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# WHAT'S IN YOUR BOX? REMOVING THE *TIFFANY* STANDARD OF KNOWLEDGE IN ONLINE MARKETPLACES

Hayley Dunn\*

“Congratulations! Your order has been successfully placed.” With a click of a button from the comfort of her couch, Ruth purchased HeartGard heartworm medication for her dog, a new Urban Decay mascara, and a replacement Apple phone charger.<sup>1</sup> Each product price was a fraction of the in-store cost, and best yet—she was able to get *all* of them from a single online store rather than stopping by multiple stores. After two days, her package arrives at her doorstep; excitedly, she opens it. Upon inspection, the product packaging of the HeartGard looks slightly different from the one she gets at the pet store, the mascara does not look quite like Urban Decay, and the Apple iPhone charger came in a plastic bag instead of the traditional Apple packaging. Despite these differences, she gives her dog his monthly heartworm medication, she swipes

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<sup>1</sup> APPLE, Registration No. 2,808,567; HEARTGARD, Registration No. 1,321,734; URBAN DECAY, Registration No. 5,903,256.

the mascara on her lashes, and she charges her phone with the new charger. Suddenly her eyes begin to puff up and itch. Her phone does not appear to be charging. Her dog appears to be breathing heavily and in distress.

At a complete loss for what could be wrong, she races her dog to the veterinarian. The vet asks whether she has given her dog any new medications or supplements. “No, the only medication he gets is his regular heartworm dose,” she says. Then suddenly, she remembers the new package of HeartGard from Amazon that she just gave her dog. She shows the vet a picture of the package, and the vet immediately identifies the problem: the “HeartGard” is counterfeit and contains poison. Ruth then realizes that the mascara causing puffy eyes, the charger not charging her phone, and the heartworm medication making her dog sick are not in fact the brands she knows and trusts. These products are counterfeits.<sup>2</sup>

## I. BACKGROUND

Since the advent of the internet, online shopping has gone from a rarity to a necessity.<sup>3</sup> The Department of Commerce estimates that in 2020, e-commerce sales amounted to 791.7 billion which was a 32.4 percent increase from 2019.<sup>4</sup> In the fourth quarter of 2020 alone, e-commerce sales accounted for 15.7 percent of all total retail sales for the quarter, amounting to approximately \$245.3 billion.<sup>5</sup> Online shopping is drastically more efficient than traditional in-person shopping.<sup>6</sup> Online shoppers tend to find better deals, a larger variety

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<sup>2</sup> See generally Kent Erdahl & Jeremiah Jaconbsen, *MN Wets Warn Pet Owners About Counterfeit Medications*, KARE 11, <https://www.kare11.com/article/money/consumer/amazon-removes-alleged-counterfeit-pet-medications/89-50b9929a-0192-4dfe-8a1f-a3dfa2906907> (last updated Feb. 12, 2020); Kimberly Holland, *Counterfeit Makeup a Rip-Off...and a Health Danger*, HEALTHLINE, <https://www.healthline.com/health-news/counterfeit-makeup-a-health-danger> (last updated June 22, 2020); Amit Chowdhry, *Apple: Nearly 90% Of 'Genuine' iPhone Chargers on Amazon Are Counterfeit*, FORBES (Oct. 23, 2016), <https://www.forbes.com/sites/amitchowdhry/2016/10/23/apple-nearly-90-of-genuine-iphone-chargers-on-amazon-are-fake/?sh=49b65cf25b07>.

<sup>3</sup> See Katie Evans, *Holidays and Health Concerns Continue to Drive Online Sales in December*, DIG. COM. 360 (Dec. 22, 2020), <https://www.digitalcommerce360.com/2020/12/22/holidays-and-health-concerns-continue-to-drive-online-sales-in-december>; Fareeha Ali, *A Decade in Review: Ecommerce Sales vs. Retail Sales 2007 – 2020*, DIG. COM. 360 (Mar. 3, 2020), <https://www.digitalcommerce360.com/article/e-commerce-sales-retail-sales-ten-year-review/> (providing infographics on the dramatic rise in e-commerce from 2007 – 2020).

<sup>4</sup> U.S. DEPT. OF COM., U.S. CENSUS BUREAU NEWS: QUARTERLY RETAIL E-COM. SALES 4TH QUARTER 2020 (Feb. 19, 2021), <https://www2.census.gov/retail/releases/historical/ecommm/20q4.pdf>.

<sup>5</sup> *Id.*

<sup>6</sup> Tom Treanor, *What Do Customers Prefer: Assistance from Humans or Machines?*,

of products, and easier methods of product comparison than they would find in traditional stores.<sup>7</sup> As a result, brick-and-mortar stores are closing at record rates.<sup>8</sup> More than 11,000 stores closed in 2020, with the trend likely to continue well into 2021 as the COVID-19 pandemic continues to ravage the traditional storefront model.<sup>9</sup> Consumers rely on online shopping when purchasing their everyday essentials—buying brands they know and trust. But is the product they buy online *actually* the same as the one in stores? Although consumers think they are getting the same product from the same brand they know and trust online, the mysterious process of order fulfillment often means the consumer receives a counterfeit product in lieu of the authentic product.<sup>10</sup> While receiving a counterfeit iPhone charger may seem inconsequential to consumers, receiving a counterfeit N95 mask would have dire consequences in the COVID-19 pandemic.<sup>11</sup>

Online marketplaces such as Alibaba, Amazon, and eBay are actively expanding into markets traditionally reserved for brick-and-mortar stores.<sup>12</sup>

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TOTALRETAIL (Feb. 4, 2020), <https://www.mytotalretail.com/article/what-do-retail-customers-prefer-assistance-from-humans-or-machines/>.

<sup>7</sup> See, e.g., Shayna Murphy, *The 5 Best Amazon Deals You Can Get This Thursday*, USA TODAY (Feb. 20, 2020), <https://www.usatoday.com/story/tech/reviewedcom/2020/02/20/best-amazon-deals-bose-headphones-eufy-smart-doorbells-and-more/4818166002/> (noting that deals on Amazon include a \$129 savings on Bose noise canceling headphones, \$40 savings on Eufy Security Wi-Fi Video Doorbell, and \$10 savings on a Yeti tumbler).

<sup>8</sup> Dan Boylan, “Amazoning” of America Leaves Malls as Crumbling Monuments of the Past, WASH. TIMES (Oct. 2, 2019), <https://www.washingtontimes.com/news/2019/oct/2/amazon-leaves-shopping-malls-crumbling-monuments-p/>; Jason Bram & Nicole Gorton, *How Is Online Shopping Affecting Retail Employment?*, LIBERTY STREET ECONOMICS (Oct. 5, 2017), <https://libertystreeteconomics.newyorkfed.org/2017/10/how-is-online-shopping-affecting-retail-employment.html>.

<sup>9</sup> Kevin Stankiewicz, *Former Macy’s CEO Expects Retail Closure to Continue into 2021 as Covid Persists*, CNBC (Dec. 21, 2020), <https://www.cnbc.com/2020/12/21/ex-macys-ceo-lundgren-expects-retail-closures-to-persist-into-2021.html>; *30 Retailers, Restaurant Chains that Filed for Bankruptcy in 2020*, ABC 7 NEWS (Dec. 14, 2020), <https://abc7.com/bankruptcy-store-closings-which-stores-declared-in-2020-covid/8742960/> (explaining iconic stores such as JC Penny, Pier 1, and GNC filed for bankruptcy and closed the majority of their storefronts in 2020).

<sup>10</sup> Morgan Forde, *DHS Targets Warehouses to Combat Counterfeits*, SUPPLYCHAINDIVE (Jan. 27, 2020), <https://www.supplychaindive.com/news/dhs-counterfeit-goods-warehouse-fulfillment-centers/571062/>.

<sup>11</sup> Michael Levenson & Zolan Kanno-Youngs, *Millions of Counterfeit N95 Masks Were Bought in 5 States, U.S. Says*, N.Y. TIMES (Feb. 10, 2021), <https://www.nytimes.com/2021/02/10/us/n95-mask-fraud-investigation.html> (explaining the Department of Homeland Security believes counterfeit N95 masks are dangerous because “they may not offer the same level of protection against coronavirus as legitimate N95 masks”); Parija Kavilanz, *N95 Masks Are in Short Supply—and Scammers Know It*, CNN (Apr. 1, 2020), <https://www.cnn.com/2020/04/01/business/n95-masks-counterfeits-supply-chain/index.html>.

<sup>12</sup> U.S. DEPT. OF COM., U.S. CENSUS BUREAU NEWS: QUARTERLY RETAIL E-COM. SALES 3RD QUARTER 2019 (Nov. 19, 2019), <https://www2.census.gov/retail/releases/>

When consumers shop at these online marketplaces, they often see products and brands they trust at a fraction of the cost.<sup>13</sup> Once consumers enthusiastically purchase the product, the possibility that the item may be a counterfeit rarely crosses their mind. Some consumers will realize that they received a counterfeit item as soon as they open the box; some will realize when they go to use the product and it fails to function properly; and some will not realize it until there are devastating consequences, such as injury, sickness, or death. The pervasiveness of counterfeits on these online storefronts is the result of insufficient policing of trademark infringements by the online marketplaces.<sup>14</sup> In order to protect trademarks and to ensure the safety of consumers, a uniform system for reporting and enforcing infringements for online merchants must be established. In addition, creating stronger legislation to hold online merchants contributorily liable for counterfeits would incentivize platforms to diligently police counterfeit products on their websites.

*Tiffany v. eBay* is the landmark case addressing trademark infringement in the realm of counterfeit products that are sold on online marketplaces.<sup>15</sup> Tiffany is a world-renown luxury jewelry retailer that exclusively sells its branded jewelry through its own retail stores, website, catalogues, and Corporate Sales Department.<sup>16</sup> eBay is an online marketplace that facilitates registered users to buy and sell products amongst one another.<sup>17</sup> Although eBay “provides the venue for sale [of goods] and support for transaction[s], it does not itself sell the items listed on the site,” nor is it ever in physical possession of the items.<sup>18</sup> eBay attempted to take steps to monitor counterfeit listings, however, the problem persisted,<sup>19</sup> and Tiffany sued eBay for

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historical/ecom/19q3.pdf; ALIBABA, Registration No. 2829317; AMAZON, Registration No. 5906636; EBAY, Registration No. 2744717.

<sup>13</sup> See e.g., Courtney Campbell, *The Best Presidents Day Deals and Sales Happening at Amazon, Target, and More*, USA TODAY (Feb. 14, 2020), <https://www.usatoday.com/story/tech/reviewedcom/2020/02/14/presidents-day-sales-best-weekend-deals-happening-amazon-target-wayfair-and-more/4759676002/> (highlighting the Amazon price for the popular electronic toothbrush, Oral-B 8000, is \$99.94, an \$80 savings over the retail price).

<sup>14</sup> See Joseph M. Forgione, *Counterfeiting, Couture, and the Decline of Consumer Trust in Online Marketplace Platforms*, 61 N.Y.L. SCH. L. REV. 195, 200–01 (2016–17).

<sup>15</sup> *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 107 (2d Cir. 2010).

<sup>16</sup> *Id.* at 96; TIFFANY, Registration No. 4315904.

<sup>17</sup> *Tiffany (NJ) Inc.*, 600 F. 3d at 97–98; EBAY, Registration No. 4408423.

<sup>18</sup> *Tiffany (NJ) Inc.*, 600 F. 3d at 97 (quoting *Tiffany (NJ) Inc. v. eBay, Inc.* 576 F. Supp. 2d 463, 475 (S.D.N.Y. 2008)).

