar fall far

outside the proper limits of *Inwood*.

The *Inwood* rationale for imposing secondary liability on a manufacturer or distributor based on its knowledge of infringing sales by the retailers to which it sells imposes reasonable burdens on a defendant. Extending *Inwood* to apply to intermediaries that merely control an instrumentality of commerce used by direct infringers would inexorably lead to overprotection for marks, at the expense of consumers.

B. Secondary Liability Cannot Be Based on Generalized Suspicion of Infringement.

1. The standard applied in *Hard Rock* does not support liability based on generalized suspicion of infringement.

Even if the Court accepts the district court's conclusion that *Inwood*, as modified by *Hard Rock*, applies to this case, Tiffany's effort to impose on intermediaries a duty to investigate and root out infringement based on generalized suspicion of wrongdoing must fail.

In *Hard Rock*, the key case upon which Tiffany relies, the Seventh Circuit imported general principles of common law tort liability to extend contributory trademark liability well beyond *Inwood*'s terms. *Id.* at 1148. Citing the Restatement of Torts, the Seventh Circuit reasoned that a third party "is 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 tortiously. . . .'" *Id.* at 1149 (quoting Restatement (Second) of Torts § 877(c) & cmt. d (1979)). The court then stated that willful blindness is the

same as actual knowledge “for purposes of the Lanham Act.” *Id.* (citing *Louis Vuitton S.A. v. Lee*, 875 F.2d 584 (7th Cir. 1989)).⁷ Finally, the court concluded that one who “suspect[s] wrongdoing and deliberately fail[s] to investigate” is willfully blind. *Id.* From this, Tiffany argues that if eBay had generalized suspicion that somewhere on its site someone was infringing on Tiffany’s marks, eBay had a duty to investigate, discover those infringements, and take remedial action.

Yet *Hard Rock* cannot be stretched so far. In *Hard Rock*, the plaintiff sought to hold a flea market operator, Concession Service, Inc. (“CSI”), secondarily liable where it had rented space to a vendor who had sold counterfeit Hard Rock t-shirts that were “poor quality stock, with cut labels and [that] were being sold for \$3 apiece.” *Id.* at 1147. The manager of the flea market saw the t-shirts “and had the opportunity to note that they had cut labels and were being sold cheap.” *Id.* at 1149. Thus, the case for secondary liability rested on CSI’s knowledge of specific infringing goods being offered for sale, not on generalized suspicion that someone at the flea market might be infringing.

Moreover, the Seventh Circuit took care to clarify that a generalized suspicion of infringement did not create a duty to police. In the proceedings below in *Hard Rock*, the district court appeared to conclude that CSI was willfully blind because it failed to take “reasonable steps to detect or prevent

⁷ In *Lee*, the defendants were accused of direct, not secondary, liability.

the sale of Hard Rock Cafe counterfeit T-shirts on its premise[s].” *Id.* at 1148 (quoting trial court decision). The Seventh Circuit expressly rejected this approach:

This ambiguity in the court’s findings would not matter if CSI could be liable for failing to take reasonable precautions. But **CSI has no affirmative duty to take precautions against the sale of counterfeits.** Although the “reason to know” part of the standard for contributory liability requires CSI (or its agents) to understand what a reasonably prudent person would understand, **it does not impose any duty to seek out and prevent violations.**

Id. at 1149 (emphasis added) (citing Restatement (Second) of Torts § 12(1) & cmt. a (1965)). Thus, Tiffany asks this Court to not only embrace the Seventh’s Circuit’s erroneous expansion of *Inwood*, but also impose duties on intermediaries that even the Seventh Circuit recognized to be improper.

The Ninth Circuit’s decision in *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996), does not save Tiffany’s position. The Ninth Circuit’s analysis focuses almost entirely on the standard for secondary *copyright* infringement liability. *Id.* at 261-64. As to secondary *trademark* infringement liability, the Ninth Circuit says little more than that “*Hard Rock Cafe*’s application of the *Inwood* test is sound” *Id.* at 265. Because *Hard Rock* does not allow secondary liability based on generalized suspicion, *Fonovisa* does not either.⁸

⁸ Tiffany also argues that the Eleventh Circuit’s decision in *Mini Maid* supports its position. As noted above, *see* Section IV.A, *supra*, *Mini Maid* is distinguishable because it concerned liability for a downstream merchant of the defendant’s goods or services. Moreover, while the Eleventh Circuit suggested that “[i]f the infringement is serious and widespread, it is more

2. Imposing secondary liability based on generalized suspicion of infringement would impede the growth of the Internet as forum for commerce and speech.

