



## LOUIS VUITTON BAGS \$32M FROM INTERNET PROVIDER

Court holds ISPs responsible for trademark infringement on web sites

By **MARINA F. CUNNINGHAM**  
and **EMILY J. KASPEROWSKI**

A new standard for contributory trademark infringement for Internet service providers (ISP) and Web-hosting entities may be emerging from the recent case of *Louis Vuitton Malletier, S.A. v. Akanoc Solutions Inc. et al.* In an Aug. 28 verdict, a federal district court jury in California awarded luxury handbag maker Louis Vuitton more than \$32 million in statutory damages from defendants Akanoc Solutions Inc. and owner Steven Chen on the grounds of contributory trademark and copyright infringement.

The case marks the first instance in which an ISP has been held liable for contributory trademark and copyright infringement for its Web-hosting services, as well as the first time statutory damages have been awarded on these grounds in the U.S. The potential liability for ISPs under this decision could devastate these businesses. Even ISPs that try, yet fail, to prevent sales of infringing items or other infringing activities over the Internet could be liable under *Louis Vuitton*.

Akanoc provides Internet Protocol (IP) addresses, routers that link Internet traffic to web sites and servers that store Internet content and allow the content to be accessed through the Internet. It also sells IP addresses to customers who use the servers to host their own web site content, for example, on-line stores.

In 2006, Louis Vuitton investigated several web sites selling counterfeit handbags and luggage and determined that the IP ad-

resses in connection with the web sites belonged to Akanoc. Louis Vuitton immediately sent e-mail notices to Akanoc requesting that the offending web sites be removed from the company's servers. However, the sites continued to remain operable. Some of the offending web sites changed IP addresses to other IP addresses also owned by Akanoc. Unsatisfied by the response, Louis Vuitton brought suit in 2007, alleging contributory trademark and copyright infringement, among other charges.

### 'Extent Of Control'

To establish contributory trademark infringement through the offering of services, a plaintiff must show that the defendant knew—or should have known—of the infringing activity and directly controlled or monitored the instrumentality used by a third party to infringe the trademark. This standard was set forth in the 1999 Ninth Circuit case *Lockheed Martin Corp. v. Network Solutions Inc.*, which required a court to consider the "extent of control" exercised by the defendant over the third party's acts of infringement.

Here, Louis Vuitton had established that Akanoc knew or should have known of the infringing activity. Furthermore, Louis Vuitton established that the defendants had available to them simple measures to take down any offending web sites. In response, the



Marina F. Cunningham



Emily J. Kasperowski

Akanoc defendants supplied several theories of non-infringement, one being that they do not and cannot monitor every web site that utilizes their services.

This theory was sufficient in a related case, in which eBay prevailed over claims of contributory trademark infringement on the Internet asserted by Tiffany & Co. in the recent Second Circuit case *Tiffany (NJ) Inc. v. eBay Inc.* In that case, eBay was found to have "generalized" knowledge of sales of counterfeit items over the Internet. However, a showing of specific knowledge of infringing activity necessary for a contributory trademark infringement liability was absent.

Under eBay's business model, eBay did not have an opportunity to physically inspect specific items for authenticity and, even if it did, it would not necessarily have known how to distinguish counterfeit goods from genuine Tiffany items. Notably, eBay had already implemented a state-of-the-art system to handle trademark and copyright infringement claims prior to commencement of the lawsuit.

In *Louis Vuitton*, the Federal District Court for the Northern District of Califor-

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*Marina F. Cunningham is a partner in the Hartford and Springfield, Mass., intellectual property firm of McCormick, Paulding & Huber LLP. Emily J. Kasperowski is an associate at the firm.*

nia reached the opposite conclusion under arguably similar facts. The court relied on the Ninth Circuit's 1996 decision in *Fonovisa v. Cherry Auction Inc.*, in which a flea market operator was held liable for contributory trademark infringement for providing the "site and facilities" for the infringing activity.

The court likened the Akanoc defendants' ISP services as akin to the "site and facilities" flea market in *Fonovisa*, and held that the Akanoc defendants could not be willfully blind to trademark infringement transpiring on its clients' websites and escape any kind of liability. Thus, Akanoc's willful blindness,

coupled with the direct knowledge of the infringing activities demonstrated by Louis Vuitton's e-mails referencing the same, provided ammunition for the jury's staggering verdict awarding statutory damages of nearly \$800,000 per trademark, for a total award of \$32.4 million to Louis Vuitton.

The *Louis Vuitton* decision represents a marked departure from the current body of case law and provides a standard for contributory trademark infringement for ISPs,

which was previously largely unknown: Web-hosting entities and ISPs that learn of infringing activity and fail to act will be open to liability. Following *Louis Vuitton*, ISPs are

strongly advised to take measures to respond to and effectively deal with notices of trademark and copyright

infringement. Providing unmanaged server capacity for Internet websites no longer exempts an ISP from taking steps to prevent infringement. ■