<sup>19</sup> *Id.* at 99 (noting some of the steps taken to reduce counterfeit products on the website included initiating a buyer protection program to reimburse buyers of counterfeit goods, a fraud engine to detect illegal listings, and a “Verified Rights Owner Program,” which permits owners of intellectual property to report potentially infringing listings to eBay,

contributory trademark infringement for facilitating the counterfeit product listings' use of their trademarks.<sup>20</sup> When Tiffany lost its case in the district court it appealed to the Second Circuit.<sup>21</sup> The Second Circuit agreed with the district court's holding that although eBay generally knew that there were counterfeit items on their website that infringed upon Tiffany's trademarks, general knowledge is insufficient to hold a service provider liable for contributory infringement.<sup>22</sup> In addition, the court stated that Tiffany did not demonstrate eBay's continued sale of infringing products after Tiffany notified them of the specific infringements.<sup>23</sup> This case is the reason that service providers are under no affirmative obligation to police counterfeits, and instead the burden rests on the trademark owner.<sup>24</sup>

The sheer quantity of products online makes it untenable for trademark owners to accurately police every listing, and it can be difficult for a trademark owner to determine whether a listed product is authentic, sold under the first sale doctrine, or is a counterfeit simply by looking at a listing.<sup>25</sup> Often listings will utilize pictures of authentic popular brands in their product description while the actual product for sale is a counterfeit—thereby violating trademark rights and risking consumer safety.<sup>26</sup> For example, an Amazon listing for a “4 in 1 Baby Car Seat and Stroller” included images of the popular car seat brand Doona, but the list price was approximately \$200 cheaper than the real Doona.<sup>27</sup> Unsurprisingly, the listed car seat was actually a knock-off of the

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acting as a “notice-and-takedown” system).

<sup>20</sup> *Id.* at 103.

<sup>21</sup> *Id.* at 96.

<sup>22</sup> *Id.* at 107.

<sup>23</sup> *Id.* at 109.

<sup>24</sup> *Id.* at 107; *see Report Infringement*, AMAZON, <https://www.amazon.com/report/infringement> (last visited Mar. 16, 2021) (explaining “we do not enforce” intellectual property rights, instead brand owners must report infringement); *Verified Rights Owner (VeRO) Policy*, EBAY, <https://www.ebay.com/help/policies/listing-policies/selling-policies/intellectual-property-vero-program?id=4349> (last visited Apr. 25, 2021); *Intellectual Property Policy*, ETSY, <https://www.etsy.com/legal/ip/> (last visited Apr. 25, 2021) (explaining Etsy is a third party marketplace where “[s]ellers are responsible for ensuring they have all of the necessary rights to their content and that they are not infringing or violating any third party rights by posting it.”).

<sup>25</sup> *See* IAN C. BALLON, 2 E-COM. & INTERNET L. § 12.05[5] (2d ed. 2020) (“The first sale doctrine provides that once the holder of an intellectual property right consents to the sale of copies of a work, he or she may not thereafter control its distribution.”); Gaston Kroub, *Policing Amazon?*, ABOVE THE L. (Oct. 10, 2017), <https://abovethelaw.com/2017/10/policing-amazon/> (explaining Amazon requires brand owners “to exercise lots of self-help when it comes to policing infringement.”).

<sup>26</sup> *See* CNN Wire, *Fake and Dangerous Kids Products are Turning Up for Sale on Amazon*, 3WKTR (Dec. 23, 2019), <https://wtkr.com/2019/12/23/fake-and-dangerous-kids-products-are-turning-up-for-sale-on-amazon/>.

<sup>27</sup> *Id.*; DOONA, Registration No. 4721984.

Doona car seat.<sup>28</sup> The counterfeit seat failed to meet basic safety standards, endangering the countless children still sitting in them.<sup>29</sup>

Service providers have more authority and better resources to actively screen products listed on their websites, but they can be hesitant to do so.<sup>30</sup> Consumers are subjected to deceptive business practices and potentially dangerous counterfeits, while service providers facilitate sales with impunity and without oversight.<sup>31</sup> The court's holding in *Tiffany* enables service providers to take a hands-off approach to the trademark infringements occurring on their platforms.<sup>32</sup> The lack of liability on the part of service providers harms both brand owners and consumers and should be remedied through consistent policing of infringements by *all parties involved*: service providers, brand owners, governments, and consumers.<sup>33</sup>

## II. SCOPE

This comment will set forth the current standard for contributory trademark infringement under *Tiffany v. eBay*, focusing on the knowledge requirement and whether willful blindness would be an appropriate standard for contributory liability in online marketplaces, detail the inadequacies in the current framework, and set forth solutions that would better address today's e-commerce driven marketplace. Additionally, this comment will highlight the increase in trademark infringements since the *Tiffany* decision, the product safety hazards that arise with trademark infringement, and how online marketplaces abdicate responsibility, particularly through insufficient infringement policies. Finally, this comment will outline the demands for reform and review potential statutory and regulatory solutions for the trademark infringement issue—aiming to modify the knowledge standard established by *Tiffany* to better protect consumers and brands alike.

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<sup>28</sup> See CNN Wire, *supra* note 26.

<sup>29</sup> See *id.*

<sup>30</sup> See *Report Infringement*, *supra* note 24 (explaining “we do not enforce” intellectual property rights, instead brand owners must report infringement).

<sup>31</sup> Alexandra Berzon et al., *Amazon Has Ceded Control of Its Site. The Result: Thousands of Banned, Unsafe or Mislabeled Products*, WALL ST. J. (Aug. 23, 2019), <https://www.wsj.com/articles/amazon-has-ceded-control-of-its-site-the-result-thousands-of-banned-unsafe-or-mislabeled-products-11566564990>.

<sup>32</sup> See *Tiffany (NJ) Inc.*, 600 F.3d at 108–09; see also Stacey L. Dogan, “We Know It When We See It”: *Intermediary Trademark Liability and the Internet*, 2011 STAN. TECH. L. REV. 7, 3 (2011).

<sup>33</sup> See, e.g., Mary M. Calkins et al., *Mineshafts on Treasure Island: A Relief Map of the eBay Fraud Landscape*, 8 PGH. J. TECH. L. & POL'Y 1, 23–24 (2007) (explaining how eBay is trying to expand how they deal with fraud and infringement).

### III. PRIOR LAW

#### A. Trademarks: A Consumer's Trusted Ally

The purpose of trademarks is to provide a short-cut for consumers to quickly identify a product's source.<sup>34</sup> The Lanham Act provides that in order for trademarks to be registrable, they must be used in commerce and do more than merely describe the goods or services offered.<sup>35</sup> A registered trademark provides the owner with the exclusive right to use the particular mark on a specific class of goods or services so long as the owner continues to use the mark in commerce.<sup>36</sup>

Once a trademark is registered, a brand owner must actively police the mark to retain it.<sup>37</sup> Failure to protect a mark from infringement can make the trademark unprotectable because infringement damages the association between the source and the product.<sup>38</sup> Infringement occurs when someone uses another's mark (or an imitation of their mark) without the owner's consent in commerce, and such use is "likely to cause confusion, or to cause mistake, or to deceive."<sup>39</sup> Additionally, famous trademarks must protect themselves from "dilution by tarnishment," where the use of a similar mark harms the reputation of a famous mark, and "dilution by blurring," where the use of a similar mark impairs the distinctiveness of a famous mark.<sup>40</sup>

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<sup>34</sup> *Trademark*, BLACK'S LAW DICTIONARY (11th ed. 2019); *see generally* 4 LOUIS ALTMAN & MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 17.1 (4th ed. 2014).

A trademark functions on three different levels: as an indication of origin or ownership, as a guarantee of constancy of the quality or other characteristics of a product or service, and as a medium of advertisement. Thus, a trademark guarantees, identifies, and sells the product or service to which it refers. These three facets of a trademark—of differing importance at different times, in different lines of business and for different products or services—are somewhat correlative. The classical function, that of identification, has been primarily responsible for molding the development of trademark law. The significance of the guarantee function has been somewhat exaggerated, while the implications of the advertisement function still await full recognition in the law.

<sup>35</sup> The Lanham Act, 15 U.S.C. §§ 1051, 1052(e) (2018) (explaining the circumstances and requirements for applying to have a trademark registered).

<sup>36</sup> § 1051.

<sup>37</sup> 15 U.S.C. § 1064(5).

<sup>38</sup> *See* § 1064(3); *but see* 15 U.S.C. §§ 1125(c)(3)(A)–(C) (providing exceptions to trademark infringement include fair use, where there is a comparison between products, parody, news commentary, non-commercial use of the mark, or criticism).

<sup>39</sup> 15 U.S.C. §§ 1114(1)(a)–(b).

<sup>40</sup> § 1125 (2)(A) (defining famous mark as "widely recognized by the general consuming public of the United States as a designation of the source of the goods or services

When a consumer can associate the mark with a particular source, brand reputation builds.<sup>41</sup> Companies spend significant amounts of time and money to create and establish brands that later become household names.<sup>42</sup> The reputation of a particular trademark can generate millions of dollars for a company and can be one of its most valuable assets.<sup>43</sup> Under a traditional storefront model, companies contract with storefronts to sell their branded products on the stores' shelves.<sup>44</sup> Therefore, if a counterfeit is sold in a physical storefront, a brand owner can sue the storefront for either direct or contributory trademark infringement because the store is liable for the products it sells to the consumer.<sup>45</sup> In addition, traditional storefronts also are subject to criminal liability if they sell counterfeit goods.<sup>46</sup> While brick-and-mortar stores face heightened scrutiny, online marketplaces have evaded equivalent regulations.<sup>47</sup>

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of the mark's owner" and providing factors to determine fame).

<sup>41</sup> See Vladimir Trey, *Protect and Enforce IP Rights or Risk Wasting Brand Investment*, WORLD TRADEMARK REV. (Feb. 25, 2019), <https://www.worldtrademarkreview.com/brand-management/protect-and-enforce-ip-rights-or-risk-wasting-brand-investment> (stating the "well-known" status is confirmed by documentation and proves expansive use of the mark and that the mark has a reputation among consumers that is well known for its relevant goods or services).

<sup>42</sup> *Id.*; see, e.g., Ivan De Luce, *10 Companies That Spent More Than \$1 Billion in Ads so You'd Buy Their Products*, BUS. INSIDER (Oct. 4, 2019), <https://www.businessinsider.com/10-biggest-advertising-spenders-in-the-us-2015-7> (stating in 2018 companies spent the following amounts on advertising to improve brand reputation and sales: General Motors Co. \$3.14 billion, Procter & Gamble Co. \$4.3 billion, Amazon \$4.47 billion).

<sup>43</sup> Trey, *supra* note 40.

<sup>44</sup> See *generally Suppliers*, TARGET, <https://corporate.target.com/about/products-services/suppliers> (last visited Apr. 25, 2021) (providing information on becoming a vendor with Target); see *Apply to be a Supplier*, WALMART, <https://corporate.walmart.com/suppliers/apply-to-be-a-supplier> (last visited Apr. 25, 2021) (providing information on becoming a supplier to Walmart chains).

<sup>45</sup> § 1114(1)(b); see CNN Wire, *supra* note 26.

<sup>46</sup> Trafficking in Counterfeit Goods or Services, 18 U.S.C. § 2320(b)(1) (2016); see e.g., Jose R. Gonzalez, *Authorities Seize \$32K in Counterfeit Merchandise at The Woodlands Mall*, HOUS. CHRON. (Dec. 16, 2020), <https://www.houstonchronicle.com/neighborhood/moco/news/article/Authorities-seize-32K-in-counterfeit-merchandise-15808686.php> (explaining after a raid by authorities, a mall storefront was found to be selling \$648,000 worth of counterfeit high-end brands such as Burberry, Gucci, Louis Vuitton, and Chanel, and the store owners now face felony charges).

<sup>47</sup> CNN Wire, *supra* note 26.

