Hauling in the middleman: contributory trade mark infringement in North America

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Key issues

- The first part of this article considers the evolution of indirect trade mark liability in the US.
- The authors explore the elements necessary to establish indirect trade mark liability, and extension of liability to brick and mortar intermediaries and internet intermediaries in the US.
- In the second part of the article the authors explain that there is no secondary liability available under Canadian trade mark law, but that the Canadian courts may find a duty of care owed by intermediaries to brand owners.
- The authors explore the elements of a negligence claim against intermediaries in Canada and extending liability to bricks and mortar and online intermediaries.

The United States of America

Introduction to indirect liability

Indirect trade mark liability has blossomed from its ancient roots in tort law to reach an increasingly diverse and sophisticated spectrum of intermediaries, or middlemen, in the new millennium. This development of American jurisprudence can be consistently found at the intersection of IP law and the law of the internet. There, American celebrities and brand owners enforce their trade mark rights against intermediaries—social networking websites such as Twitter and Facebook—to reach the infringing conduct of end-users.[1] Famous brand owners such as Tiffany's and Louis Vuitton press for greater legal accountability of middlemen—such as online auction houses like eBay—in order to reach end-users who hawk counterfeit wares.[2] The evolution of indirect trade mark liability in American jurisprudence may inspire lawyers in other jurisdictions.

Necessity for indirect trade mark liability

'The redress to be accorded in trade mark cases is based upon a party's right to be protected in the goodwill of a trade or business'.[3] Those who infringe a trade mark directly usurp that goodwill by creating a likelihood of confusion as to the source or sponsorship of goods and services. Often, however, such direct infringement relies upon, or is induced, aided or abetted by a variety of intermediary actors. Holding such intermediaries accountable for damages caused by direct infringement serves both economic and moral ends.[4] Individual infringers may be financially unable to pay for the harm they cause, or too numerous or anonymous to be effectively pursued. To accord trade mark owners viable redress, economic efficiency demands that liability be shifted to those in the best position to prevent future infringement, ie those with control over the instrumentalities of infringement. Thus, intermediaries whose knowing or intentional actions cause indirect harm to trade mark owners may fairly be held liable for the resultant damages.

In a bricks-and-mortar context, such intermediaries can include product manufacturers and distributors who urge retailers to sell generic goods under brand names; landlords of storefronts, flea markets, and warehouses who turn a blind eye to counterfeiting activities; packing and shipping services that transport infringing products; or printers and publishers who produce infringing packaging for third-parties. In the digital

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1 *Anthony La Russa v Twitter, Inc.*, 3:09-cv-02503-EMC (N.D.Cal. 2009).

2 *Tiffany (NJ), Inc. v eBay, Inc.*, 576 F.Supp.2d 463 (SDNY 2008).

3 *Hanover Star Milling Co. v Metcalf*, 240 US 403, 412 (1916).

4 M Bartholomew and J Tehranian, 'The secret life of legal doctrine: the divergent evolution of secondary liability in trade mark and copyright law', 21 *Berkeley Tech LJ* 1363, 1366 (2006).

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realm of the internet, the number of potential intermediaries is seemingly endless. Several more notable examples of digital middlemen include: web-hosts storing infringing content for end-users; domain name registration authorities trafficking in confusing or dilutive names; online payment service providers processing illicit transactions; social networking websites facilitating systemic trade mark infringement; or online auction houses permitting unabated sales of counterfeit goods.

The difficulty in common with holding each of these actors responsible under traditional legal theories is that they technically have not perpetrated an underlying act of infringement. They have, in many cases, acted as a conduit, but have not themselves engaged in any unauthorized trade mark use. These middlemen evaded liability under traditional trade mark infringement law until the law began to evolve to fill this perceived lacuna.

Theories of indirect trade mark liability

In the USA, trade mark rights receive statutory protection under the laws of the 50 states and the federal government. The federal trade mark statute, the Lanham Act, is generally silent on liability for indirect infringers, and very few state laws actually contain explicit provisions on intermediaries.[5] In an effort to haul these middlemen in to court, state and ultimately federal judges have applied well-established, common-law theories of indirect tort liability to trade mark infringement. Over time, two distinct judicial doctrines of indirect liability—contributory and vicarious liability—have evolved from common-law precedent and have been applied to trade marks in American federal jurisprudence.

Contributory trade mark infringement proscribes both (1) inducement of direct infringers and (2) knowing material contribution to or control over the means of direct infringement.[6] As its name implies, the 'inducement prong' attaches liability where a middleman provides active encouragement to a direct infringer.[7] Most inducement cases share a recurring brick-and-mortar context. Typically, a manufacturer of a generic product will be held liable for inducing retailers to 'pass off' the manufacturer's own inexpensive product for that of a competing brand name. The 'knowledge and control prong' attaches liability where a middleman (a) knows or has reason to know of direct infringement, and (b) continues to assist the direct infringer by providing various instrumentalities necessary for infringement.[8] Cases under this prong demonstrate its expansive potential to haul middlemen into court, due to the nebulous nature of what exactly may constitute an 'instrumentality' of infringement. For example, this prong has successfully been applied to a web-host whose continued storage of infringing data for end-users was analogized to leasing digital real estate for counterfeiting activity.[9] A jury held the web-host liable for $34.2 million (USD) for its contributory trade mark infringement.[10]

In contrast, *vicarious* trade mark infringement, as descended from the tort law doctrine of *respondeat superior*, attaches liability solely where a middleman and a direct infringer 'have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over [an] infringing product'.[11] This standard is applied strictly, thus vicarious liability results only 'where an agent acts on behalf of a principal and commits trade mark infringement'.[12] Because intermediaries and infringers rarely share such a direct principal-agent relationship, claims for vicarious trade mark infringement are often pleaded and rarely proven.[13] Hence, a discussion on hauling middlemen into court largely concerns contributory trade mark infringement.

Bricks-and-mortar origins of indirect trade mark liability

From ancient Rome to the New World

Theories of secondary liability can be traced back to ancient Roman law.[14] Under Roman law, '[o]nly innkeepers and shipowners (*nautae, caupones, stabulari*) were made answerable for the misconduct of their free servants by the praetor's edict'.[15] Since the Norman Conquest of England, civil liability has been imposed on masters and commanders for their servants' and officers' torts.[16] 'The maxim *respondeat superior* has

5 See eg New York Real Property Law § 231(2) (providing joint and several liability for landlords 'knowingly leasing or giving possession of [real property] to be used or occupied, wholly or partly for any unlawful trade, manufacture or business' such as counterfeiting).