There is a good reason Tiffany has such difficulty finding legal support for its theory of liability: general principles of trademark policy and law militate *against* the standard Tiffany advocates.

As the district court noted, SPA 45, the knowledge standard for purposes of a contributory infringement claim is high. *Gucci America, Inc. v. Hall & Assoc.*, 135 F. Supp. 2d 409, 420 (S.D.N.Y. 2001). Keeping it high is essential to meeting the central purpose of trademark law: fostering consumer access to accurate and useful information about goods and services. A low knowledge standard is likely to lead intermediaries, fearful of lawsuits should they make the wrong decision, to grant trademarks more protection than the law dictates, which in turn would impede consumers' access to information about legitimate goods and services.

Indeed, even with the present narrow standard, it is too easy for trademark owners to interfere with legitimate uses of trademarks by simply sending a cease-and-desist letter to the service provider that hosts or facilitates the use, and restoring content can be costly and time consuming. For example, Lockheed Martin recently demanded that a popular image

likely that the franchisor knows about and condones the acts of its franchisees,” 967 F.2d at 1522, the actual standard it endorsed was that a franchisor can be held liable for infringement by a franchisee if it induced that infringement or “it knowingly participated in a scheme of trademark infringement carried out by its franchisees.” *Id.*; *see also id.* (issue is “whether or not the defendants intentionally induced infringing acts or actively participated in any infringement scheme”).

clearinghouse remove an image of a B-24 bomber, an object of historical significance that was not even manufactured by Lockheed, because the description of the image included the term “B-24” and Lockheed owns a trademark in that term in connection with model planes.⁹ Although the trademark use was clearly fair, it took weeks of negotiation to persuade Lockheed Martin to withdraw the claim so that the ISP was willing to restore the image.¹⁰ Improper allegations of trademark infringement (based solely on referential uses) recently led three service providers in a row to disable a gripe site, forcing the site owner to seek injunctive relief to prevent further harassment by the mark owner.¹¹ An anonymous complaint to a web hosting service caused the temporary disabling of an entire parody website, even though no one ever complained directly to the creators of the site.¹² Another complaint to a domain name registrar from diamond giant De Beers regarding a spoof ad on a spoof website caused the website owner’s domain name to be frozen even though the registrar could not possibly have been liable for the content of the site and the domain name itself did not use any

⁹ See Corynne McSherry, *Liberate the B-24 Liberator!*, Electronic Frontier Foundation Deeplinks Blog, <http://www.eff.org/deeplinks/2008/04/liberate-b-24-liberator> (April 9, 2008).

¹⁰ Corynne McSherry, *B-24 Liberated!*, Electronic Frontier Foundation Deeplinks Blog, <http://www.eff.org/deeplinks/2008/05/b-24-liberated> (May 21, 2008).

¹¹ Paul Levy, *Another Case of Abusive Trademark Claims to Suppress Speech—John Dozier Redux*, Public Citizen Consumer Law and Policy Blog, <http://pubcit.typepad.com/clpblog/2008/10/another-case-of.html> (Oct. 2, 2008).

¹² *Yes Men: “Exxon Strikes Back!”*, The Art of the Prank, <http://pranks.com/2007/07/02/yes-men-exxon-strikes-back/> (July 2, 2007).

De Beers trademark.¹³ Simply put, Internet service providers are often risk averse, preferring to remove content rather than face even a frivolous lawsuit.

However, these takedowns, like the takedowns caused by the filing of a NOCI with eBay, at least responded to specific notices of claimed infringement. If Tiffany's proposed "generalized suspicion" rule were correct, once intermediaries had notice that some infringement has occurred, they would be obliged to shoulder the additional burden of policing all use of a mark on their site(s), or risk liability. Unlike trademark owners, these entities will not know, absent an investigation, whether the mark owner has any valid objection to a particular use; all they will know is that they are on general notice of infringement and therefore have a duty to remove any uses that *might* be infringing. That is precisely the type of affirmative obligation that was rejected by the Ninth Circuit in *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 985 (9th Cir. 1999), as well as the Seventh, see Section IV.B.1, *supra*. It likewise should be rejected here.

Of course, there is no risk of liability if the use is not infringing. But most intermediaries will not be willing to devote substantial legal resources to analyzing whether a given use is permissible under trademark law. The result: legitimate uses will be removed, with no easy means of restoration.

¹³ Matt Zimmerman, *Censorship in the 21st Century: Targeting Intermediaries*, Electronic Frontier Foundation Deeplinks Blog, <http://www.eff.org/deeplinks/2008/11/de-beers-internet-intermediaries> (Nov. 25, 2008).