### B. One Click for Counterfeit: Contributory Trademark Infringement Under *Tiffany*

In 2010, the Second Circuit decided *Tiffany v. eBay*—the first case to test contributory trademark infringement for online shopping platforms.<sup>48</sup> eBay hosts third-party listings and auctions, and Tiffany is an iconic, high-end jewelry company that noticed numerous counterfeit Tiffany products listed on eBay’s website.<sup>49</sup> Between 2000 and 2004, eBay earned approximately \$4.1 million dollars in revenue from Tiffany jewelry listings on its website, some of which were counterfeits.<sup>50</sup> Tiffany reported the general problem to eBay and asked eBay to take down the listings.<sup>51</sup> Although eBay took down the listings that Tiffany specifically complained about, it did not review all Tiffany product listings to find counterfeits.<sup>52</sup> As a result, Tiffany sued eBay for contributory infringement.<sup>53</sup> After a bench trial, the district court found in favor of eBay.<sup>54</sup>

On appeal, Tiffany claimed eBay was “willfully blind” to counterfeits sold on their website and argued that if eBay was not held liable for contributory trademark infringement, eBay and similar websites would have no incentive to police its service.<sup>55</sup> Tiffany and similar retailers feared that not holding eBay liable would create an unreasonable burden on brand owners to police these service providers all day, every day.<sup>56</sup> While the court recognized that a service provider “may not shield itself from learning of the particular infringing transactions by looking the other way,” the Second Circuit found the district court was not clearly erroneous in determining eBay was not willfully blind to countless counterfeit Tiffany products sold on its website.<sup>57</sup>

Recognizing this as a case of first impression, the court adopted a test for contributory liability created by the Supreme Court in 1982, in *Inwood Laboratories v. Ives Laboratories*.<sup>58</sup> Under *Inwood*, contributory liability

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<sup>48</sup> *Tiffany (NJ) Inc.*, 600 F.3d at 102.

<sup>49</sup> *Id.* at 97.

<sup>50</sup> *Id.* at 98.

<sup>51</sup> *Id.* at 99.

<sup>52</sup> *Id.* at 98.

<sup>53</sup> *Id.* at 103.

<sup>54</sup> *Id.* at 96.

<sup>55</sup> *Id.* at 109.

<sup>56</sup> *Id.*

<sup>57</sup> *Id.*

<sup>58</sup> *Id.* at 106; *Wilson v. Burlington N., Inc.*, 670 F.2d 780, 782 n. 1 (8th Cir. 1982) (“By the defense of contributory negligence, the defendant in effect alleges that, even if the defendant may have been guilty of some negligent act or omission which was one of the

occurs when (1) the service provider “intentionally induces another to infringe a trademark” and (2) the service provider “continues to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement.”<sup>59</sup> In regard to the level of knowledge required for a service provider, the court determined there needed to be more than mere “general knowledge” that an infringement occurred.<sup>60</sup> The court held that Tiffany’s notification of sixteen separate counterfeit Tiffany products on eBay, in addition to numerous customer complaints about counterfeit Tiffany products, was insufficient to establish the requisite level of knowledge required under *Inwood*.<sup>61</sup> The court reasoned that eBay’s efforts to reduce counterfeits through removing specific listings and suspending repeat infringers’ accounts weighed against liability under *Inwood*.<sup>62</sup>

The Second Circuit’s decision in *Tiffany* set the foundation for online marketplaces’ abilities to abdicate responsibility for actively and aggressively policing for counterfeits.<sup>63</sup> Brand owners are given the insurmountable burden of policing all websites and navigating infringement reporting policies for each online marketplace to protect their brand.<sup>64</sup> The discrepancy in responsibilities between the marketplace and the brand owner resulting from *Tiffany* leads to a failure in the regulation of online infringements.<sup>65</sup> Although brand owners can try their best to stay vigilant, without support from the service providers that host listings, both brands and consumers continue to suffer.<sup>66</sup>

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causes, the plaintiff himself, by his own failure to use ordinary care under the circumstances for his own safety, at the time and place in question, also contributed one of the causes of any injuries and damages plaintiff may have suffered.”); see *Contributory Infringement*, LEGAL INFO. INST., [https://www.law.cornell.edu/wex/contributory\\_infringement](https://www.law.cornell.edu/wex/contributory_infringement) (last visited Apr. 15, 2021).

<sup>59</sup> *Tiffany (NJ) Inc.*, 600 F.3d at 106; see *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982).

<sup>60</sup> *Tiffany (NJ) Inc.*, 600 F.3d at 107.

<sup>61</sup> *Id.* at 108–09.

<sup>62</sup> *Id.* at 109.

<sup>63</sup> See *id.*; see also Megan K. Bannigan & Kathryn Saba, *From Chanel and Tiffany Fakes to the Real Deal—Fighting Online Counterfeits*, BLOOMBERGLAW (July 8, 2020), <https://news.bloomberglaw.com/ip-law/insight-from-chanel-and-tiffany-fakes-to-the-real-deal-fighting-online-counterfeits> (discussing the SHOP SAFE Act, which looks to overrule *Tiffany* by requiring online marketplaces to adopt ten measures to prevent counterfeits).

<sup>64</sup> *Tiffany (NJ) Inc.*, 600 F.3d at 109.

<sup>65</sup> See Steve Brachmann, *Amazon’s Counterfeit Problem is a Big One—for Shareholders, Brand Owners, and Consumers Alike*, IP WATCH DOG (Feb. 27, 2019), <https://www.ipwatchdog.com/2019/02/27/amazons-counterfeit-problem-big-one-for-everyone/id=106710/> (“Although Amazon’s counterfeit woes have grown to the point that the company has finally disclosed the potential of liability to its shareholders, it’s still much more damaging to a brand owner than to Amazon when a consumer receives a counterfeit product.”).

<sup>66</sup> *Id.* (“...the [Amazon] says that it ‘reimburse[s] buyers for payments up to certain

### C. Terms & Conditions Apply: Statutory Protections for Online Marketplaces

One method service providers use to shield liability is the Communications Decency Act.<sup>67</sup> The statute shields websites from liability when censoring offensive content on their platform.<sup>68</sup> It reads:

Protection for “Good Samaritan” blocking and screening of offensive material.

(1) Treatment of publisher or speaker. No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider. (2) Civil liability. No provider or user of an interactive computer service shall be held liable on account of— (A) any action voluntarily taken in good faith to restrict access to or availability of material that the provider or user considers to be obscene, lewd, lascivious, filthy, excessively violent, harassing, or otherwise objectionable, whether or not such material is constitutionally protected; or (B) any action taken to enable or make available to information content providers or others the technical means to restrict access to material described in paragraph (1) [subparagraph (A)].<sup>69</sup>

Since the implementation of the statute, courts have broadly interpreted it, shielding platforms from contributory trademark infringement.<sup>70</sup> Such interpretations protected platforms, such as Amazon, eBay, and Etsy from contributory trademark infringement claims because their primary business is providing a platform for third parties to sell products.<sup>71</sup> Since these companies are “interactive computer services” they attempt to shield themselves from liability by claiming trademark infringements are the result of third party seller’s conduct, not their own, although there is currently a circuit split on this issue.<sup>72</sup> This argument has been successful in barring trademark liability when

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limits.’ The use of the phrase ‘certain limits’ doesn’t seem to contemplate a full refund in all circumstances.”).

<sup>67</sup> Communications Decency Act, 47 U.S.C. § 230(c) (2018).

<sup>68</sup> *What is Section 230 of the Communications Decency Act?*, MINC, <https://www.minclaw.com/legal-resource-center/what-is-section-230-of-the-communication-decency-act-cda/> (last visited Apr. 25, 2021).

<sup>69</sup> § 230(c).

<sup>70</sup> See Lauren Feiner, *Big Tech’s Favorite Law is Under Fire*, CNBC (Feb. 19, 2020), <https://www.cnbc.com/2020/02/19/what-is-section-230-and-why-do-some-people-want-to-change-it.html> (describing how many today still worry that “Section 230 immunity has been extended far beyond what Congress originally intended . . . [allowing] these platforms to absolve themselves competently of responsibility for policing their platforms”).

<sup>71</sup> Cindy Puryear, *Selling on Online Marketplaces: Best Platforms for Selling Your Products*, BIG COM., <https://www.bigcommerce.com/blog/online-marketplaces/#executive-summary> (last visited Mar. 16, 2021); ETSY, Registration No. 3297913.

<sup>72</sup> See Brad Kutner, *Dispute Over ‘Flaming Headlamp’ Lands in Fourth Circuit*,

a brand owner does not allege intentional inducement of contributory trademark infringement under *Tiffany*.<sup>73</sup> Despite the intellectual property exception to the Communications Decency Act, courts do not always use the exception to allow brand owners to bring trademark infringement claims.<sup>74</sup> As a result, online service providers can have protection from trademark liability under *Tiffany* and the Communications Decency Act, meaning that there is very little incentive for them to actively police their websites for infringements.<sup>75</sup> The resulting insulation invariably harms brand owners and consumers.<sup>76</sup>

#### D. Failure to Launch: Ineffective Legislative Efforts

A clear method for fixing the online trademark infringement problem would be congressional action. Unfortunately, previous congressional solutions have inadequately addressed the pervasive issue of infringements in online marketplaces.<sup>77</sup> In 2008, the Prioritizing Resources and Organization for Intellectual Property Act of 2008 became law, which established the “Intellectual Property Enforcement Coordinator,” responsible for facilitating coordinated agency responses to combatting infringements and reporting the plan to Congress.<sup>78</sup> The statute also heightened civil and criminal penalties for

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COURTHOUSE NEWS SERV. (Mar. 21, 2019), <https://www.courthousenews.com/dispute-over-flaming-headlamp-lands-in-fourth-circuit/> (explaining a district court determined Amazon was not liable for a flaming headlamp sold by a third party on Amazon’s website due to the Communications Decency Act, but the case is pending on appeal in the Fourth Circuit); *but see* *Oberdorf v. Amazon.com Inc.*, 930 F.3d 136, 153 (3d Cir. 2019) (finding Amazon open to liability for a third party seller’s counterfeit dog leash which injured a woman’s eye despite the Communications Decency Act).

<sup>73</sup> See generally *Free Kick Master LLC v. Apple Inc.*, 140 F. Supp. 3d 975, 980, 983 (N.D. Ca. 2015) (“A manufacturer or distributor can be held liable for the infringing acts of another if it “intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.” (citing *Inwood Labs*, 456 U.S. at 853)).

<sup>74</sup> *Id.* at 982 (“... ‘intellectual property’ exception in 47 U.S.C. § 230(e)(2). . . . provides that “[n]othing in this section shall be construed to limit or expand any law pertaining to intellectual property.”).

<sup>75</sup> See *id.*; Kutner, *supra* note 70.

<sup>76</sup> See *Counterfeit Products are Endemic – and it is Damaging Brand Value*, INCOPRO, <https://www.incoproip.com/wp-content/uploads/2020/02/Incopro-Market-Research-Report.pdf> (last visited Mar. 16, 2021) (crediting data research to Sapio Research).

<sup>77</sup> See, e.g., Online Protection and Enforcement of Digital Trade Act “OPEN Act,” S. 2029, 112th Cong. (2011) (demonstrating that the OPEN Act, which sought to regulate unfair trade practices by certain internet sites, excluded internet service platforms from the definition of financial transaction providers subject to regulation).

<sup>78</sup> Prioritizing Resources and Organization for Intellectual Property Act of 2008 “PRO IP Act,” Pub. L. No. 110-403 (2008), (codified as amended at 15 U.S.C. §§ 8111–16,

infringements.<sup>79</sup> Although the statute was a step forward in bolstering intellectual property protections and creating a coordinated response for government agencies, its limited scope makes it insufficient for combatting the current counterfeit crisis in the era of the online marketplace.<sup>80</sup>

In 2011, the Senate introduced the Online Protection and Enforcement of Digital Trade Act, which meant to establish a liability for any internet site that facilitated infringing imports into the United States.<sup>81</sup> The bill had only minimal support and never moved past committee.<sup>82</sup> The lack of congressional action combatting trademark infringement jeopardizes brand strength and risks consumer health.<sup>83</sup> Without strong, effective laws encouraging a collaborative approach to addressing trademark infringement in online marketplaces, the damaging effects of counterfeits will persist.

#### IV. ANALYSIS

##### A. “Just [Don’t] Do It:”<sup>84</sup> Online Marketplaces’ Response to Trademark Infringements

The holding in *Tiffany* continues to protect online marketplaces from contributory trademark infringement.<sup>85</sup> Under the current framework, brand owners are responsible for actively policing instances of trademark infringements in e-commerce, which means reviewing *thousands* of third party listings on Amazon, Etsy, Alibaba, and eBay for a *single product*—or *millions* of third party listings in cases of larger brands.<sup>86</sup> As a result, some brands

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§8111(a).