6 *Inwood Labs, Inc. v Ives Labs, Inc.*, 465 US 844, 853–854 (1982).

7 id.

8 id.

9 *Louis Vuitton Malletier, S.A. v Akanoc Solutions*, 591 F.Supp.2d 1098 (N.D.Cal. 2008).

10 *Louis Vuitton Malletier S.A. v Akanoc Solutions*, No. 07-03952 JW (N.D.Cal. 2009).

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

12 J Gilson, 3 Trademark Protection and Practice § 11.02(2)(h)(iii) (2009).

13 Vicarious liability also requires that the intermediary derive some sort of financial benefit from the direct infringement, however, courts typically do not proceed beyond the principle-agent element reach this inquiry.

14 OW Holmes, Jr, 'Agency', 4 *Harv L Rev* 345, 351 (1891).

15 id.

been applied to the torts of inferior officers from the time of Edward I to present day'.[17]

In the USA, the law of indirect trade mark liability arose under separate doctrines of tort liability and unfair competition—both of which arose early in the nation's common-law history, which derived, in turn, from the common-law and chancery courts of England.[18] Over time, tenets of secondary liability from England crept into American federal jurisprudence via the common-law of the individual states.

Secondary liability for trade mark infringement first appeared in American federal jurisprudence in the early 1890s in the circuit court of the Eastern District of Missouri.[19] Both cases dealing with the issue—*Societe Anonyme de la Distillerie de la Liqueur Benedictine de l'Abbaye de Fecamp v Western Distilling Co.*, 42 Fed. Rep. 96 (C.C.E.D.Mo. 1890) and *Hostetter Co. v Brueggman-Reinert Distilling Co.*, 46 Fed. Rep. 188 (C.C.E.D.Mo. 1891)—involved generic beverage manufacturers seeking to persuade retailers to 'pass off' their own inexpensive beverage products for those of a competitor.[20] In each circumstance, the Eastern District of Missouri drew upon the common-law tort precept that 'a person who counsels and advises another to perpetrate a fraud, and who also furnishes him the means of consummating the same, is himself a wrong-doer, and, as such is liable for the injury inflicted'.[21] This rule has come to be known as the 'inducement prong' of contributory trade mark infringement.

Manufacturers, distributors, and inducement

American federal jurisprudence is rife with cases in which courts have applied the inducement prong to hold manufacturers and distributors, typically of pharmaceutical products, liable for causing retailers, typically pharmacists, to 'pass off' generic drugs as brand name drugs whose patents have expired. The US Supreme Court ratified this common-law prong of contributory trade mark infringement in 1924 in *William R. Warner & Co. v Eli Lilly & Co.*[22]

In *William R. Warner*, the defendant was sued for contributory trade mark infringement when its salesmen suggested that pharmacists could fill prescriptions and orders for the plaintiff's COCO-QUININE brand by substituting the defendant's QUIN-COCO, an inexpensive, generic, look-alike brand.[23] Ultimately, the Supreme Court relied upon the common-law rule stated in *Hostetter*— '[o]ne who induces another to commit a fraud and furnishes the means of consummating it is equally guilty and liable for the injury'—and held that 'though no deception was practiced on the [pharmacists] ... [the defendant's] wrong was in designedly enabling dealers to palm off the [drug] as that of [the plaintiff]'.[24] The Supreme Court required the defendant to label its generic product clearly in order to deter pharmacists from mislabelling—thus making it clear that even a lawful imitator must sell its simulated goods under its own trade mark.[25] Scholars have tracked the inducement language of *William R. Warner* and *Hostetter* to its memorialization in 1938, in the First Restatement of Torts—a periodic refinement of, and commentary on, black-letter common-law by the American Law Institute.[26]

Manufacturers, printers, and knowledge and control

The 1938 Restatement of Torts also sought to encapsulate the knowledge and control prong of contributory trade mark liability. The Restatement section entitled 'Contributory Infringement' provided that '[o]ne who supplies third persons with labels, stamps, wrappers, or

16 id at 355–356.

17 id.

18 See eg *Brown v Perkins*, 1 Allen 89, 83 Mass. 89 (Mass. 1861). '[A]ny person who is present at the commission of a trespass, encouraging or exciting the same by words, gestures, looks or signs, or who in any way or by means countenances or approves the same, is in law deemed to be an aider and abettor, and liable as principal ....' id at 98. See also *Thomas v Winshester*, 19 Pick. 214, 36 Mass. 214 (Mass. 1837). '[I]f the defendant made simulated and inferior medicines and sold them [or placed them in the hands of others to sell] as and for medicines prepared by the plaintiff himself, he was liable ....' id at 215–216. 'The right to adopt and use a symbol or device to distinguish goods and property ... to the exclusion of use by all other persons, has long been recognized by the common law and the chancery courts of England and of this country, and by the statutes of some of the States'. *Trade-mark Cases*, 100 US 82 (1879).

19 CW Adams, 'Indirect infringement from a tort law perspective', 42 *U Rich L Rev* 635, 674–684 (January 2008) (discussing the origins and evolution of indirect infringement of patents, copyrights, and trade marks).

20 id.

21 *Hostetter Co.*, 46 Fed. Rep. at 189 (internal citations omitted). 'The defendant cannot shield itself ... by the plea that it has not itself sold a spurious article in a false dress. The fact that it has advised its customers to perpetrate a fraud of that description, and that it has furnished them the spurious article, and that some of its customers have probably acted on the suggestion, is sufficient to render them liable ... ' id. See also *Societe Anonyme*, 42 Fed. Rep. at 97. '[T]he test is simply whether [the defendant] was intentionally instrumental in causing the sales to be made'. id.

22 265 US 526.

23 id at 530–531.

24 id.

25 'The law permits copying of an article of merchandise that is not covered by a valid patent, if the copying party does not represent the copies as the product of the party making the original and does nothing ... to induce [his] customers to engage in palming off ....' *Zangerle & Peterson Co. v Venice Furn Novelty Mfg Co*, 133 F.2d 266 (7th Cir. 1943).

