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Web hosts: Handle notices of infringement with care

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In *Louis Vuitton Malletier S.A. v. Akanoc Solutions Inc.*, the 9th U.S. Circuit Court of Appeals held that there can only be a single award of statutory damages for willful contributory copyright and willful contributory trademark infringement. 2011 DJDAR 13827 (9th Cir. Sept. 9, 2011).

In 2006, Louis Vuitton discovered several websites selling goods that allegedly infringed its copyrights and trademarks. Louis Vuitton later learned that these websites were using IP (Internet Protocol) addresses assigned to web hosting companies Managed Solutions Group Inc. and Akanoc Solutions Inc. Managed Solutions had leased servers, bandwidth and some IP addresses to Akanoc. Akanoc then leased packages of server space, bandwidth, and IP addresses to its customers. Louis Vuitton claimed that it was Akanoc's customers that committed the infringement.

Both Managed Solutions and Akanoc failed to respond to any of the 18 notices of infringement that Louis Vuitton sent pursuant to the Digital Millennium Copyright Act. It then sued Managed Solutions and Akanoc, along with Steven Chen, the manager of both companies, alleging willful contributory copyright and trademark infringement.

The jury found each of the defendants liable for willful contributory copyright and trademark infringement and awarded Louis Vuitton \$31.5 million on its trademark claim and \$900,000 on its copyright claim. The jury's damages verdict was divided equally among the three defendants, requiring each of them to pay \$10.5 million for the trademark infringement claim and \$300,000 for the copyright infringement claim.

After the verdict, the district court granted judgment in favor of Managed Solutions, finding that Louis Vuitton had presented no evidence that Managed Solutions did anything other than lease its servers to the co-defendants. This reduced the damage award to \$21 million on Louis Vuitton's trademark claim and \$600,000 on its copyright claim.

It is risky for any web host to ignore or improperly respond to a notice of infringement concerning either copyright or trademark.

On appeal, the 9th Circuit affirmed the liability issues, but reversed and vacated the damages award, finding that it was error to award Louis Vuitton separate awards against each of the defendants, instead of a single award. It found sufficient evidence to support the verdicts against Akanoc and Chen and found no error with the trial court's

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jury instruction concerning contributory trademark infringement. The court held that Akanoc and Chen had control over the master switch that kept the websites online and available, satisfying the requirement for contributory liability that the defendants had direct control and monitoring of the instrumentality used by the third-party to commit infringement. As to the copyright infringement claim, the court found that to establish material contribution, Louis Vuitton merely needed to prove that Akanoc and Chen substantially assisted direct infringement, of which the court found ample evidence.

Nonetheless, the 9th Circuit overturned the damages verdict because the verdict form invited the jury to specify a separate statutory damage award against each defendant. Accordingly, the court reduced the statutory damages award to \$10.5 million for the contributory trademark infringement claim and \$300,000 for the contributory copyright infringement claim.

It is risky for any web host to ignore or improperly respond to a notice of infringement concerning either copyright or trademark. Given the substantial size of the damages award in this case, it is likely that more actions for contributory copyright and trademark infringement will be brought against web hosts located in the United States where the direct infringers are based overseas, making direct enforcement impracticable.

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