<sup>79</sup> See 15 U.S.C. § 1117(b) (2008) (amended by PRO IP Act, Pub. L. No. 110-403, §§ 103–04); 17 U.S.C. § 503(a) (2010) (amended by PRO IP Act, Pub. L. No. 110-403, § 102); 17 U.S.C. § 506(b) (amended by PRO IP Act, Pub. L. No. 110-403, § 201); § 2320 (amended by PRO IP Act, Pub. L. No. 110-403, § 205).

<sup>80</sup> See U.S. DEPT. OF HOMELAND SEC., COMBATTING TRAFFICKING IN COUNTERFEIT AND PIRATED GOODS 2, 41 (2020), [https://www.dhs.gov/sites/default/files/publications/20\\_0124\\_ply\\_counterfeit-pirated-goods-report\\_01.pdf](https://www.dhs.gov/sites/default/files/publications/20_0124_ply_counterfeit-pirated-goods-report_01.pdf).

<sup>81</sup> S. 2029.

<sup>82</sup> *Id.*

<sup>83</sup> See U.S. DEPT. OF HOMELAND SEC., *supra* note 78.

<sup>84</sup> See JUST DO IT, Reg. No. 5,727,940.

<sup>85</sup> *Tiffany (NJ) Inc.*, 600 F.3d at 109; see Brachmann, *supra* note 63.

<sup>86</sup> See *Tiffany (NJ) Inc.*, 600 F.3d at 109; *Counterfeit Warning*, TIFFANY & CO., <https://www.tiffany.com/policy/counterfeit-warning/> (last visited Apr. 25, 2021); see also *10 Years After Tiffany v. eBay, New Bill Aiming to Hold Online Platforms Liable for Counterfeits is Introduced*, FASHION L. (Mar. 3, 2020), <https://www.thefashionlaw.com/10-years-after-tiffany-v-ebay-a-new-bill-aiming-to-hold-online-platforms-liable-for-counterfeits-is-introduced/>.

refuse to sell their products on certain platforms.<sup>87</sup> In addition, some brands such as Tiffany have counterfeit warnings on their websites to educate buyers on where to buy authentic jewelry.<sup>88</sup> Although brands do what they can to protect against online infringements, the rise of e-commerce has exponentially exacerbated the problem.<sup>89</sup> With an onslaught of infringements and near immunity for online marketplaces, a brand's reputation is constantly at risk.<sup>90</sup>

Nike, a globally recognized brand, is also one of the most counterfeited in the online marketplace.<sup>91</sup> In October 2019, US Customs and Border Patrol ("CBP") in Los Angeles confiscated a shipment of counterfeit Nike shoes, which if authentic, would have been worth \$2 million.<sup>92</sup> CNN reported, "Customs and Border Patrol said consumers are likely to see fake Nikes online."<sup>93</sup> Last year, the U.S. Immigration and Customs Enforcement confiscated \$70 million worth of counterfeit Nike shoes in New York.<sup>94</sup> Nike is particularly threatened by counterfeit products and at risk of a loss of sales, as the price difference between a counterfeit and authentic product is lower than high-end luxury brands, such as Rolex or Louis Vuitton.<sup>95</sup> Additionally, when consumers observe the wear and tear on low-quality counterfeit Nikes, it

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<sup>87</sup> See Eben Novy-Williams & Spencer Soper, *Nike Will Stop Selling Its Products on Amazon*, LA TIMES (Nov. 12, 2019), <https://www.latimes.com/business/story/2019-11-12/nike-will-stop-selling-its-products-on-amazon>.

<sup>88</sup> *Counterfeit Warning*, *supra* note 83.

<sup>89</sup> See U.S. GOV'T ACCOUNTABILITY OFF., GAO-18-216, INTELL. PROPERTY: AGENCIES CAN IMPROVE EFFORTS TO ADDRESS RISKS POSED BY CHANGING COUNTERFEIT MARKET 1 (Jan. 2018), <https://www.gao.gov/assets/gao-18-216.pdf> (indicating in a 2018 GAO study that 40% of online purchased products from major online marketplaces were counterfeits); see Roomy Khan, *Counterfeits – Amazon, Etsy, eBay, Instagram, and Others Duping Consumers and Damaging Innovation*, FORBES (May 10, 2019), <https://www.forbes.com/sites/roomykhan/2019/05/10/counterfeits-amazon-etsy-ebay-instagram-and-others-duping-consumers-and-damaging-innovation/#2dec02636002>.

<sup>90</sup> See *Counterfeit Products are Endemic*, *supra* note 74 (stating that, "In the offline world, consumers are used to a level of redress, but online there is no legal requirement by the marketplace to inform the brand or to reimburse the consumer. As a result, the brand's value can be damaged without any knowledge that a counterfeit problem has arisen . . .").

<sup>91</sup> Joan Miloscia, *It's Not Just Shoes: The World's Most Counterfeited Products*, COVECTRA (Oct. 9, 2019), <https://www.covectra.com/most-counterfeited-products/>; NIKE, Registration No. 2180866.

<sup>92</sup> Maddie Capron & Christina Zdanowicz, *More Than 14,000 Fake Nikes Were Seized In LA*, CNN (Oct. 9, 2019), <https://www.cnn.com/2019/10/09/us/counterfeit-nike-shoes-trnd/index.html>.

<sup>93</sup> *Id.*

<sup>94</sup> Kaja Whitehouse & Natalie O'Neill, *'Just Don't Do It': Smugglers Busted Over Thousands of Fake Nikes*, N.Y. POST (Aug. 7, 2018), <https://nypost.com/2018/08/07/just-dont-do-it-authorities-seize-thousands-of-fake-nikes/>.

<sup>95</sup> LOUIS VUITTON, Registration No. 1045932; ROLEX, Registration No. 0101819; PGupta0919, *The Rise of Counterfeiting and Its Effects on Nike*, SOAPBOXIE (Nov. 2, 2020), <https://soapboxie.com/economy/The-Rise-of-Counterfeiting-and-Its-Effects-on-Nike>.

may harm Nike's reputation as a quality performance shoe manufacturer.<sup>96</sup> The more consumers buy counterfeit Nike products, the more the company's revenue and brand reputation suffers.<sup>97</sup>

Nike has tried to address the counterfeit problem by educating its consumers with a webpage similar to Tiffany's, which identifies the authorized Nike sellers and warns against counterfeits.<sup>98</sup> Prior to 2017, the only Nike products sold on Amazon were grey-market goods: products sold through unauthorized channels, often involving imports from another economic region such as Asia.<sup>99</sup> In order to control their brand on Amazon, Nike began a pilot partnership with the online marketplace in 2017.<sup>100</sup> Nike became a member of Amazon's Brand Registry, where it directly sold its products to Amazon users and tried to police third party sellers.<sup>101</sup>

Despite actively participating in retail on Amazon, Nike "struggled to control the Amazon marketplace."<sup>102</sup> When an unauthorized Nike seller's listing is removed, and their account is suspended, the same listing would reappear under a newly made seller account.<sup>103</sup> In addition, official Nike products received fewer reviews than unauthorized listings, meaning authentic Nike products had lower positioning on the site, which further perpetuated the problem.<sup>104</sup> Amazon consistently failed to actively monitor Nike counterfeits, leading to Nike's decision to end their partnership on November 12, 2019, and instead focusing its efforts on sales through Nike.com.<sup>105</sup> Nike's departure may

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<sup>96</sup> See generally *Counterfeit Products are Endemic*, *supra* note 74, at 6 (crediting data research to Sapio Research).

<sup>97</sup> See *id.* at 11 ("This lack of trust has a direct effect on buying behaviour: 76% of consumers would be less likely to buy products from a brand that is regularly associated with counterfeit goods.").

<sup>98</sup> See generally *Have I Bought Fake Nikes?*, NIKE, <https://www.nike.com/help/a/nike-product-authenticity> (last visited Mar. 16, 2021) ("Counterfeiters have become skilled at making convincing knockoffs—so skilled, in fact, it can be hard to spot the fakes. The best way to ensure you're getting authentic Nike shoes is to shop on Nike.com, at a Nike store, or a reputable and trusted retailer.").

<sup>99</sup> *Gray Market Goods*, BETTER BUS. BUREAU, <https://www.bbb.org/new-york-city/get-consumer-help/articles/gray-market-goods/> (last visited Apr. 25, 2021); see Novy-Williams & Soper, *supra* note 84 ("For years, the only Nike products sold on Amazon were gray-market items — and counterfeits — sold by others.").

<sup>100</sup> See Novy-Williams & Soper, *supra* note 84 ("Executives hoped the move would give them more control over Nike goods sold on the e-commerce site, more data on their customers and added power to remove fake Nike listings.").

<sup>101</sup> Spencer Soper, *Amazon Will Sell Nike Shoes Directly Through Brand Registry*, BLOOMBERG (June 21, 2017), <https://www.bloomberg.com/news/articles/2017-06-21/amazon-said-to-sell-nike-shoes-directly-through-brand-registry>.

<sup>102</sup> See Novy-Williams & Soper, *supra* note 84.

<sup>103</sup> *Id.*

<sup>104</sup> *Id.*

<sup>105</sup> See *id.* ("Such brands have expressed frustration that Amazon doesn't do enough to fight counterfeits. They also fear that giving Amazon too much control over prices will

pave the way for other brands to leave the platform, as many “have expressed frustration that Amazon doesn’t do enough to fight counterfeits.”<sup>106</sup>

Amazon’s constant reluctance to intervene in the counterfeit goods problem directly flows from the *Tiffany* decision, because there is no incentive or responsibility to proactively police their website for infringements under the rule.<sup>107</sup> The result is a precarious circumstance for brand owners and a need for a heightened level of caution for how a brand distributes its products.<sup>108</sup>

#### B. Brand Death by a Thousand Counterfeits

One of the most important aspects of trademark ownership is policing the mark.<sup>109</sup> Under the Lanham Act, registration can be cancelled if the mark is ineffectively policed.<sup>110</sup> From a business standpoint, it is also vital to maintain control over a trademark and brand messaging.<sup>111</sup> When products are listed on third party platforms, particularly from unauthorized sellers, brands do not just lose profits, they may lose control over the mark.<sup>112</sup> Lack of brand control is one reason Nike pulled out from Amazon.<sup>113</sup> Matt Powell, Senior Industry Advisor at Sports NPD Group, explained the issue with third party sellers and counterfeits, stating: “[Amazon] is literally adding hundreds of sellers every hour and to some extent it’s a whack-a-mole problem; they shut down one [counterfeiter] and ten more pop back up. It’s a real issue and it’s very hard to control.”<sup>114</sup> Nike is not the only brand to end its relationship with Amazon due

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devalue their products.”).

<sup>106</sup> *See id.* (“[Brands] also fear that giving Amazon too much control over prices will devalue their products.”).

<sup>107</sup> *10 Years After Tiffany v. eBay, New Bill Aiming to Hold Online Platforms Liable for Counterfeits is Introduced*, *supra* note 83.

<sup>108</sup> *See* James Brumley, *Why Amazon Losing Nike Highlights a Major Risk*, MOTLEY FOOL (Nov. 25, 2019), <https://www.fool.com/investing/2019/11/25/why-amazon-losing-nike-highlights-a-major-risk.aspx>.

<sup>109</sup> *See generally Policing Your Trademark or Service Mark*, HINCKLEY ALLEN TRADEMARKS & COPYRIGHTS (Sept. 23, 2019), <https://www.hinckleyallen.com/publications/policing-your-trademark-or-service-mark/> (explaining general considerations when policing registered trademarks).

<sup>110</sup> § 1064.

<sup>111</sup> *See Policing Your Trademark or Service Mark*, *supra* note 106.

<sup>112</sup> *See generally* Cameron Albert-Deitch, *The Nike-Amazon Breakup Is Official. That Has Implications for Every Startup Selling on Amazon*, INC. (Nov. 14, 2019), <https://www.inc.com/cameron-albert-deitch/nike-amazon-breakup-brand-loyalty.html>.

<sup>113</sup> Novy-Williams & Soper, *supra* note 84.