26 Adams, above note 20 citing Restatement (First) of Torts §§ 713, 738 (1938). Specifically, the Restatement contained both a provision on 'Inducing Fraudulent Marketing' and a provision on 'Inducing or Aiding One's Purchase to Infringe on Resale' which reiterated the holdings on inducement from prior federal precedent.

containers bearing designations identical with or confusingly similar to another's trade mark or trade name is subject to liability under the same conditions as the third persons who use labels, stamps, wrappers or containers'.[27] Printers have been held liable under the common-law knowledge and control prong as early as 1897.[28] Indeed, early American federal jurisprudence has characterized 'the real question' in these cases as 'whether or not [the printers] have knowingly put into the hands of the dealers of the goods, by sale of labels, the means of deceiving the ultimate purchaser'.[29]

The knowledge and control prong of contributory infringement was applied to manufacturers by American federal courts at least as early as 1936 in *Stetson Co. v Stephen L. Stetson Co.*[30] In that action, brought by the famous hat maker whose fedoras became synonymous with the American West, the United States District Court for the Southern District of New York determined that '[t]he defendant ... ha[d] knowingly taken part in and promoted the acts of [a direct infringer] ... by finishing hats sold by the [direct infringer] ... and by knowingly furnishing the use of its office force to the business purposes of the [direct infringer] ... .'[31] Eventually, after federal trade mark law was re-codified in 1946 with the passage of the Lanham Act, a plethora of federal cases appeared applying the knowledge and control prong of contributory trade mark infringement.[32]

In *Coca-Cola Co. v Snow Crest Beverages, Inc.*, the Coca-Cola Company sued a smaller competitor that manufactured POLAR COLA, a cheaper beverage that bars tried to serve to patrons when ordering 'rum and Coca-Cola'.[33] The District of Massachusetts clarified the applicable test: 'The test is whether wrongdoing by the purchaser 'might well have been anticipated by the defendant', because '[b]efore he can himself be held as a ... contributory infringer, one who supplies another with the instruments by which [another] commits a tort, must be shown to have knowledge that the other will or can reasonably be expected to commit a tort with the supplied instrument'.[34] 'It is, of course ... defendant's duty to avoid knowingly aiding bars which purchase [its POLAR COLA] from marketing those products in such a manner as to infringe the [COCA-COLA] trade mark'.[35] Thus, the knowledge and control prong necessitates either 'notice by [the] plaintiff' or 'information that would persuade a reasonable man' of ongoing infringement.[36] Absent notice of a retailer's ongoing infringement, a manufacturer is not strictly liable for their misuse of its products, as '[t]here is no broader legal principle that always makes the defendant his brother's or his customer's keeper'.[37] Similarly, in *Mattel, Inc. v Goldberger Doll Mfg Co.*, the United States District Court for the Eastern District of New York found that the maker of BABETTE dolls was not a contributory infringer of the world-famous BARBIE trade mark as it 'could not have anticipated that its customers would use its products wrongfully', by advertising the BABETTE doll as 'Barbee-Type'.[38]

US Supreme Court affirmation of contributory trade mark infringement

These developments led to the US Supreme Court's decision in *Inwood Labs, Inc. v Ives Labs, Inc.* in 1982, which affirmed both the inducement and the knowledge and control prongs of contributory trade mark liability.[39] Inwood Labs sold generic look-alike drugs to pharmacists who mislabelled the generic drugs, using Ives Lab's trade mark.[40] In an oft-quoted opinion, the Supreme Court firmly stated, 'liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another'.[41] In so ruling, the Supreme Court affirmed the rule from *William R. Warner* and *Hostetter* that 'if a manufacturer or distributor intentionally induces another to infringe

27 id, citing Restatement (First) of Torts § 739 (1983).

28 *New England Awl & Needle Co. v Marlborough Awl & Needle Co.*, 168 Mass. 154, 46 NE 386 (Mass. 1897) (holding that '[i]t hardly can be doubted that [defendant] contemplated that the wholesale dealer at whose request they put up their awls in this form, with full knowledge of the plaintiff's prior use, would or might try to deceive the public, and whether they did or not is immaterial ... [defendant] knew it after they were earned by the plaintiff, and stood on their rights').

29 *Hennessy v Herrmann*, 89 Fed. 669, 670 (C.C.Cal. 1898). 'It is not essential that [printers] should be engaged in manufacturing the labels referred to ... ' rather, 'all persons in any way connected with the infringement of a trade-mark are responsible to the owner for the injury done to his rights'.

30 14 F.Supp. 74, 83 (DCNY 1936), *aff'd as modified*, 85 F.2d 586 (C.C.A.2), *cert denied*, 299 US 605 (1936).

31 id.

32 The 1946 enactment of the Lanham Act suggested that the common-law of trade marks had been abrogated by statute. JT Cross, 'Contributory infringement and related theories of secondary liability for trade mark infringement', 80 *Iowa L Rev* 101, fn 3 (1994) (analysing contributory trade mark infringement to determine whether it originated under state common law or federal statute).

33 64 F.Supp. 980, 989–990 (D. Mass. 1946), *aff'd*, 162 F.2d 280 (1st Cir.), *cert. denied*, 332 US 809, *reh'g denied*, 332 US 832 (1947).

34 id.

35 id. The District of Massachusetts also held that 'it is, of course ... defendant's duty to avoid intentionally inducing bars to market its [POLAR COLA] as products of [COCA-COLA]'.

36 id.

37 id.

38 200 F.Supp. 517, 519 (EDNY 1961).

39 456 US 844.

40 id at 851–856.

41 id.

a trademark ... the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit'.[42] The Supreme Court also affirmed the rule from cases like *Snow Crest Beverages*: 'if [a manufacturer or distributor] 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 responsible for any harm done as a result of the deceit'.[43]

In its analysis, the Supreme Court emphasized the findings of the trial court: the defendant was 'not in a position to directly suggest improper drug substitutions' because it had no direct contact with pharmacists, and incidents of direct infringement 'occurred too infrequently to justify the inference that its catalogues and use of imitative colours had impliedly invited druggists to mislabel'.[44] The Supreme Court clearly established the proposition that a manufacturer can 'be held responsible for ... infringing activities ... even if [it] does not directly control others in the chain of distribution' but declined to extend such liability under the facts of *Inwood Labs*.[45] As this brief history illustrates, there can be little doubt that indirect trade mark liability in America evolved from the common law of torts.