The resulting impact on consumers would be dramatic. Millions of people in the United States and abroad rely on marketplace sites like eBay and Craigslist to learn about and buy used or discounted—but perfectly legal—goods. Under a “generalized suspicion” regime of secondary liability, the secondary marketplace will be a good deal smaller—not because counterfeit goods have been removed, but because the intermediaries’ trademark “nets” inevitably will be cast too broadly. Indeed, some intermediaries may decide that maintaining such markets is not worth the cost of policing.

But the costs are likely to be higher still. Online and off, trademarks—words, symbols, colors—are not just commercial signals but also essential components of everyday language, used by companies, consumers and citizens to share information. *See* Alex Kozinski, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 973 (1993) (“[Trademarks] often provide some of our most vivid metaphors [A]llowing the trademark holder to restrict their use implicates our collective interest in free and open communication.”). A broad secondary liability standard that encourages intermediaries to restrict trademark use necessarily will result in speech restrictions. For example, online word of mouth, a crucial mechanism for consumers to share information about goods and services, could easily be curtailed by the complaints of a trademark owner that doesn’t like what consumers are saying. *See generally* Eric Goldman, *Online Word of Mouth and Its Implications for Trademark Law*, in

TRADEMARK LAW AND THEORY 404 (Graeme Dinwoodie & Mark Janis eds., 2008). Similarly, critical speech, such as gripe sites that necessarily use trademarks, *see e.g.* www.oreilly-sucks.com, could be targeted for takedown by even a moderately conservative intermediary.

Congress has stressed that the growth of the Internet as a forum for speech must not be impaired. When it enacted Section 230 of the Communications Decency Act (“CDA”), granting intermediaries broad immunity from liability for content posted by third parties, Congress noted that “[t]he Internet and other interactive computer services offer a forum for a true diversity of political discourse, unique opportunities for cultural development, and myriad avenues for intellectual activity.” 47 U.S.C. § 230(a)(3). As the Fourth Circuit explained in *Zeran v. America Online, Inc.*,

The specter of tort liability in an area of such prolific speech would have an obvious chilling effect. It would be impossible for service providers to screen each of their millions of postings for possible problems. Faced with potential liability for each message republished by their services, interactive computer service providers might choose to severely restrict the number and type of messages posted.

129 F.3d 327, 331 (4th Cir. 1997); *see also Dimeo v. Max*, 433 F. Supp. 2d 523, 528 (E.D. Pa. 2006) (“[A]bsent federal statutory protection, interactive computer services would essentially have two choices: (1) employ an army of highly trained monitors to patrol (in real time) each chatroom, message board, and blog to screen any message that one could label defamatory, or (2) simply avoid such a massive headache and shut down these fora.”). If

Tiffany's proposed rule were the law of the land, the chill on speech that Section 230 of the CDA was intended to prevent will occur through the operation of trademark, rather than defamation, law.

The Internet functions successfully as a forum for speech and commerce in large part because intermediaries have no affirmative duty to police infringement on behalf of trademark owners. Online, as offline, U.S. law and custom has always placed that burden on trademark owners, who are best positioned to know whether a given use is infringing. 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 11:91 (“[T]he corporate owners of trademarks have a duty to protect and preserve the corporation’s trademark assets through vigilant policing and appropriate acts of enforcement.”); *MDT Corp. v. New York Stock Exch., Inc.*, 858 F. Supp. 1028, 1034 (C.D. Cal. 1994) (“[T]he contributory infringement doctrine . . . does not extend so far as to require non-infringing users to police the mark for a trade name owner. The owner of a trade name must do its own police work.”). The growth of the Internet may have made that policing effort more costly for trademark owners (just as it undoubtedly has created new opportunities for them, *see, e.g.*, <http://www.tiffany.com>), but that is no reason to shift the burden onto intermediaries, particularly if the effect of that shift would be to interfere with the efficient communication of information to consumers and citizens.

3. The instances of specific “knowledge” discussed by the district court are actually discussions of specific suspicion.

If the Court adopts a standard allowing for secondary liability based on specific knowledge of infringement, the Court should take care to note that mere assertions of infringement by a mark owner do not constitute specific *knowledge* of infringement by the defendant.