<sup>114</sup> Corey Leff, *Nike Tires of Counterfeiting on Amazon, ‘Achilles Heel’ Poses Threat to the Marketplace Business*, SPORTICO (Nov. 18, 2019), <https://www.sportico.com/business/commerce/2019/nike-amazon-marketplace-321/>.

to its reluctance to effectively police its marketplace.<sup>115</sup> Birkenstock and Ikea, both famous and influential brands, refuse to sell on Amazon, and instead focus on their own platforms to control their brands.<sup>116</sup> Although larger brands can cultivate a following without third party sellers, smaller brands may have difficulty establishing an online presence without the help of a third party platform.<sup>117</sup> Smaller brands are effectively trapped in marketplaces that pose constant risks of dilution and infringements, which inevitably harms their brand strength.

Trademark owners must remain vigilant to protect their brands, particularly against dilution.<sup>118</sup> When a mark becomes famous, the rights owner may pursue dilution by blurring, and dilution by tarnishment claims.<sup>119</sup> These causes of action provide additional protections to famous marks outside of a strict infringement claims.<sup>120</sup> A brand owner can bring these claims against another party in order to protect their brand, with an exception for fair use of a trademark.<sup>121</sup> Another restriction on these claims is they are only for famous marks, which means that the mark “is widely recognized by the general consuming public of the United States as a designation of the source of goods or services of the owner.”<sup>122</sup> For brands like Nike, Louis Vuitton, or The North

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<sup>115</sup> Brumley, *supra* note 105.

<sup>116</sup> *Id.*; BIRKENSTOCK, Registration No. 1037893; IKEA, Registration No. 1118706.

<sup>117</sup> Albert-Deitch, *supra* note 109.

<sup>118</sup> *See generally Trademark Dilution*, INT’L TRADEMARK ASS’N (Mar. 31, 2017), <https://www.inta.org/fact-sheets/trademark-dilution-intended-for-a-non-legal-audience/> (providing general information about trademark dilution).

<sup>119</sup> §§ 1125(c)(2)(B)–(C).

<sup>120</sup> *Id.*

Factors for evaluating whether dilution by blurring exists include: (i) the degree of similarity between the mark or trade name and the famous mark; (ii) the degree of inherent or acquired distinctiveness of the famous mark; (iii) the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (iv) the degree of recognition of the famous mark; (v) whether the user of the mark or trade name intended to create an association with the famous mark; (vi) any actual association between the mark or trade name and the famous mark.

<sup>121</sup> §§ 1125(c)(3)(A)–(C). Fair uses of a trademark include:

(1) nominative fair use, (2) descriptive fair use, or (3) facilitation of fair use . . . including (4) use in connection with advertising or promotion that permits consumers to compare goods or services; or (5) identifying and parodying, criticizing, or commenting upon the . . . goods or services. . . ; (6) all forms of news commentary; and (7) any noncommercial use of the mark.

<sup>122</sup> § 1125(c)(2)(A). Factors for determining whether a mark is famous include:

(i) the duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties; (ii) the amount of time, volume, and geographic extent of sales of goods or services offered under the mark; (iii) the extent of the actual recognition of the mark;

Face, proving their marks are famous is easy, but for smaller or newer brands, such a burden can be difficult to prove.<sup>123</sup> Without establishing a famous mark, brand owners cannot bring these claims.<sup>124</sup> Even if a brand owner could bring these claims against another party, it can be challenging to establish liability against a third party seller.<sup>125</sup>

#### C. HTTP 404: A Clear Method for Reporting Trademark Infringement in Online Marketplaces Not Found

Trademark owners face a cumbersome, confusing, and expensive battles when trying to protect their rights in online marketplaces.<sup>126</sup> The lack of uniformity in reporting procedures across online marketplaces, coupled with the hidden claim review process, results in an endless, frustrating process for trademark owners attempting to assert their rights.<sup>127</sup> Often websites will not respect the unregistered rights of trademark owners, despite the fact that unregistered trademarks are still given protection as a rule of law.<sup>128</sup> If an infringement report is denied, rights owners must take the expensive step of suing in federal court.<sup>129</sup> Even if a listing for an infringing product is removed, third parties can easily create new listings and new accounts, which makes the problem never ending.<sup>130</sup>

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(iv) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

<sup>123</sup> THE NORTH FACE, Registration No. 0983624; *see generally* Roberta Jacobs-Meadway, *Proving Fame for Trademark Dilution Claims*, LEXISNEXIS: PRACTICAL GUIDANCE J. (Aug. 25, 2019), <https://www.lexisnexis.com/lexis-practical-guidance/the-journal/b/pa/posts/proving-fame-for-trademark-dilution-claims>.

<sup>124</sup> §§ 1125(c)(2)(B)–(C).

<sup>125</sup> *See How to Identify Anonymous Unauthorized Marketplace Sellers*, VORYS, SATER, SEYMOUR & PEASE LLP (Nov. 6, 2016), <https://www.vorysecontrol.com/blog/identify-anonymous-unauthorized-marketplace-sellers/> (explaining the challenge of identifying third party sellers in online marketplaces given sellers can easily provide false information on their profile).

<sup>126</sup> Khan, *supra* note 86.

<sup>127</sup> *See generally Report Online Infringement Using E-Commerce and Social Media Reporting Tools*, STOPFAKES.GOV (July 7, 2016), <https://www.stopfakes.gov/article?id=Report-Online-Infringement-Using-E-Commerce-and-Social-Media-Reporting-Tools> (outlining the top ten online marketplace policies and procedures, noting the nuances of each and the various methods of verification required to report infringement, including trademark registration with the United States Trademark and Patent Office).

<sup>128</sup> *See* Robert J. Kenney, *United States: Protecting Unregistered Trademarks Under Common Law and Unfair Competition*, WORLD TRADEMARK REV. (Sep. 1, 2017), <https://www.worldtrademarkreview.com/portfolio-management/united-states-protecting-unregistered-trademarks-under-common-law-and>.

<sup>129</sup> Khan, *supra* note 86.

<sup>130</sup> *Id.* (“Amazon and Etsy marketplaces make it very easy to sell counterfeit goods

Raj Jana is the founder of JavaPresse, a successful coffee company.<sup>131</sup> When the company launched its private label, it gained thousands of five-star reviews on Amazon.<sup>132</sup> Third party sellers began to list counterfeits of Jana's products on Amazon on a daily basis.<sup>133</sup> Although Jana followed Amazon's counterfeit claim process, it still cost him "\$1 million in lost sales, lost opportunities, lost time, and legal fees."<sup>134</sup> Jana noted: "It impacted the brand reputation too. When people buy sub-par counterfeit goods, they blame the brand."<sup>135</sup> JavaPresse was able to recover from its encounter with counterfeits, but not all companies have the resources to handle a war with an online marketplace.<sup>136</sup>

COVID-19 created an inarticulable demand for personal protective equipment (PPE) and cleaning products in online marketplaces.<sup>137</sup> Catherine Hix owns Organic Chix, a small business providing organic cleaning supplies.<sup>138</sup> For the past two-and-a-half years, she sold her products on Amazon without issue, but when the pandemic led to shoppers panic buying and her sales began soaring, another Amazon merchant "hijacked" her listing, resulting in dramatic negative customer feedback on the product quality.<sup>139</sup> Without notice, Amazon banned Hix's hand sanitizer from its website.<sup>140</sup> After several days of back and forth with Amazon representatives, the product oscillated between being live and banned.<sup>141</sup> At this time, the hand sanitizer is back on Amazon, however Organic Chix's brand and sales were impacted by the ordeal—not to mention the millions of consumers who were in dire search for cleaning products during early stages of the pandemic.<sup>142</sup>

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thanks to the ease of opening an account and listing items.").

<sup>131</sup> Raj Jana, *I Lost Over a Million Dollars Dealing With Counterfeits on Amazon. Here's What I Learned*, INC. (Apr. 12, 2019), <https://www.inc.com/raj-jana/i-lost-over-a-million-dollars-dealing-with-counterfeits-on-amazon-heres-what-i-learned.html>; JAVAPRESSE, Registration No. 5907185.

<sup>132</sup> *Id.*

<sup>133</sup> *Id.*

<sup>134</sup> *Id.*

<sup>135</sup> *Id.*

<sup>136</sup> *See id.*

<sup>137</sup> Stephanie Crets, *How the Coronavirus is Affecting Online Retailers*, DIG. COM. 360 (Mar. 12, 2020), <https://www.digitalcommerce360.com/2020/03/12/coronavirus-affects-online-retailers/>.

<sup>138</sup> Jason Del Rey, *A Tiny Amazon Seller's Hand Sanitizer Went Viral Because of Coronavirus. Then the Trouble Began.*, VOX (Mar. 13, 2020), <https://www.vox.com/recode/2020/3/13/21174721/amazon-hand-sanitizer-coronavirus-purell-organic-chix>.

<sup>139</sup> *Id.*; see e.g., *Organic Chix Alcohol Free Hand Sanitizer*, AMAZON, [https://www.amazon.com/Organic-Chix-Antibacterial-Hand-Spray/dp/B06XCP3YJW/ref=cm\\_cr\\_arp\\_d\\_product\\_top?ie=UTF8](https://www.amazon.com/Organic-Chix-Antibacterial-Hand-Spray/dp/B06XCP3YJW/ref=cm_cr_arp_d_product_top?ie=UTF8) (last visited Apr. 25, 2021) (displaying the Amazon product page for Organic Chix Hand Sanitizer Spray and several one-star reviews from March complaining that the product has an awful smell, burns skin, or is fake).

<sup>140</sup> Del Rey, *supra* note 135.

<sup>141</sup> *Id.*

<sup>142</sup> *Id.*; *Products*, ORGANIC CHIX, <https://www.organicchix.com/collections/products> (last

#### D. Asleep on the Job? Online Marketplaces' Policies on Infringements

Although online marketplaces face essentially no liability for contributory trademark infringement under the current laws, online merchants have established policies and procedures for processing trademark infringement complaints.<sup>143</sup> All online marketplaces rely on third parties—both brand owners and consumers—to report infringements, and although the policies themselves may be written clearly and succinctly, the actual applications of said policies are anything but clear and succinct.<sup>144</sup> Two leading online marketplaces, Amazon and Alibaba, have varying approaches to the infringement problem.<sup>145</sup> For illustration, consider the following hypothetical: Sally, the owner of a profitable designer sock company with the registered trademark “Snazzy Snuggles,” has her own website where customers can purchase socks, but she also permits distributors to resell her products elsewhere. It has come to her attention that third party sellers are listing socks on Amazon and Alibaba that infringe on her trademark. Sally has to protect her brand and the integrity of her socks, so she reports the infringements on Amazon and Alibaba per the methods from the companies below.

##### **Amazon's Approach**

First, Sally has to submit a trademark infringement complaint to be reviewed.<sup>146</sup> The complaint requires her to provide her trademark registration number and evidence that she owns the trademark, such as a URL to her website.<sup>147</sup> Sally must submit complaints for each individual infringement,

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visited Mar. 17, 2021); *see also Organic Chix Alcohol Free Hand Sanitizer*, *supra* note 136.

<sup>143</sup> *See Report Online Infringement Using E-Commerce and Social Media Reporting Tools*, *supra* note 124 (providing a list of popular online marketplaces with links to each marketplace's policies and procedures on reporting infringements).

<sup>144</sup> *See, e.g., Alibaba Intellectual Property Platform Instructions*, ALIBABA GRP., <https://ipp.alibabagroup.com/instruction/en.htm#part2> (last visited Apr. 25, 2021); *Report a Violation of Selling Policies*, AMAZON, [https://sellercentral.amazon.com/gp/help/external/200444420?language=en-US&ref=mpbc\\_200414340\\_cont\\_200444420](https://sellercentral.amazon.com/gp/help/external/200444420?language=en-US&ref=mpbc_200414340_cont_200444420) (last visited Apr. 25, 2021); *Report an Item or Listing*, EBAY, <https://www.ebay.com/help/policies/member-behavior-policies/report-item-listing?id=4739> (last visited Apr. 25, 2021); *Intellectual Property Infringement Report*, ETSY, <https://www.etsy.com/legal/ip/report> (last visited Apr. 25, 2021).