Indirect liability reaches landlords, flea market operators, and shipping services

By the early 1990s, theories of contributory and vicarious liability '[had] not been asserted widely outside of the manufacturer/distributor context'.[46] However, in 1992, the US Court of Appeals for the Seventh Circuit altered the course of American federal jurisprudence in *Hard Rock Cafe Licensing Corp. v Concessions Servs., Inc.* when it applied the Supreme Court ruling in *Inwood Labs* to a flea market operator.[47] In *Hard Rock Cafe*, the owner of a variety of HARD ROCK trade marks for restaurant services and related merchandize sued the owner and operator of several 'Swap-O-Rama' flea markets in Chicago, Illinois for contributory and vicarious trade mark infringement when its vendors began selling counterfeit HARD ROCK T-shirts.[48] Despite the Supreme Court's 'apparently definitive' formulation of contributory trade mark infringement in *Inwood Labs*, the Seventh Circuit began its analysis with the observation that 'it is not clear how the doctrine applies to people who do not actually manufacture or distribute the good that is ultimately palmed off as made by someone else'.[49] To tailor the knowledge and control prong to landlord liability, the Seventh Circuit 'treated trademark infringement as a species of tort' and 'turned to the common law to guide [its] inquiry into the appropriate boundaries of liability'.[50]

Specifically, the Seventh Circuit turned to the Restatement of Torts for the rule that '[a landlord] 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"'.[51] 'The common law', the Seventh Circuit concluded, 'imposes the same duty on landlords and licensors that the Supreme Court has imposed on manufacturers and distributors'.[52] The Seventh Circuit took its analysis one step further by clarifying the notion of 'wilful blindness' as a basis for finding a violation of the Lanham Act under the knowledge and control prong. In the Seventh Circuit's view, '[t]o be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate'.[53] Though the procedural posture of *Hard Rock Cafe* did not lend itself to a lengthy application of the facts to these theories, the US Court of Appeals for the Ninth Circuit dutifully took up the task in *Fonovisa, Inc. v Cherry Auction, Inc.* in 1996.[54]

In *Fonovisa*, the Ninth Circuit began its analysis with the observation that the Supreme Court in *Inwood* 'laid down no limiting principle that would require a defendant to be a manufacturer or distributor'; accordingly, the Ninth Circuit was free to adopt the Seventh Circuit rule in *Hard Rock Cafe* that 'a swap meet can not disregard its vendors' blatant trademark infringement with impunity'.[55] Fonovisa, a California corporation owning trade marks for Latin music recordings, hauled Cherry Auction into court for contributory trade mark infringement in operating a Fresno,

42 id.

43 id.

44 456 US at 851–856 (internal quotations and citations omitted).

45 id.

46 *Polo Ralph Lauren Corp. v China-town Gift Shop*, 855 F.Supp. 648, 649 (SDNY 1994). (World-famous brand owners, Polo Ralph Lauren, Rolex Watch, and Louis Vuitton successfully sued a collection of New York landlords who knew their tenants sold counterfeit goods on the premises and did nothing to prevent the activity.)

47 955 F.2d 1143 (7th Cir. 1992).

48 id. at 1145–1146.

49 id. at 1148.

50 id.

51 id. at 1149 citing Restatement (Second) of Torts § 877(c) & cmt. d (1979).

52 id.

53 955 F.2d at 1149 citing *Louis Vuitton S.A. v Lee*, 875 F.2d 584, 590 (7th Cir. 1989) (holding merchants that resold poorly crafted counterfeit luggage, which they had obtained at fire-sale prices, 'knowingly' engaged in the sale of counterfeit luggage). However, the Seventh Circuit cautioned that willful blindness does not imply a duty for landlords to 'seek out and prevent violations.' id.

54 76 F.3d 259 (9th Cir. 1996).

55 id at 265.

California flea market where vendors sold counterfeit records.[56] Applying the knowledge and control prong, the Ninth Circuit first held that Cherry Auction clearly knew of direct infringement by vendors due to several raids by and warnings from the local Sheriff's Department, which resulted in the discovery and seizure of thousands of counterfeit products.[57] Despite its knowledge, Cherry Auction continued to provide several key instrumentalities of infringement to its vendors, including 'space, utilities, parking, advertising, plumbing and customers'.[58] Cherry Auction was held liable for the direct infringement by its vendors because it 'actively strive[d] to provide the environment and market for counterfeit record sales to thrive'.[59]

The theory of contributory trade mark liability found in landlord liability cases has also been successfully applied to packaging and shipping services. In *Cartier Int'l B.V. v Liu*, a shipping company that 'arrange[d] for persons to ship items via United Postal Service (UPS)'—and was located next door to a major counterfeiting operation—was held contributorially liable for having 'knowingly handled the shipment of [the direct infringer's] counterfeit merchandise to customers'.[60] The defence that the shipping company 'did nothing more than receive wrapped packages, the contents of which it did not know', fell on deaf ears because, in reality, the company had checks from the counterfeiters made out to 'Cash' and claims against UPS identifying damaged merchandize.[61] Ultimately, the Southern District of New York held that the shipping company 'was facilitating the marketing [of counterfeit goods] by arranging for shipment to customers'.[62]

Indirect trade mark liability and internet service providers

Domain name registration, online payments and social networking

Despite a slow start, indirect trade mark liability has steadily expanded to reach a diverse spectrum of intermediaries providing services on the internet. Domain name registration services, for example, were seemingly immune to indirect trade mark liability after the Ninth Circuit's decision in *Lockheed Martin Corp. v Network Solutions, Inc.* in 1999.[63] There, the Ninth Circuit analogized Network Solutions (NSI)—a registrar of domain names—to the US Postal Service: '...NSI does not supply [a] domain-name combination any more than the Postal Service supplies a street address by performing the routine service of routing mail'.[64] The Ninth Circuit extrapolated the line of reasoning from *Hard Rock Cafe* and *Fonovisa* to consider the defendant's 'extent of control...over the third party's means of infringement'.[65] For liability to attach, there must be '[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark'.[66] Applying these principles, the Ninth Circuit affirmed a trial court ruling that that 'NSI's rote translation service [did] not entail the kind of direct control and monitoring required to justify the [knowledge and control] requirement'.[67]

However, in recent years federal courts have shifted gears, recognizing that domain name registration authorities provide much more than mere 'rote translation services'. In *TransAmerica Corp. v Moniker Online Services, LLC*, the plaintiff, owner of the TRANSAMERICA trade mark for financial services and insurance, alleged that 'Moniker intentionally or recklessly supplie[d] registration services to fictitious entities, knowing that these entities engage in trade mark and service mark counterfeiting'.[68] The internet registrar, Moniker, moved to dismiss the plaintiff's complaint on the issue of contributory trade mark infringement, arguing that the plaintiff failed to 'plead either inducement or knowledge and control'.[69] Denying the motion, the Southern District of Florida pointed to Moniker's continued provision of registration services to a fictitious serial cybersquatter, 'long after it would have been apparent to any registrar in Moniker's position that its customer was using Moniker's service to engage in trade mark and service mark counterfeiting, and long after Moniker knew or should have known that its customer was a fictitious entity and/or anonymous individual'.[70]

