

The logo for Astrachan Gunst Thomas features a stylized, swirling blue graphic to the left of the firm's name. The name "astrachan gunst thomas" is written in a lowercase, sans-serif font, with "astrachan" and "gunst" in a lighter blue and "thomas" in a darker blue.

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Contributory Infringement by Website

By: Jim Astrachan

I was looking for an inexpensive piece of Tiffany silver jewelry recently – someone said it makes a really good bass lure if you add a swivel and treble hooks. I went online and found many, many sellers of what had to be counterfeit Tiffany jewelry in addition to the real thing.

That fishing expedition started me thinking. These Internet websites, such as eBay, clearly enable sellers of fake goods to conduct their business. They form a critical link between buyer and seller, and without them, it is very unlikely that the counterfeiter's fake goods could be sold. I know it's a tough job to find and stop the actual seller, and often the juice isn't worth the squeeze, but why, I wondered, doesn't a company like Tiffany's drop a rock on their Internet websites? Remove the venue and the seller has no place to sell its goodies?

Well, Tiffany's is attempting to do so and a case is pending in New York against eBay, alleging contributory trademark and copyright infringement. The keyword, however, is pending and although closing arguments were heard in December, a decision has not been rendered.

Still, I thought, this can not be an isolated case, or even a case of first impression. There is too much at stake for the owners of IP and way, way too much commerce in fake goods on the Internet. A little poking around uncovered a case on point decided last summer in which Perfect 10, the publisher of PERFECT 10 Magazine sued Visa, MasterCard and other credit card issuers for contributory trademark and copyright infringement. A chief reason that caused the case to catch my eye was a dissenting opinion by Judge Alex Kozinski, a federal appellate judge in the Ninth Circuit, known for applying a large dollop of common sense to cutting edge IP issues. I try to always read what he writes.

The facts in the Card case are straight forward. Perfect 10 publishes a magazine and a website featuring copyrighted images of beautiful models which are distributed under the PERFECT 10 trademark. Numerous foreign-based websites purloined Perfect 10's copyrighted images and sold them online. Persons wishing to purchase an image merely needed to charge the purchases on their Visa or MasterCard. Instead of ferreting-out the sellers of those stolen goods, Perfect 10 went after the enablers, theorizing that the Cards contributed to the infringement and if the Cards are stopped, purchase will become too difficult and traffic in the stolen images will stop. The strategy made pretty good sense until the Court of Appeals ruled against Perfect 10 and dismissed its suit against the Cards prior to even considering whether the Cards knew of the infringement.

By dismissing the suit, the court held that the Cards, even though they facilitated the fiscal transactions, did not engage in vicarious or contributory trademark and copyright infringement, and that they did not induce infringement.

I recalled that this was the same court responsible for some eye-popping IP decisions in the last decade of the Twentieth Century, including the widely criticized decisions involving Vanna White and Cliff and Norm of Cheers fame. Judge Kozinski's dissent, however, was the voice of reason in White, and most thought he got it right. Thus, Judge Kozinski's "for the most part" dissent in Perfect 10 is well worth the read.

Kozinski was very direct when he opined,

"Accepting the truth of plaintiff's allegations as we must on a motion to dismiss, the credit cards are easily liable for indirect copyright infringement. They knowingly provide a financial bridge between buyers and sellers of pirated work enabling them to consummate infringing transactions, while making a profit on every sale. If such active participation in infringing conduct does not amount to indirect infringement, it's hard to imagine what would. By straining to absolve defendants of liability, the majority leaves our law in disarray."

Well, Kozinski was never a jurist who sugar coated his words. The thrust of his dissent was recognition of the long established precedent that a defendant who materially contributes to another's infringement is also an infringer. He discerned no difference between this case and a 2007 Ninth Circuit decision in which Google was held contributorily liable because it had knowledge that its search engine made infringing images available, and that simple steps not taken, but that could have been, would have stopped the infringement.

Kozinski debrided the majority's determination that there was an "additional step" present in the Cards case versus the Google case so as to hold the Cards

harmless. "Defendants participate in every credit card sale of pirated images; the images are delivered to the buyer only after the [Cards] approve the transaction and approve the payment," he wrote.

Kozinski focused on the right questions: That is, did the defendants' action significantly aid the infringement? Did they make it easier for the thieves to benefit? Did they enable the defendants to exercise the power to undermine the viability of Perfect 10's websites? Did they make it easier for the thieves to profit from their theft? Did the Cards' have the unexercised ability to take steps to significantly reduce the benefits to the thieves? The answers were affirmative, and he concluded that the Cards' activities were material and they contributed to the infringement.

The test, Kozinski opined, is not whether infringement could continue on a large scale without the aid of the Cards, as the majority held, but whether or not the Cards materially assisted the thieves in their illegal activity? It could not be said that the Cards did not.

Kozinski has not been a person to find liability where none should exist. To the contrary, he has taken positions adverse to the majority where upholding findings of liability have been severely and reasonably criticized by legal scholars and jurists. He is the jurist who declared to the effect in a trademark action, that "no one can tell me not to put a BAND-AID on the problem," championing the right to fairly use another's mark.

I'm betting that Judge Kozinski got it very right and his brethren not so right. The U.S. District Court in Manhattan will very likely refer to the opinion in the Cards case and take one side over the other. I believe it will see it Kozinski's way and slam eBay.

James B. Astrachan is the author of The Law of Advertising, published by Matthew Bender-Lexis/Nexis.