<sup>145</sup> *See Alibaba Intellectual Property Platform Instructions*, *supra* note 141; *but see Report a Violation of Selling Policies*, *supra* note 141.

<sup>146</sup> Catie Grasso, *How to Report Copyright or Trademark Infringement on Amazon*, FEEDVISOR (May 17, 2019), <https://feedvisor.com/resources/marketplace-fees-policies/how-to-report-copyright-or-trademark-infringement-on-amazon/>.

<sup>147</sup> *Id.*

which takes significant time.<sup>148</sup> She receives a general notification that it will be reviewed without a personal representative assigned to the complaint.<sup>149</sup> A complaint number is issued, but she receives no timeframe for when her complaint will be reviewed.<sup>150</sup> If she is successful in her complaints, Amazon may remove the listings.<sup>151</sup> But, just as that one listing is removed, another listing resurfaces from the same seller.<sup>152</sup> It takes three times reporting the same seller before Amazon suspends that seller's account, and nothing prevents them from creating a subsequent account.<sup>153</sup> Amazon itself does not assist Sally in her efforts to prevent further infringement, and it becomes an additional business expense she must absorb.<sup>154</sup> Amazon does have a Brand Registry, where brand owners can use Amazon's artificial intelligence (AI) technology to screen for counterfeits; however, the brand owner must qualify to register and if they do qualify, the brand owners alone are still responsible for screening the counterfeits.<sup>155</sup> Sally may also apply for Amazon's Project Zero, which uses enhanced automated AI screening for counterfeits, although in order to qualify, she must be on the Brand Registry, have at least 90 percent success in reporting counterfeits, and pay to have her product screened.<sup>156</sup> As a result, Sally has to hire one of the many new businesses whose sole enterprise is communicating with Amazon about complaints to maintain the integrity of her brand.<sup>157</sup> Snazzy Snuggles' growth is stunted from the additional expense

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<sup>148</sup> *Id.*

<sup>149</sup> *Id.*

<sup>150</sup> *Id.*

<sup>151</sup> *Id.*

<sup>152</sup> *Confirmed Counterfeit FBA Sellers ROTATING ON AND OFF LISTING, NOT REMOVED BY AMAZON*, AMAZON SERVS.: SELLER FS. (July 2018), <https://sellercentral.amazon.com/forums/t/confirmed-counterfeit-fba-sellers-rotating-on-and-off-listing-not-removed-by-amazon/410841>.

<sup>153</sup> Weizhen Tan, *Alibaba is Better at Fighting Fakes Than Amazon is, Says CEO of Swatch*, CNBC (Apr. 24, 2018), <https://www.cnbc.com/2018/04/24/alibaba-is-better-at-fighting-fakes-than-amazon-says-ceo-of-swatch.html> (demonstrating that Amazon's policy only states that a seller's account may be suspended, and it is not a definite course of action.)

<sup>154</sup> *Report a Violation of Selling Policies*, *supra* note 141.

<sup>155</sup> *Amazon Brand Registry*, AMAZON, <https://brandservices.amazon.com/> (last visited Mar. 17, 2021).

<sup>156</sup> *Amazon Project Zero*, AMAZON, <https://brandservices.amazon.com/projectzero> (last visited Mar. 17, 2021); see *The Six Key Limitations of Amazon Project Zero*, INCOPRO, <https://www.incoproip.com/six-key-limitations-of-amazon-project-zero/> (last visited Mar. 17, 2021) (identifying key drawbacks of Project Zero include: (1) brands' continued responsibility for reporting listings, (2) lack of protection for unregistered trademarks, (3) the exclusive focus on counterfeiting, (4) the potentially flawed ASIN system of the AI, (5) lack of brand prioritization, and (6) the requirement that pay to use the system).

<sup>157</sup> Josh Dzieza, *Prime and Punishment*, VERGE (Dec. 19, 2018), <https://www.theverge.com/2018/12/19/18140799/amazon-marketplace-scams-seller-court-appeal-reinstatement>.

and hassle of Amazon's process.

### Alibaba's Approach

Similar to submitting the trademark infringement complaint on Amazon, Sally must submit a complaint for each individual counterfeited item on Alibaba's Intellectual Property Protection Platform.<sup>158</sup> The complaints must include the allegation of infringement, her trademark registration number, and proof of trademark ownership.<sup>159</sup> However, unlike the mysterious post-complaint process of Amazon, she is immediately assigned a customer service representative who will review her listing within twenty-four hours.<sup>160</sup> If Sally's complaint is approved, Alibaba immediately removes the listing and the merchant is suspended.<sup>161</sup> Although it is still cumbersome, she notices that Alibaba has taken it upon themselves to begin policing her product more given the several infringements she reported.<sup>162</sup> Sally still periodically checks Alibaba just to be safe, but Snazzy Snuggles is not hindered by additional expenses as a result of her vigilance.

Both Amazon and Alibaba require the rights owner to include their trademark registration number and justification for their complaint when reporting a listing.<sup>163</sup> The divergence in their processes arises in transparency, or lack thereof.<sup>164</sup> On Amazon, there is no timeframe for when a complaint will be removed, and even if it is, the seller is not automatically suspended—meaning the listing can be quickly reposted.<sup>165</sup> Sellers may be removed if multiple reports of infringement are filed against a seller, although the particular procedures for removal are undisclosed.<sup>166</sup> On the other hand, when a complaint is submitted to Alibaba, a representative is assigned to the claim

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<sup>158</sup> *Intellectual Property Rights (IPR) Protection Policy*, ALIBABA GRP., <https://rule.alibaba.com/rule/detail/2049.htm> (last updated Oct. 9, 2019).

<sup>159</sup> *Id.*

<sup>160</sup> *Production Monitoring & Inspection Services*, ALIBABA GRP., <https://inspection.alibaba.com/> (last accessed Mar. 17, 2021).

<sup>161</sup> *Intellectual Property Rights (IPR) Protection Policy*, *supra* note 155.

<sup>162</sup> Tan, *supra* note 150.

<sup>163</sup> *Alibaba Intellectual Property Platform Instructions*, *supra* note 141; *Report a Violation of Selling Policies*, *supra* note 141.

<sup>164</sup> See Tan, *supra* note 150 (the CEO of Swatch commenting: "If I look what Alibaba is doing and all these they are trying to make a service to the consumer and to earn money. And they are fighting actively against fakes. This Amazon is not doing.").

<sup>165</sup> See *Report a Violation of Selling Policies*, *supra* note 141; see, e.g., *Confirmed Counterfeit FBA Sellers ROTATING ON AND OFF LISTING, NOT REMOVED BY AMAZON*, *supra* note 149; *Counterfeit Listing Removal*, AMAZON: SELLER FS. (July 2018), <https://sellercentral.amazon.com/forums/t/counterfeit-listing-removal/409324>.

<sup>166</sup> *Report a Violation of Selling Policies*, *supra* note 141.

and will review it within twenty-four hours.<sup>167</sup> If the claim is valid, Alibaba will remove the listing and suspend the seller.<sup>168</sup> Additionally, Alibaba's Intellectual Property Protection Platform offers brand owners an efficient channel for processing all intellectual property rights violations in one location.<sup>169</sup>

Online marketplaces are developing AI technology to screen for infringements in conjunction with individual reporting procedures, however, Amazon and Alibaba use these technologies differently.<sup>170</sup> Amazon has two programs that utilize AI technology for brand protection: Brand Registry and Project Zero.<sup>171</sup> The Brand Registry provides a registered trademark owner with enhanced search tools to report rights violations, as well as predictive automated searches to flag potentially infringing listings for brand owners to review and report.<sup>172</sup> Project Zero is an extension of the Brand Registry, which offers registrants automated removal of counterfeits and gives registrants the authority to remove counterfeit listings without a request to Amazon.<sup>173</sup> In order to qualify for Project Zero, a brand owner must be a member of the Brand Registry, have a registered trademark, and have successfully submitted infringements amounting to at least 90 percent of infringement reports in the last six months.<sup>174</sup> Despite the fact that Project Zero is fairly new, Amazon reports efficacy in early trials.<sup>175</sup> However, under both of these programs, brand owners maintain responsibility for removing the majority of infringing listings on Amazon.<sup>176</sup>

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<sup>167</sup> See *Alibaba Intellectual Property Platform Instructions*, *supra* note 141; *How to Remove Counterfeits in China (Alibaba and AliExpress)*, POINTER BRAND PROTECTION (Jan. 28, 2019), <https://pointerbrandprotection.com/remove-counterfeits-china-alibaba-aliexpress/>.

<sup>168</sup> See *Alibaba Intellectual Property Platform Instructions*, *supra* note 141; *How to Remove Counterfeits in China (Alibaba and AliExpress)*, *supra* note 164.

<sup>169</sup> *Intellectual Property Rights (IPR) Protection Policy*, *supra* note 155.

<sup>170</sup> See Bernard Marr, *The Amazing Ways Chinese Tech Giant Alibaba Uses Artificial Intelligence and Machine Learning*, FORBES (June 23, 2018), <https://www.forbes.com/sites/bernardmarr/2018/07/23/the-amazing-ways-chinese-tech-giant-alibaba-uses-artificial-intelligence-and-machine-learning/?sh=47001fe7117a>; see also Dhairya Kalyani et al., *Gathering Market Intelligence From the Web Using Cloud-Based AI and ML Techniques*, AMAZON (Mar. 13, 2020), <https://aws.amazon.com/blogs/apn/gathering-market-intelligence-from-the-web-using-cloud-based-ai-and-ml-techniques/>.

<sup>171</sup> *Amazon Brand Registry*, *supra* note 152.

<sup>172</sup> *Id.*

<sup>173</sup> *Amazon Project Zero*, *supra* note 153.

<sup>174</sup> *Id.*

<sup>175</sup> See Dharmesh M. Mehta, *Amazon Project Zero*, AMAZON (Feb. 28, 2019), <https://blog.aboutamazon.com/company-news/amazon-project-zero> (“We’ve been testing these automated protections with a number of brands, and on average, our automated protections proactively stop 100 times more suspected counterfeit products as compared to what we reactively remove based on reports from brands.”).

<sup>176</sup> *Helping You Protect Your Brand on Amazon*, AMAZON,

Feeling the pressure from consumers, brand owners, and governments to take more responsibility for counterfeits, Amazon announced the creation of a Counterfeit Crimes Unit in June 2020.<sup>177</sup> The Unit is comprised of former federal prosecutors, investigators, and data analysts who will work with brand owners worldwide to block counterfeit listings before they go live on the website.<sup>178</sup> The actual operations of the Unit and its efficacy have yet to be seen, but its inception offers hope to the countless brands and consumers who have suffered as a result of counterfeits.<sup>179</sup>

Since 2018, Alibaba has dramatically increased its efforts to proactively remove infringing listings.<sup>180</sup> Alibaba has proactively removed twenty-seven times more listings than reactively processed brand owners' complaints.<sup>181</sup> Alibaba uses AI technology to screen all of their listings for intellectual property infringement and does not require registration for this service.<sup>182</sup> Additionally, Alibaba established the Alibaba Anti-Counterfeiting Alliance, which has partnered with over 450 of the top brands around the world in an effort to establish a collaborative environment to enhance intellectual property protection and consumer confidence.<sup>183</sup>

Although neither Amazon nor Alibaba have a perfect approach, Alibaba's response to individual infringement claims and demonstrated rate of proactively combatting infringing listings emphasize how critical collaboration is in fighting counterfeits.<sup>184</sup> Amazon, despite investing millions of dollars in

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<https://brandservices.amazon.com/eligibility#> (last visited Mar. 17, 2021); *Amazon Project Zero*, *supra* note 153.

<sup>177</sup> Todd Bishop, *Amazon Forms 'Counterfeit Crimes Unit,' Under Pressure to Escalate Fight Against Fake Products*, GEEK WIRE (June 24, 2020), <https://www.geekwire.com/2020/amazon-forms-counterfeit-crimes-unit-pressure-escalate-fight-fake-products/>; *Amazon Establishes New Counterfeit Crimes Unit*, AMAZON (June 24, 2020), <https://www.aboutamazon.com/news/company-news/amazon-establishes-new-counterfeit-crimes-unit>.