Indirect trade mark infringement has also been applied unevenly to online payment processors and social networking websites in America. In *Perfect 10, Inc. v Visa Int'l Service Ass'n*, an online publisher

56 id at 261.
57 id.
58 id at 264.
59 id.
60 No. 02-cv-7926 TPG at *2 (SDNY 17 April 2003).
61 id.
62 id.
63 194 F.3d 980.
64 id at 984–985.
65 id at 984.
66 id.
67 id at 985.
68 *TransAmerica Corp. v Moniker Online Services, LLC, et al.*, Case No. 09-60973 at *4 (S.D.Fla. 2009).
69 id at 14.
70 id at 15 citing plaintiff's Amended Complaint.

brought an action against several credit card companies for processing payments to websites selling unauthorized digital photographs bearing the publisher's trade mark.[71] The Ninth Circuit seized upon the fact that the credit card payment networks were not instrumentalities of trade mark infringement. That the defendant's refusal to process payments, though it 'might have the practical effect of stopping or reducing the infringing activity . . . without more, does not constitute "direct control"'.[72] The dissent, however, maintained that '[o]nly after the credit cards approve and process the payment does the obligation to deliver the stolen content come into existence', which, in the dissenter's view, was more than enough to establish control and monitoring of an instrumentality.[73]

Similarly, in *Anthony La Russa v Twitter, Inc.*, an American celebrity sued a social networking website for contributory trade mark infringement when an anonymous user began making seemingly official, inflammatory, and insulting comments under the celebrity's trade mark-protected personal name.[74] In *Oneok, Inc. v Twitter, Inc.*, a natural gas distributor sued the same social networking website for contributory trade mark infringement when another anonymous user released misleading information about the publicly traded distributor under its ONEOK trade mark.[75] Both complainants placed Twitter on notice of direct infringement, and characterized Twitter as the provider of a social networking service—a means by which anonymous users generate infringing content—with the ability to cancel or transfer individual user accounts. Ultimately, both cases were settled when Twitter removed the allegedly infringing content from its system.

Comparing online auction houses with web-hosts

Perhaps the best vantage point from which to view the digital landscape of indirect trade mark liability of internet service providers can be attained by examining two of the more influential cases in recent years: *Tiffany (NJ) Inc. v eBay, Inc.*, 576 F.Supp.2d 463 (SDNY 2008) and *Louis Vuitton Malletier S.A. v Akanoc Solutions, Inc.*, 591 F.Supp.2d 1098 (N.D.Cal. 2008).

In *eBay*, the United States District Court for the Southern District of New York held that an online auction house was not contributorially liable for sales of counterfeit Tiffany jewellery on its website by end-users. In a lengthy analysis, the Southern District of New York first determined that 'eBay exercises sufficient control over its website such that it fits squarely within the *Fonovisa* and *Hard Rock Cafe* line of cases'.[76] Specifically, eBay 'provides the software to set up [auction] listings', 'supplies the necessary marketplace for the sale of counterfeit goods', 'actively promote[s] the sale of Tiffany jewellery items', 'profits from the listing of items and successful completion of sales', and 'maintains significant control over the listings on its website' by barring entire categories of products and implementing fraud screening engines.[77] Yet when the court analysed whether eBay knew, or had reason to know, it was providing direct infringers with an instrumentality of infringement, it concluded that 'general knowledge . . . does not require eBay to take action to discontinue supplying its service to those who *might* be engaging in counterfeiting'.[78] Specifically, '[t]he evidence produced at trial demonstrated that eBay had generalized notice that some portion of the Tiffany goods sold on its website might be counterfeit' due to thousands of infringement notice forms filed with eBay by Tiffany's, as well as numerous demand letters sent to eBay by Tiffany's.[79] The court grappled with the policy implications of a 'generalized knowledge' standard. Tiffany argued that eBay's 'generalized knowledge required eBay to preemptively remedy the problem at the very moment that it knew or had reason to know that the infringing conduct was generally occurring, even without specific knowledge as to individual instances of infringing listings or sellers'.[80] The court, however, noted the reluctance of other courts in extending contributory liability 'where there is some uncertainty as to the extent or nature of infringement'.[81] The Southern District of New York also noted that 'a substantial number of authentic Tiffany goods are sold on eBay'.[82] 'Were Tiffany to prevail on its argument', its 'rights in its mark would dramatically expand, potentially stifling legitimate sales of Tiffany goods on eBay'.[83]

Finally, the Southern District of New York addressed the issue of wilful blindness, determining that eBay 'made significant efforts to protect its website from counterfeiters'; 'promptly remove[d] challenged listings from its website'; and 'invested tens of millions of dollars in

71 494 F.3d 788 (9th Cir 2007).

72 id at 807.

73 id at 822–823.

74 *Anthony La Russa v Twitter, Inc.*, 3:09-cv-02503-EMC (N.D.Cal. 2009).

75 *Oneok, Inc., v Twitter, Inc.*, 4:09-cv-00597-JTK (N.D.Okla. 2009).

76 576 F.Supp.2d at 506.

77 id at 506–507.

78 id at 508–511.

79 id at 507.

80 id.

81 id at 508.

82 id at 509.