The district court ultimately concluded that “when eBay had knowledge of specific infringing listings, eBay promptly terminated those listings.” SPA 57. But as the district court earlier noted, eBay typically did not have knowledge of *infringement*, only of Tiffany’s assertion that certain listings were infringing. SPA 53 n.38 (“Of course, a NOCI was not a notice of actual infringement, but instead, was a notice of Tiffany’s good-faith belief that a particular item or listing was infringing.”). Although “[i]n essence, Tiffany equates the filing of a NOCI with proof of counterfeiting,” SPA 54, the district court expressly rejected that approach, *id.* (“Once again, the Court disagrees.”); *see also* SPA 19 (“A NOCI, alone, is not evidence that the listing itself was infringing.”). Indeed, some of Tiffany’s notices were incorrect. SPA 22 (“Tiffany has occasionally reported items in NOCIs, only to be proved wrong and have eBay reinstate the listings.”). Even if secondary liability can be premised on specific knowledge of infringement, a plaintiff cannot be allowed to substitute evidence of suspicion of infringement for evidence of knowledge.

C. Tiffany’s Nominative Fair Use Theory Erroneously Conflates “Likelihood of Confusion” and the Third Prong of the Nominative Fair Use Test.

Tiffany claims that nominative fair use cannot apply to a referential use such as eBay’s where the user/defendant refers to counterfeit goods—knowingly or not—because counterfeit goods “by their very nature, cause confusion.” Pls.-Appellants’ Br. at 46. Tiffany’s claim demonstrates the danger of losing sight of the Ninth Circuit’s original formulation of the test. As first articulated in *The New Kids on the Block v. New Am. Publ’g, Inc.*, 971 F.2d 302 (9th Cir. 1992), the nominative fair use defense applies where a use of a mark is the best way to refer to a product or markholder, the defendant uses no more of the mark than necessary, and *the defendant does nothing* to suggest sponsorship or endorsement. *Id.* at 308.

Thus, the third prong of the nominative fair use test focuses on the affirmative acts of defendant to create (or avoid) confusion—not simply whether some consumers are confused. Indeed, if the use is otherwise fair, some confusion is perfectly acceptable. *KP Permanent Make-Up v. Lasting Impression I, Inc.*, 543 U.S. 111, 121-22 (2004) (“some possibility of consumer confusion must be compatible with fair use, and so it is.”); *Bihari v. Gross*, 119 F. Supp. 2d 309, 321 (S.D.N.Y. 2000) (use of mark protected as fair use even if caused consumer confusion). The question is whether the defendant has taken affirmative steps to *cause* (and profit) from that confusion, and/or taken affirmative steps to avoid it, such as by including a disclaimer. *Horphag Research Ltd. v. Garcia*, 475 F.3d 1029, 1038 (9th Cir.

2007) (use of trademark not fair where defendant “intentionally spawned confusion” by, *inter alia*, claiming his product was the “true” form of the trademarked drug); *Ty, Inc. v. Publications Int’l, Ltd.*, 2005 WL 464688, No. 99 C 5565, at *9-*10 (N.D. Ill. Feb. 25, 2005) (prominent disclaimer satisfied third prong of nominative fair use test).

Treating the third prong of the test as equivalent to a confusion analysis is improper for at least three reasons. First, it requires the defendant to disprove confusion. The Supreme Court has held that a party raising the affirmative fair use defense does not have burden to negate likelihood of confusion. *KP Permanent Make-Up*, 543 U.S. at 118. Indeed, shifting the burden on confusion—a central element of the plaintiff’s case—effectively eviscerates the defense as such; if the plaintiff has shown a likelihood of confusion, then the third prong of the nominative fair use defense can never be met. As the Supreme Court put it (concerning the descriptive fair use defense):

[I]t would make no sense to give the defendant a defense of showing affirmatively that the plaintiff cannot succeed in proving some element (like confusion); all the defendant needs to do is to leave the factfinder unpersuaded that the plaintiff has carried its own burden on that point. A defendant has no need of a court's true belief when agnosticism will do. Put another way, it is only when a plaintiff has shown likely confusion by a preponderance of the evidence that a defendant could have any need of an affirmative defense, but under [the plaintiff’s] theory the defense would be foreclosed in such a case. “[I]t defies logic to argue that a defense may not be asserted in the only situation where it even becomes relevant.”

Id. at 120 (quoting *Shakespeare Co. v. Silstar Corp. of Am.*, 110 F.3d 234,

243 (4th Cir. 1994)).

Second, the nominative fair use analysis is intended to *replace* the usual likelihood of confusion analysis because the traditional confusion factors (*e.g.*, similarity of the marks) are either unhelpful or could suggest confusion even if the use is entirely referential. *See Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002). Reading likelihood of confusion back into the nominative fair use defense reintroduces the very fallacy the Ninth Circuit was attempting to avoid.