<sup>178</sup> *Amazon Establishes New Counterfeit Crimes Unit*, *supra* note 174.

<sup>179</sup> Marcella Ballard et al., *Amazon Launches New Counterfeit Crimes Unit*, LEXOLOGY (Oct. 26, 2020), <https://www.lexology.com/library/detail.aspx?g=0fe82080-f499-4a6e-bd3a-61f52e994621>.

<sup>180</sup> Yiling Pan, *Alibaba's Anti-Counterfeiting Efforts Appear to Pay Off*, JING DAILY (May 21, 2018), <https://jingdaily.com/alibaba-anti-counterfeiting/>.

<sup>181</sup> *Id.*

<sup>182</sup> DM Chan, *AI Utilized to Deter Counterfeit Online Products*, ASIA TIMES (Aug. 30, 2019), <https://asiatimes.com/2019/08/ai-utilized-to-deter-counterfeit-online-products/>.

<sup>183</sup> Liyan Chan, *Alibaba Anti-Counterfeiting Alliance Now Protects 450 Brands*, ALIZILA (Oct. 18, 2019), <https://www.alizila.com/alibaba-anti-counterfeiting-alliance-aaca-protects-450-brands/>; see Zhou Wenting & He Wei, *Top Brands Flocking to Alibaba's Global Counterfeiting Alliance*, CHINA DAILY (Apr. 11, 2019), [https://www.chinadaily.com.cn/cndy/2019-04/11/content\\_37457057.htm](https://www.chinadaily.com.cn/cndy/2019-04/11/content_37457057.htm) (noting that some of the top brands in the Alliance are Dyson, Coach, and Louis Vuitton).

<sup>184</sup> See Tan, *supra* note 150.

Project Zero, Brand Registry, and now the Counterfeit Crimes Unit, has yet to find an approach that works for a company of its size. Brand owners have to invest in trademark infringement policing, therefore online merchants should be responsible for maintaining trademark integrity on their platforms.<sup>185</sup> When online merchants fail to engage in meaningful policing efforts, it effects much more than just a brand.<sup>186</sup>

#### E. Buyers Beware: The Innocent Victims of Trademark Infringement

Trademark infringement not only damages a brand owner financially—it also has devastating consequences for consumers.<sup>187</sup> The Government Accountability Office conducted a study indicating 40 percent of the products purchased from popular online marketplaces were counterfeit.<sup>188</sup> Among those include baby products, dog food, makeup, safety products, and medication.<sup>189</sup> Although the trademarks on the online counterfeit products seem identical to the products seen on store shelves, the counterfeit products themselves pose serious risks—including the risk that these counterfeit producers are not operating under the same regulatory framework as authentic brand owners.<sup>190</sup>

Children's toys are one of the most common purchases online, and there is an assumption that if a toy is marketed to children, it is likely safe.<sup>191</sup> However, certain magnetic toys are a serious safety risk to children.<sup>192</sup> When children swallow the magnetic pieces, the strength of the magnets can rip their abdominal tissue.<sup>193</sup> Noting the risk, traditional store retailers have restricted marketing for such toys to adults.<sup>194</sup> Amazon removed all listings of Buckyballs, but an investigation by *The Wall Street Journal* found many of the

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<sup>185</sup> See David P. Schulz, *Report Says Online Sellers Need to Do More to Block Counterfeits*, NAT'L RETAIL FED'N (Mar. 19, 2020), <https://nrf.com/blog/report-says-online-sellers-need-do-more-block-counterfeits>.

<sup>186</sup> See *Counterfeit Products are Endemic*, *supra* note 74 (“This research also confirms that marketplaces are losing consumer confidence and sales – 44% of consumers confirm they have stopped buying an item because they feared it may be counterfeit, a figure that rises to 65% for those who have been ripped off in the past.”).

<sup>187</sup> *Fake Goods, Real Dangers*, U.S. CUSTOMS & BORDER PROT. (Oct. 24, 2019), <https://www.cbp.gov/FakeGoodsRealDangers>; see also Berzon et al., *supra* note 30.

<sup>188</sup> U.S. GOV'T ACCOUNTABILITY OFF., *supra* note 86.

<sup>189</sup> Berzon et al., *supra* note 30.

<sup>190</sup> See *id.*

<sup>191</sup> See *id.*

<sup>192</sup> *Id.*

<sup>193</sup> *Id.*

<sup>194</sup> Ian Simpson, *CPSC Bans Sale of Buckyballs Magnetic Toys, Cites Hazard*, REUTERS (July 25, 2012), <https://www.reuters.com/article/us-usa-buckyballs/cpsc-bans-sale-of-buckyballs-magnetic-toys-cites-hazard-idUSBRE86O1LN20120725> (explaining the Consumer Product Safety Commission ordered its first stop-sale order in eleven years); see Berzon et al., *supra* note 30.

counterfeit toys were still listed.<sup>195</sup> When listings were blocked, new listings by new accounts were created.<sup>196</sup>

Consumers depend on a variety of safety products when operating various machinery such as motorcycles and cars.<sup>197</sup> A man who purchased a helmet advertised as certified by the U.S. Department of Transportation (DOT) faced the all too real risk of counterfeit products when his counterfeit helmet flew off during a crash, resulting in his death.<sup>198</sup> The National Highway Traffic Safety Administration later found that the helmet was not DOT compliant; however, the listing maintained a “DOT certified” mark on Amazon until *The Wall Street Journal* published its investigation and sent a subsequent notice to Amazon.<sup>199</sup> In a hearing by the House Judiciary Committee, experts from the automotive industry showed powerful footage of the difference between counterfeit and authentic airbags, both purchased online.<sup>200</sup> Counterfeit airbags often will fail to fully inflate or will be delayed in opening.<sup>201</sup> The smallest errors in airbags can easily result in severe injuries and death.<sup>202</sup>

The COVID-19 pandemic has further exposed the potentially dangerous consequences of counterfeit products.<sup>203</sup> The National Institute for Occupational Safety and Health (NIOSH) is a section within the CDC that certifies personal protective equipment (PPE) and is currently overwhelmed with the task of reporting thousands of counterfeit PPE on online marketplaces.<sup>204</sup> *The Wall Street Journal* investigated Amazon listings for PPE

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<sup>195</sup> Berzon et al., *supra* note 30.

<sup>196</sup> *Id.*

<sup>197</sup> *See id.*

<sup>198</sup> *Id.*

<sup>199</sup> *Id.*

<sup>200</sup> H. Comm. on the Judiciary, 116th Cong., *Counterfeits and Cluttering*, YOUTUBE (July 18, 2019), <https://judiciary.house.gov/legislation/hearings/counterfeits-and-cluttering-emerging-threats-integrity-trademark-system-and>.

<sup>201</sup> *Id.*

<sup>202</sup> *Id.*

<sup>203</sup> *See* Press Release, FBI, FBI Warns Health Care Professionals of Increased Potential for Fraudulent Sales of COVID-19-Related Medical Equipment (Mar. 27, 2020), <https://www.fbi.gov/news/pressrel/press-releases/fbi-warns-health-care-professionals-of-increased-potential-for-fraudulent-sales-of-covid-19-related-medical-equipment> (explaining the risk of counterfeit PPE in online marketplaces dramatically increased given shortages in supply chains).

<sup>204</sup> Alexandra Berzon & Daniela Hernandez, *Amazon Battles Counterfeit Masks, \$400 Hand Sanitizer Amid Virus Panic*, WALL STREET J. (Mar. 11, 2020), <https://www.wsj.com/articles/amazon-battles-counterfeit-masks-400-hand-sanitizer-amid-virus-panic-11583880384?mod=searchresults>; *see* NIOSH-Approved Particulate Filtering Facepiece Respirators, CDC (Apr. 9, 2020), [https://www.cdc.gov/niosh/npptl/topics/respirators/disp\\_part/default.html](https://www.cdc.gov/niosh/npptl/topics/respirators/disp_part/default.html).

for authenticity.<sup>205</sup> Out of 194 listings claiming to be N99 or N95 masks, approximately 65 percent “didn’t appear to be NIOSH-certified—making it impossible in many cases for consumers to know whether those masks would meet the N95 standard.”<sup>206</sup> According to *The Wall Street Journal*, an agency spokesman noted the NIOSH has little legal recourse against third party sellers illegally using their certification mark.<sup>207</sup> Other online marketplaces like Facebook and eBay stated they would ban the sale of all PPE given the high risk of counterfeits.<sup>208</sup> Although it appears Facebook Marketplace has removed all listings connected to “N95,” a simple query search on eBay for “N95” returns numerous listings for masks alleging to be N95.<sup>209</sup> A healthcare provider, elderly person, or immunocompromised person may purchase one of these masks thinking they have the safest equipment on the market, when in reality, it is a counterfeit.<sup>210</sup> Counterfeit masks and other PPE may contribute to the spread of COVID-19, jeopardizing the health, safety, and lives of everyone around the world.<sup>211</sup>

When a product listing on an online marketplace has a certification mark indicating safety, consumers are unlikely to test the veracity of the product that arrives in their mailbox.<sup>212</sup> Instead, unfortunately, they find out the product does not actually have the safety certifications once it is too late.<sup>213</sup>

#### F. Online Marketplace Rating: 1-Star

No one is immune to the horror stories of online infringements, and calls for reform echo across all corners of the economy.<sup>214</sup> Obviously, as mentioned

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<sup>205</sup> Berzon & Hernandez, *supra* note 201.

<sup>206</sup> *Id.*; see *NIOSH-Approved Particulate Filtering Facepiece Respirators*, *supra* note 201 (defining N99 masks as those that “filter at least 99 percent of airborne particles. Not resistant to oil” and N95 masks as those that “filter at least 95 percent of airborne particles. Not resistant to oil.”).

<sup>207</sup> Berzon & Hernandez, *supra* note 201.

<sup>208</sup> Kang-Xing Jin, *Keeping People Safe and Informed about the Coronavirus*, FACEBOOK (Apr. 2, 2020), <https://about.fb.com/news/2020/04/coronavirus/>; *Important Information About Listings Associated with COVID-19*, EBAY (Mar. 5, 2020), <https://community.ebay.com/t5/Announcements/UPDATE-Important-information-about-listings-associated-with/ba-p/30734312>; FACEBOOK, Registration No. 4129126; see Berzon & Hernandez, *supra* note 201.

<sup>209</sup> *N95 Masks*, EBAY, <https://www.ebay.com/sch/i.html?> (last visited Mar. 17, 2021) (searching “N95” in the query provides listings for masks alleging to be N95); *N95 Masks*, FACEBOOK, <https://www.facebook.com/search/marketplace> (last visited Mar. 17, 2021) (searching “N95” in the query provides zero listings for masks).

<sup>210</sup> See Berzon & Hernandez, *supra* note 201.

<sup>211</sup> See *id.*

<sup>212</sup> See generally H. Comm. on the Judiciary, 116th Cong., *supra* note 197.

<sup>213</sup> See generally *id.*

<sup>214</sup> See Berzon et al., *supra* note 30.

above, brand owners find the prevalence of infringements overwhelming and cannot effectively police them alone.<sup>215</sup> Individuals, once excited to see their online order arrive at their doorstep, have been physically harmed by the very products they trusted.<sup>216</sup>

Trade associations fear their industries are being overrun by counterfeits.<sup>217</sup> The Toy Association released a white paper outlining the three main factors contributing to the increase in dangerous toys sold online: “(1) E-commerce creates a low hurdle to sellers; (2) The burden of enforcement [that] is disproportionately placed on the [IP] rights holders; (3) Consumers are largely unaware of the scope of infringing product offered on online marketplaces.”<sup>218</sup> The CEO of the Toy Association, Steve Pasierb, called for reform, stating: “[s]trong action must be taken to address these abuses. The toy industry is calling on all e-commerce marketplaces, the government, and all other stakeholders to work together to effectively and swiftly fix this problem before another child is needlessly injured by a counterfeit toy.”<sup>219</sup>

In July 2019, the U.S. House of Representatives’ Subcommittee on Courts, Intellectual Property, and the Internet heard testimony from brand owners, trade associations, and individuals who pleaded for online marketplace reform as a result of infringements.<sup>220</sup> The Committee’s hearing highlighted the serious risks of counterfeit products, including counterfeit automotive parts, airbags, and toys.<sup>221</sup> Experts in the field, including the International AntiCounterfeiting Coalition (IACC), the National Toy Association, the Automotive Anti-Counterfeiting Council, attorneys and law professors advocated for trademark reform for the sake of American consumers and businesses.<sup>222</sup> Robert Barchiesi, the President of the IACC, emphasized the importance of reform, stating:

Online marketplaces are attractive targets for counterfeiters for a variety of reasons – among them, that consumers’ familiarity with

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<sup>215</sup> Khan, *supra* note 123.