83 id at 510.

anti-counterfeiting initiatives', including a Verified Rights Owner (VeRO) reporting system and anti-fraud engine;[84] Indeed, 'the law does not impose a duty . . . to take steps in response to generalized knowledge of infringement'.[85] Tiffany argued that eBay's 'general anti-fraud measures were inadequate because eBay could have done more to prevent the listing of counterfeit goods . . . [including] delaying listings [and] implementing quality filters . . . '[86] But the court held, '[w]ere Tiffany to prevail in its argument that eBay was willfully blind, the "reason to know" standard of the *Inwood* test would be inflated into an affirmative duty to take precautions against potential counterfeiters, even when eBay had no specific knowledge of the individual counterfeiters'.[87]

In *Akanoc Solutions*, a California jury awarded $32.4 million (USD) in damages to Louis Vuitton resulting from a web-host's continued provision of services to websites peddling counterfeit goods.[88] Among other services, Akanoc Solutions provided server storage for internet content and allowed counterfeiters to access that content through the internet. Upon discovering these websites and tracing their internet protocol addresses back to Akanoc Solutions, Louis Vuitton sent notices requesting that the offending websites be removed from Akanoc's servers. Despite Louis Vuitton's demand letters, the websites either remained operable or were shifted between different internet Protocol addresses that were also owned by Akanoc. Ultimately, due to the persistence of the infringing websites and Akanoc's unresponsiveness, Louis Vuitton filed suit in the United States District Court for the Northern District of California alleging contributory trade mark infringement.[89] Denying Akanoc's motion to dismiss, the Northern District of California focused on Akanoc's knowledge of the direct infringement, as evinced by Louis Vuitton's demand letters and internal Akanoc emails recognizing sales of counterfeit goods by end-users.[90] Citing *Hard Rock Cafe* and *Fonovisa*, the Northern District of California characterized Akanoc's services as 'the Internet equivalent of leasing real estate' and held that Akanoc's 'services, combined with [its] ability to remove infringing websites, entails a level of involvement and control' which prohibits them from remaining 'willfully blind to trademark infringement taking place on their servers'.[91]

If one compares *eBay* and *Akanoc Solutions*, it is evident that each case turned on the issues of knowledge and wilful blindness. Neither the Southern District of New York nor the Northern District of California found difficulty in holding that the provision of internet services, be it as an online auction house or a web-host, qualified as an instrumentality of direct infringement. Both eBay and Akanoc Solutions exercised a sufficient threshold of control and monitoring over their respective services to satisfy that element of the knowledge and control prong. However, the focal point for both courts seems to have been over the defendant's response to knowledge of direct infringement and the precautions taken to prevent such infringement. In *eBay*, contributory trade mark infringement did not apply where an online auction house made significant efforts to combat counterfeiting activity and promptly removed infringing content upon notice from trade mark owners. Moreover, the eBay auctions featured both legitimate and counterfeit Tiffany products. Conversely in *Akanoc Solutions*, contributory trade mark infringement was found where Akanoc made no effort to combat trade mark infringement, and ignored demand letters from trade mark owners. Tellingly, all Louis Vuitton products purchased from Akanoc's customers were counterfeit.

The past, present, and future of indirect liability

From its ancient common-law roots to the vanguard of internet law, indirect trade mark liability has evolved to hold a myriad of intermediaries accountable. The simple notion of indirect liability for employers, or aiders and abettors, has grown to become pervasive in American trade mark jurisprudence. In the beginning, intermediaries merely needed to induce another to infringe a trade mark. Absent such active inducement, intermediaries required constructive knowledge of underlying infringement and contribution of an infringing product. These basic principles served their purpose by permitting trade mark owners to haul manufacturers, distributors, and printers into court and hold them accountable for direct infringement occurring down the chain of distribution. Over time, innovative barristers and justices expanded these principles to reach landlords and

84 id at 514–516.

85 id at 514.

86 id.

87 id at 515.

88 *Akanoc Solutions*, No. 07-03952 JW (N.D.Cal. 2009).

89 *Akanoc Solutions*, 591 F.Supp.2d 1098 (N.D.Cal. 2008). L Vuitton also asserted a claim for vicarious trade mark infringement, which ultimately failed due to the failure to introduce any 'evidence indicating that the [Akanoc Solutions] might have a relationship with a direct infringer . . . ' Indeed, Akanoc only sold its services to resellers, and thus it did not deal directly with any website operators.

90 id.

91 id at 1112.

shipping services, as well as internet service providers. This leap required a shift in emphasis from the contribution of an infringing product, to the contribution of a service, ie a means of infringement.

Federal courts such as *eBay* now grapple with the duty owed by internet service providers to trade mark owners. Clearly, an internet service provider may not continue to provide its services to counterfeiters while remaining wilfully blind to infringement, as in *Akanoc*. However, in light of the sheer magnitude of e-commerce today, trade mark owners are eager to have internet service providers such as eBay and Twitter step up their precautionary activities. It is too soon to tell where, or if, courts will draw the proverbial line, though two certainties currently face American federal courts: (1) trade mark infringement on the internet is pervasive; and (2) overly restrictive standards for indirect liability chill competition and innovation on the internet. In all likelihood, American federal courts will continue to apply and expand doctrines of indirect trade mark infringement to maintain a precarious balance between fostering innovation and protecting trade mark rights.

Canada

Direct accountability of intermediaries in Canada

Canadian law does not have the history of 'secondary' liability outlined in the US section of this paper in the context of *civil* trade mark[92] law and counterfeit goods.[93] The legal arguments used by a trade mark owner against an intermediary under Canadian law could not be passing off or trade mark infringement as it would be virtually impossible to find an intermediary liable for passing off or trade mark infringement due to the 'use' requirements in Canada.[94] Therefore, it is not a case of extending trade mark liability *per se* to intermediaries in Canada. Rather, the issue is how a brand owner can frame a legal challenge against intermediaries in a Canadian court when the ability to argue 'secondary' liability from a purely trade mark perspective is unavailable, contrary to the US situation. However, Canadian courts have recognized the concept of 'secondary' liability in a negligence claim[95] and it is in this legal context that we argue an intermediary may be found liable.[96]

Leading the charge in Canada, as in the USA, is the famous brand owner Louis Vuitton Malletier S.A. ('Louis Vuitton'). Developments in US law discussed in the US section and legal strategies adopted by Louis Vuitton provide a sound guide on how, when knowledge of the infringing activities can be imputed to intermediaries, Canadian courts can find a duty of care owed by those intermediaries to brand owners. It is the element of 'knowing' that may permit Canadian courts to fashion a legal remedy within the context of negligence and direct liability.

Direct liability in Canada

A conclusion of direct liability may be made where there is a finding of direct or constructive knowledge of the secondary party, and neither the actual nor constructive knowledge was acted upon.[97] A conclusion that the negligence of the second party causally led to

92 In Canada, the word 'trade mark' is hyphenated according to the Canadian *Trade-marks Act*, RSC 1985, c. T-13 [*Trade-marks Act*].

93 The principle of secondary liability exists in Canadian criminal law. Under section 21(1)(b) of the Canadian *Criminal Code*, RSC 1985, c. C-46 the *mens rea* for secondary liability is codified. There are a variety of offences relating to counterfeit goods under the Canadian *Criminal Code*, for example, section 407 makes it an offence to forge a trade mark, and section 408 makes it an offence to pass off wares/services with intent to deceive or defraud the public. As such, in theory secondary liability for counterfeit cases does exist in criminal law.