Third, as this case amply demonstrates, focusing on the existence of confusion rather than the affirmative acts of defendants to create (or avoid) that confusion deprives referential users of a crucial form of self-protection. A third party such as eBay, or any one of the many sites and services that direct consumers to sources for goods (*see, e.g.*, fabsugar.com; the Common Ground Holiday Gift Guide, <http://commongroundmag.com/2008/11/giftguide0811.html>; and the Gourmet Holiday Gift Guide <http://www.gourmet.com/magazine/2000s/2008/11/home-holiday-gift-guide>) are not well-situated to determine whether the sources to which they point are currently authorized retailers for the goods. What they *can* do, however, is avoid suggesting otherwise, *i.e.*, avoid using language that might suggest that the mark-owner has endorsed or sponsored the announcement. Thus, a focus on the defendant's affirmative acts encourages attention to the real basis for liability: whether a party has helped create consumer confusion, as opposed to providing useful information about goods or

services.

An honest referential user should have little trouble meeting this prong because consumers do not understand an announcement necessarily to imply endorsement or affiliation. When consumers follow a link to Rose and Radish, a retail store that sells Eva Solo garlic presses, in the Gourmet Magazine 2008 Gift Guide, they do not assume that Gourmet is affiliated with the store, nor do they assume that Gourmet has investigated whether Eva Solo has authorized that store to sell its wares. All they reasonably can expect is that the store did in fact carry the garlic presses when the Gift Guide was published.

If, however, Gourmet made an affirmative representation that Rose and Radish was an “authorized source” for the presses, they might assume, because they trust Gourmet, that the statement was true. If the presses were counterfeits, Gourmet then would have played an active role in creating confusion by suggesting Eva Solo actually sponsored or endorsed the representation. *See Cairns*, 292 F.3d at 1154-55 (finding third prong met where defendant’s advertisement of Princess Diana-related products did not claim [nor disclaim] that the products were sponsored or endorsed by the trademark-holder; noting defendant did sometimes affirmatively attest to authorization of trademark holders with respect to other products).

In this case, the district court found that eBay did nothing to suggest that Tiffany sponsored or endorsed sales of Tiffany jewelry on eBay. eBay simply provided truthful information to potential customers about where to

locate merchandise that third parties represented to had been made by Tiffany. Whether any particular customer thought otherwise (though it appears none did, *see* SPA 34) is irrelevant.

V. CONCLUSION

For the foregoing reasons, *Amici* urge the Court to affirm the district court's decision.

Respectfully submitted,

Date: December 3, 2008

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CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32(a)(7)(B), I hereby certify that the foregoing brief complies with the 7,000-word volume limitation of Fed. R. App. P. 29(d). I make this representation based upon the word count generated by the word processing software used to prepare this brief, which reflects that this brief contains 6,417 words, excluding those portions exempted by Fed. R. App. P. 32(a)(7)(B)(iii). The font used for this brief is Times New Roman in 14-point type.

Date: December 3, 2008

s/Fred von Lohmann
Fred von Lohmann

CERTIFICATE OF SERVICE

I, Leticia Perez, declare:

I am employed in the City and County of San Francisco, California by Electronic Frontier Foundation at 454 Shotwell Street, San Francisco, California 94110. I am over the age of eighteen years and am not a party to the within cause.

On December 3, 2008, at the above-referenced address, I served the attached BRIEF AMICUS CURIAE OF THE ELECTRONIC FRONTIER FOUNDATION, PUBLIC CITIZEN, AND PUBLIC KNOWLEDGE IN SUPPORT OF DEFENDANT APPELLEE EBAY, URGING AFFIRMANCE on the parties in said cause by consigning two copies each of the document listed above to an express delivery service for guaranteed delivery on the next business day to the persons at the addresses set forth below:

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I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

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ANTIVIRUS CERTIFICATION

CASE NAME: Tiffany (NJ) Inc. v eBay Inc.

DOCKET NUMBER: 08-3947-cv

I, Leticia Perez, certify that I have scanned for viruses the PDF version of the **BRIEF AMICUS CURIAE OF THE ELECTRONIC FRONTIER FOUNDATION, PUBLIC CITIZEN, AND PUBLIC KNOWLEDGE IN SUPPORT OF DEFENDANT-APPELLEE EBAY, URGING AFFIRMANCE** that is being submitted in this case as an email attachment to <civilcases@ca2.uscourts.gov> and that no viruses were detected. ClamXav v1.1.1 (185) was used to scan for viruses.

Date: December 3, 2008

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