

Louis Vuitton Sets A New Standard In Federal Trademark And Copyright Law

January 17, 2012 by Alona G. Metz

In the recent landmark case of *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011),^[1] the Court of Appeals for the Ninth Circuit held that a web-hosting company that owned and operated servers was liable for contributory copyright and trademark infringement when it failed to take steps to curtail alleged infringement committed by Chinese websites that used its servers. Louis Vuitton sued Akanoc Solutions, Inc. (“Akanoc”), Managed Solutions Group, Inc. (“MSG”), and Steven Chen (the owner of both companies) for contributory copyright and trademark infringement under the Copyright and Lanham Acts, respectively. MSG leased servers, bandwidth, and IP addresses to other companies, such as Akanoc, who then operated the servers and otherwise ran the business. Louis Vuitton alleged that some of Akanoc’s China-based customers directly infringed on Louis Vuitton’s trademarks and copyrights. Louis Vuitton sent the defendants eighteen Notices of Infringement documenting the infringements occurring on websites hosted by defendants, yet the defendants were unable to identify any action taken in response to the notices sent by Louis Vuitton and the websites continued to operate. Louis Vuitton alleged that defendants had actual knowledge of the website’s activities, that defendants knowingly avoided learning of the full extent of infringing activities, and that defendants knowingly enabled the infringing conduct by hosting the websites and permitting them to display the counterfeit products.

A jury found that all three defendants were liable for willful contributory trademark infringement and willful copyright infringement. It awarded statutory damages on both claims for each of the three defendants. The trial court set aside the verdict as to MSG because there was no evidence that MSG did anything other than own and lease the

hardware operated by Akanoc and Chen. However, it entered judgment against Chen and Akanoc and awarded statutory damages against each of them.

The Court of Appeals for the Ninth Circuit affirmed as to the issue of the defendants' liability, but reduced the statutory damages award by half because a plaintiff can only recover one set of statutory damages where two defendants are jointly and severally liable. On the issue of liability, several of the Court's observations in the opinion are noteworthy: First, with regard to the contributory trademark infringement claim, the Court noted that "websites are not ethereal; while they exist, virtually, in cyberspace, they would not exist at all without physical roots in servers and internet services. . . . Appellants had direct control over the 'master switch' that kept websites online and available." Therefore, the servers themselves, as distinct from the infringing websites, were a "means of infringement" under federal trademark law. Second, with regard to both claims, the Court held that defendants' assertion, that "contribution to infringement must be intentional for liability to arise", was without merit. Rather, proof that defendants had actual or constructive knowledge that the users of their services were engaging in infringements or knowingly failed to prevent infringing actions is sufficient. Third, with regard to the contributory copyright infringement claim, the Court maintained that, as is the case with trademark law, "intent may be imputed" because of the knowing failure to prevent infringement and "there is no question that providing direct infringers with server space" constitutes a material contribution to direct infringement because this "substantially assists" direct infringement.

Neither side has petitioned the Supreme Court for a writ of certiorari. The deadline for filing is January 17, 2012. Given that this is an important precedent for third party liability for copyright and trademark infringement, it remains to be seen whether certiorari will be sought and what actions by web hosts will be considered sufficient to avoid liability where the hosted website is infringing.

[\[1\]Ninth Circuit Decision](#)