94 *Trade-marks Act*, above note 1, use is defined and referred to in the Canadian *Trade-marks Act* at ss 2, 4, 7, and 20.

95 *Penney v Lahey*, 2002 NFCA 47 at paras 55–66 (Nfld. S.C. (C.A.)) [*Penney*], rev'd on other grounds *John Doe v Bennett*, 2004 SCC 17 at para 16. In the decision of the Newfoundland and Labrador Court of Appeal, at para 59, it was held that a Catholic Church Diocese had an ordinary duty owed to its parishioners and others coming into contact with its priests and in failing to deal effectively with the grave crimes committed by the priest, by its own act became 'a party to, and a causative agent of, the damaging torts committed by the criminal'.

96 Canadian courts have also recognized that infringing acts may be imputed to a third party in very specific fact scenarios as joint tortfeasors by way of concerted action. For example, in the case of *Bains v Hofs* (1992), 76 BCLR (2d) 98 at 103 (S.C.), the Supreme Court of British Columbia relied on the text of Fleming, *The Law of Torts* (The Law Book Company Ltd., 7th edn) c. 11, p. 229, which discusses the concept of joint tortfeasors:

> A tort is imputed to several persons as joint tortfeasors in three instances, viz. agency, vicarious liability, and concerted action . . . The critical element of the third is that those participating in the commission of the tort must have acted in furtherance of a common design. There must be 'concerted action to a common end', not merely 'a coincidence of separate acts which by their conjoined effect cause damage' (*The Koursk* (1924) P. 140 at 156). Broadly speaking, this means a conspiracy with all participants acting in furtherance of the wrong, though it is probably not necessary that they should realise that they are committing a tort. All persons acting in pursuance of a common end, being thus identified with each other, are accordingly responsible for the entire result and so it was laid down in 1612 that 'all coming to do an unlawful act, and of one party, the act is the act of all the same party being present' (*Heydon's Case*, 77 E.R. 1150 at 1151).

However, the Ontario Superior Court in *Davisco International Inc. v Protase Separations Inc. et al.*, [1996] O.J. No. 3914 at para. 4 per Lax, J. held that a party that derived benefits from its arrangement with a direct infringer through renting a plant does not amount to profiting from the infringement; at most the rentor was an unknowing facilitator, which does not amount to procurement or joint tortfeasance. Therefore, its application to infringement actions is limited by facts.

97 *Penney*, above note 4 at paras 55–56.

the damages suffered must also be found for the secondary party to incur direct liability as 'negligence in a vacuum without causation naturally flowing from it is without legal consequence'.[98] In finding direct liability, the Supreme Court of Newfoundland and Labrador Court of Appeal relied upon Professor P. S. Atiyah in 'Vicarious Liability in the Law of Torts'[99]:

> The liability of a person who makes himself a party to a tortious act committed by another is not strictly speaking, a vicarious, but a personal liability. He is liable not so such because the law imposes liability upon him for the acts of the other, but because the law imposes liability on him for his own acts. Nevertheless, such liability has affinities with vicarious liability because the tortious conduct of the other party involved is at least as a general rule, an essential part of this kind of liability; furthermore, *this kind of liability differs from ordinary liability in tort in that it often does not depend on the commission of an ordinary tortious act by the defendant himself*. In the criminal law liability of this nature – which has conveniently been termed the liability of second parties – has been extensively discussed, but in the law of torts it has received little attention. This is no doubt due largely to the fact that the liability of secondary parties in the field of torts is of little consequence when set against the great width of the doctrine of vicarious liability, *but it would be a mistake to assume the subject has no importance at all*.[100] [emphasis added]

The Court held 'that 'secondary' liability for torts does not necessarily come from any wilful aiding and abetting of the tortious action, as is the case in the criminal law'.[101] Rather, it stems from mere errors of judgment that ought to have been foreseen as potentially contributing to the harm of others; it is a question of an intermediary having knowledge, and how that party acted, or failed to act, upon that knowledge. Therefore, liability cannot be imposed where there is a lack of knowledge; or if knowledge of the conduct comes to the attention of an intermediary, and that intermediary acts 'decisively and effectively by taking reasonable measures to prevent repetition or compounding damage already caused. If, however, errors in judgment occur in reacting to the knowledge, which in themselves amount to negligence that can be seen to be a causative effect of damage, then liability must lie'.[102]

These principles may be analogized to an intermediary in a counterfeit case such that the argument for direct liability as applied to intermediaries is as follows:

1. The intermediary had knowledge that the direct infringer was dealing in counterfeit goods;
2. The intermediary negligently did nothing to stop the direct infringer from dealing in counterfeiting activities on the intermediary's premises/site;
3. The intermediary is directly liable for its inaction which in itself amounts to negligence that can be seen to be a causative effect of the damage of the brand owner.

As in the USA, the possibility of succeeding in finding online intermediaries directly liable in Canada resides in a stepped legal approach which takes a long-term view. The first step is to find that the tort of negligence applies to the facts. The second step is to begin, as in the USA, with bricks and mortar intermediaries. The third step is to analogize bricks and mortar intermediaries with online intermediaries.

Step one: elements of a negligence claim against intermediaries in Canada

In order to make the legal links set out above, a court in Canada must first find facts that support the following five elements of negligence:

(i) a 'reasonable person' would find the intermediary owed the brand owner a duty of care, and that it was reasonably foreseeable that the brand owner would be injured if that duty was not observed; and
(ii) that having provided the intermediary with knowledge of the infringing activity (written notice or otherwise), the intermediary has failed to take all reasonable action within their ability to stop the infringing activities, and thereby breached the standard of care owed to the brand owner; and
(iii) the brand owner can prove that the negligent conduct of the intermediary in failing to take all reasonable action to stop the infringing activities of the direct infringer did, as a matter of fact, cause the damage to the brand owner; and
(iv) the intermediary's failure to act is a 'proximate cause' of the damage to the brand owner; and
(v) the brand owner can prove damage.

Step two: bricks and mortar landlords in Canada

Brand owners in Canada can argue that the courts have found bricks and mortar landlords liable in the selling of counterfeit wares.[103] In the case of *Louis Vuitton*

98 id at para 57.
99 id at para 18.
100 id at para 58.
101 id at para. 61.
102 id at para. 68.
103 *Louis Vuitton Malletier S.A. v Yang*, 2007 FC 1179; *Louis Vuitton Malletier S.A. v Yang*, 2008 FC 45.

Malletier S.A. v Yang,[104] Louis Vuitton commenced their action on 5 July 2007 in the Federal Court against two defendants. Having received no response to their Statement of Claim, Louis Vuitton successfully brought a motion for default judgment in October 2007.[105] The defendant landlord was the registered owner in fee simple of the property which was occupied by the second defendant's retail business ('K2 Fashions'). Evidence was before the Court that Louis Vuitton had been attempting since at least 2001 to stop the sale of counterfeit Louis Vuitton products at K2 Fashions. The Court noted in their reasons that in spite of executing an Anton Pillar Order in 2001,[106] two judgments of the Federal Court, numerous letters, seizures, and other actions taken by Louis Vuitton, K2 Fashions had failed to cease their infringing actions.[107] The Court held that both defendants were found to have knowingly and willingly committed acts of passing off, and copyright and trade mark infringement.

Perhaps of greater importance was a motion to set aside the default judgment brought by the landlord defendant in 2008.[108] In the decision denying the defendant's motion, Madame Justice Snider of the Federal Court held that the knowledge of a landlord about the business that is taking place in their leased premises is an issue that is worthy of investigation by the Court and stated:

> [14] As noted in Louis Vuitton Malletier, above at para. 3, the Court was satisfied that Ms. Lin was associated with K2 Fashions *through her ownership in fee simple of the property occupied by K2 Fashions* (the Premises) since June 4, 2001. *Ms. Lin does not dispute this finding but submits that, as a mere landlord, she has no involvement with or interest in K2 Fashions*. In support of her argument, Ms. Lin has provided an affidavit, a copy of a title search of the Premises, a copy of two lease agreements for the Premises signed by herself and Mr. Yang (the other Defendant), and a copy of her income tax returns for the years 2002, 2004-2006.
>
> [15] As a landlord to Mr. Yang and not an owner of K2 Fashions, Ms. Lin argues that she should not be liable in respect of counterfeit stock of which she has no knowledge or involvement.
>
> [16] *I acknowledge that it is possible that a landlord would not necessarily and always know about the business that is taking place in their leased premises. Such an issue would likely be one that is at least 'worthy of investigation'.* The problem with Ms. Lin's alleged defence in this case is that it does not hold up to any scrutiny. [109] [emphasis added]

In this case, the Court found that not only did the landlord lack credibility, but there was evidence that the landlord defendant had knowledge of *or* interest in the business operations of the retail business.[110] In doing so, the Federal Court has opened the door to landlord liability when the landlord has knowledge of the business operations of a retail business, and more specifically the counterfeit activities of a tenant.

Step three: extending liability to online intermediaries in Canada

Liability of online intermediaries has not yet been considered by the Canadian courts in the context of trade mark infringement.[111] However, an online intermediary should also be capable of being found liable by analogy to a bricks and mortar intermediary where a plaintiff can demonstrate that an online intermediary has knowledge that trade mark infringement is being perpetrated through the services it provides, and the online intermediary has failed to take action to stop the infringement when it has the ability to do so. Such online intermediaries may be held accountable for the damages or the accounting of profits that would have otherwise been payable by the direct infringer as bricks and mortar landlords can be.[112]

Prospect of progress in Canadian law

The possibility that intermediaries may be found directly liable has arguably been established at law.[113] In addition, increasingly large quanta of

104 *Louis Vuitton Malletier S.A. v Yang*, 2007 FC 1179.

105 id at para 1.

106 id at para 23, number 1.

107 id at para 1.

108 *Louis Vuitton Malletier S.A. v Yang*, 2008 FC 45.

109 id at paras 14–16.

110 id at paras 17–19.

111 In *Warman v Kulbashian*, 2006 CHRT 11, a proceeding brought under the *Canadian Human Rights Act*, RSC, 1985, c. H-6, an internet service provider was found liable for communicating hate material. The Canadian Human Rights Tribunal found that the internet service provider 'cannot claim that the messages were communicated "by reason only" that its facilities were used by others' and that the complaint against the internet service provider was substantiated.

112 In *SOCAN v Canadian Association of Internet Providers* (2004), 32 CPR (4th) 1 (SCC) at 35 and 42, the Supreme Court of Canada has also considered whether liability may attach to an internet service provider in a copyright and grey goods context and whether internet service providers could be allowed to claim the 'innocent disseminator' exception. The Supreme Court also contemplated a scenario where internet service providers would be liable, namely, when the internet service provider has notice that a content provider has posted infringing material on its system and fails to take action.

113 Supra note 103.

damages,[114] including punitive damages and solicitor-client costs,[115] have been awarded in Canadian counterfeiting cases. Brand owners can take some comfort from the knowledge that Canadian courts have grasped the true costs of unchecked counterfeiting in Canada, and are relying on brand owners and their counsel to furnish the courts with the facts they need to mete out the remedies sought. It is incumbent on brand owners and their counsel to provide intermediaries with sufficient knowledge of the counterfeiting objected to so that an intermediary's failure to act on that knowledge can be causally linked to the damage suffered by brand owners. Once these steps by brand owners and their counsel have been taken, the possibility that the courts can assist those brand owners becomes a reality in Canadian law.

114 In *Nike Canada Ltd. v Goldstar Design Ltd. et al.*, Federal Court of Canada File No. T-1951-95 (FCTD) in 1997 the Federal Court of Canada applied a 'nominal' award per infringing activity set at $6000 CDN per infringing activity for each Plaintiff. In *Louis Vuitton Malletier S.A. v Yang*, 2007 FC 1179 at para 43, in 2007 the 'nominal' award was adjusted for inflation and raised to $7250 CDN per infringing activity per plaintiff.

115 In *Louis Vuitton Malletier S.A. v Yang*, 2007 FC 1179 the Federal Court awarded $100,000 CDN in punitive damages against the Defendants finding the Defendants have acted in a 'malicious, oppressive and high-handed' manner (at para 48) and that the amount the Court awarded in respect of the trade mark infringement is 'almost certainly below the actual profits' (at para 51). In this case, the Court also awarded solicitor-client costs in the amount of $36,699.14 CDN, finding that the 'Defendants' dismissive attitude towards this proceeding and past judgments of this Court and the continued flagrant infringement of the Plaintiffs' intellectual property rights to be worthy of rebuke. The conduct of the Defendants is reprehensible, scandalous and outrageous. Further, the public interest in this case justifies an award of solicitor-client costs' (at para 59).