<sup>216</sup> See U.S. DEP’T OF HOMELAND SECURITY, *supra* note 78; see Berzon et al., *supra* note 30.

<sup>217</sup> MEAGAN H. KENT & CLAIRE M. WHEELER, TOY ASSOC.: THE REAL THREAT OF FAKE TOYS 1 (Jan. 2019), [https://www.toyassociation.org/App\\_Themes/toyassociation\\_resp/downloads/research/whitepapers/intellectual-property.pdf](https://www.toyassociation.org/App_Themes/toyassociation_resp/downloads/research/whitepapers/intellectual-property.pdf).

<sup>218</sup> *Id.*

<sup>219</sup> *New Toy Association Report Exposes 3 Main Factors Contributing to the Rise in Counterfeit & Knockoff Toys Sold Online and Details Potential Solutions*, TOY ASS’N (Jan. 15, 2019), <https://www.toyassociation.org/PressRoom2/News/2019-news/new-toy-association-report-exposes-factors-contributing-to-the-rise-in-counterfeit-toys-online.aspx>.

<sup>220</sup> H. Comm. on the Judiciary, 116th Cong., *supra* note 197.

<sup>221</sup> *Id.*

<sup>222</sup> *Id.*

the platforms, and the goodwill and trust imbued in that familiarity, typically extends to the individual sellers on the platform. As a result, counterfeiters need not seek out and attract consumers themselves; by infiltrating a well-known marketplace, the consumers will come to them.<sup>223</sup>

Cries for reform have even been heard from the bench.<sup>224</sup> In *Milo & Gabby, LLC v. Amazon.com*, a small business lost its suit against Amazon for trademark infringement on pillowcases when Amazon was facilitating the sale of counterfeits that infringed upon the business's products.<sup>225</sup> In delivering the decision, the court stated:

[This] Court is troubled by its conclusion and the impact it may have on the many small retail sellers in circumstances similar to the Plaintiffs. There is no doubt that we now live in a time where the law lags behind technology. Amazon enables and fosters a marketplace reaching millions of customers, where anyone can sell anything, while at the same time taking little responsibility for “offering to sell” or “selling” the products. Indeed, under the current case law, Amazon has been able to disavow itself from any responsibility for “offering to sell” the products at all.<sup>226</sup>

The Second Circuit of Appeal's decision in *Tiffany* and subsequent jurisprudence prevented the Western District of Washington from holding Amazon responsible for infringement, but it is a sign of judicial disturbance at the current state of the law.<sup>227</sup>

In July 2019, the Third Circuit decided *Oberdorf v. Amazon.com Inc.*, a case where a woman sustained an eye injury from a leash that defectively retracted and hit her face while walking her dog.<sup>228</sup> She was using a leash purchased from a third party seller through Amazon.<sup>229</sup> The woman was unable to contact the third party, so she sued Amazon directly.<sup>230</sup> The Third Circuit determined that under Pennsylvania law, Amazon was considered a “seller” for strict

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<sup>223</sup> Robert Barchiesi, President of IACC, Counterfeits and Cluttering: Emerging Threats to the Integrity of the Trademark System, Opening Statement before United States House of Representatives Committee on the Judiciary, Subcommittee on Courts, Intellectual Property, and the Internet (Jul. 18, 2019) (transcript available on Library of Congress website).

<sup>224</sup> See *Milo & Gabby, LLC v. Amazon.com*, 144 F. Supp. 3d 1251, 1253–54 (W.D. Wash. 2015) (acknowledging that the current law lags behind the advancements in technology, and Congress, rather than the courts, should address issues with law).

<sup>225</sup> *Id.* at 1253–54.

<sup>226</sup> *Id.*

<sup>227</sup> See *Tiffany (NJ) Inc.*, 600 F.3d at 109; see also *Milo & Gabby, LLC*, 144 F. Supp. 3d at 1253–54.

<sup>228</sup> *Oberdorf*, 930 F.3d at 142.

<sup>229</sup> *Id.*

<sup>230</sup> *Id.*

liability purposes, therefore the woman could sue Amazon.<sup>231</sup> The Third Circuit granted Amazon's request to review the decision with an extended panel; however, in September 2020, the parties settled and the case was dismissed.<sup>232</sup> Although this case focused on strict liability rather than trademark infringement, cases that hold merchants liable for the third party products they sell may lead to further reforms.<sup>233</sup>

*Fuse Chicken, LLC v. Amazon.com, Inc.*, a case pending in the Northern District of Ohio, could further open the online marketplace's liability for contributory trademark infringement.<sup>234</sup> Jon Fawcett founded Fuse Chicken, a massively successful Kickstarter-funded startup that sells cutting-edge charging devices for phones.<sup>235</sup> When he began selling his products on Amazon, 75 percent of his products received four or five-star reviews.<sup>236</sup> Once counterfeits of his products infiltrated the Amazon listing, 75 percent of his products were one and two-star reviews.<sup>237</sup> Despite efforts to report counterfeit listings to Amazon, new counterfeit listings were constantly added, tanking his brand's reputation.<sup>238</sup> While Fawcett's story sounds identical to countless others already mentioned, he may have had a stroke of luck when a customer took a picture of the product for a negative product review.<sup>239</sup> The customer's picture showed a counterfeit product with a label "ships from and sold by Amazon.com" on the product.<sup>240</sup> Fawcett claims "[i]t showed that not only are there counterfeits, [but that] Amazon themselves were buying counterfeits and reselling them."<sup>241</sup> While the lawsuit alleging direct and/or contributory trademark infringement against Amazon was filed in 2017, the case is still

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<sup>231</sup> *Id.* at 150–51.

<sup>232</sup> *See id.* at 182 (granting Amazon's motion for an en banc review of the decision); Max Mitchell, *Products Liability Lawsuit Against Amazon Has Settled, Mooting Pa. Supreme Court Argument*, LAW.COM (Sept. 23, 2020), <https://www.law.com/thelegalintelligencer/2020/09/23/products-liability-lawsuit-against-amazon-has-settled-mooting-pa-supreme-court-argument/?slreturn=20210002124726>.

<sup>233</sup> *See Oberdorf*, 930 F.3d at 142; Timothy Nichols, *Could Oberdorf Open the Door to Infringement Liability for Amazon*, LEXOLOGY (July 30, 2019), <https://www.lexology.com/library/detail.aspx?g=d89757b6-9838-402e-b502-dfd61141c733>.

<sup>234</sup> Complaint at 12, *Fuse Chicken, LLC v. Amazon.com, Inc.*, No. 5:17-cv-01538-SL, 2017 WL 3167335 (N.D. Ohio July 21, 2017); Wade Shepard, *Fuse Chicken Vs. Amazon Is The David Vs. Goliath Lawsuit To Watch In 2018*, FORBES (Jan. 14, 2018), <https://www.forbes.com/sites/wadeshepard/2018/01/14/fuse-chicken-vs-amazon-is-the-david-vs-goliath-lawsuit-to-watch-in-2018/#7401686e5115>.

<sup>235</sup> Shepard, *supra* note 231; [FUSE]CHICKEN, Registration No. 4395772.

<sup>236</sup> Shepard, *supra* note 231.

<sup>237</sup> *Id.*

<sup>238</sup> *Id.*

<sup>239</sup> *Id.*

<sup>240</sup> *Id.*

<sup>241</sup> *Id.*

pending at this time.<sup>242</sup> If this case continues to trial, it could be a monumental step toward holding online marketplaces accountable for the counterfeits they profit from and facilitate.<sup>243</sup>

#### G. New Product Listed: A Guide to Collaborative Counterfeit Combat

There is an obvious need for reform to protect both brands and consumers from trademark infringements in online marketplaces.<sup>244</sup> A multi-prong solution must be established to effectively combat the counterfeit crisis. First, marketplaces need to be incentivized to increase the vetting of their products.<sup>245</sup> When someone purchases something from Amazon, they feel they are buying a product from Amazon, not an unknown third party seller. The perspective of the consumer must be considered and protected. Second, there needs to be a solution to the disproportionate burden on brand owners to police online marketplaces' websites.<sup>246</sup> Although measures such as Amazon's Counterfeit Crimes Unit and Alibaba's Anti-Counterfeiting Alliance are positive first steps toward a solution, more needs to be done to address problem.<sup>247</sup> Additionally, whatever solution is taken to share the burden with brand owners, there should be a universal method of handling infringement that includes government intervention and support. Third, there needs to be an increase in consumer education on the risks of buying online. Although some consumers know of these problems because they were personally affected by a counterfeit product, many remain uninformed of the risks, and instead find themselves fixated on the efficiency of the online marketplace.<sup>248</sup> With these three principles in mind: increased product vetting, online merchants taking

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<sup>242</sup> Complaint at 12, Fuse Chicken, LLC, No. 5:17-cv-01538-SL, 2017 WL 3167335.

<sup>243</sup> Shepard, *supra* note 231.

<sup>244</sup> See generally Ignace Vernimme, *Online Marketplace's Liability for Trademark Infringement*, STIBBE (Apr. 4, 2020), <https://www.stibbe.com/en/news/2020/april/online-marketplaces-liability-in-tm-infringement> (showing that the EU is struggling with similar Amazon issues with counterfeit products and is moving toward holding Amazon accountable).

<sup>245</sup> See generally Fareeha Ali, *How Online Marketplaces Police Products and Sellers on Their Sites*, DIG. COM. 360 (Jan. 25, 2017), <https://www.digitalcommerce360.com/2017/01/25/how-online-marketplaces-police-products-their-sites/> (explaining that the cost of increasing vetting is high and companies need further incentives).

<sup>246</sup> See generally *id.* (showing that the burden on brand owners to vet products is high, and online marketplaces do not share it).

<sup>247</sup> See generally *id.* (noting that a German online marketplace has added additional vetting steps to catch counterfeits, but also acknowledging that more needs to be done to help brands police their trademarks).

<sup>248</sup> See *Tackling the Scourge of Counterfeit Products Online*, IPEG, <https://www.ipeg.com/tackling-the-scourge-of-counterfeit-products-online/> (last visited Mar. 17, 2021) (emphasizing the online consumers' primary concern of efficiency).

responsibility for policing their markets, and increased consumer awareness, it is possible to begin to address the issue of counterfeits.

In response to the increase in safety concerns and infringements, congressional hearings in July 2019 were a step toward a renewed effort to statutorily combat online trademark infringements.<sup>249</sup> The IACC President Robert Barchiesi testified at the July 2019 hearing.<sup>250</sup> In written testimony, the IACC noted that although service providers have taken steps to address the counterfeit problem, there is a lack of consistency in enforcement and a significant lack of clarity in procedure.<sup>251</sup> The emphasized solution in the IACC's testimony was transparency, beginning at the merchant onboarding phase.<sup>252</sup> One proposal is that merchants should be required to demonstrate proof of identity, consistent across all platforms, to avoid bad actors from "hiding behind usernames."<sup>253</sup> The IACC also advocated for a method of information sharing between platforms and the government to decrease counterfeit recidivism.<sup>254</sup> A collaborative approach, which involves e-commerce platforms, brand owners, consumers, and the government, would offer the greatest opportunity to catch counterfeits at every level in the supply chain.<sup>255</sup> The IACC has already initiated collaborations with Amazon and Alibaba in an effort to encourage these companies to take infringements more seriously.<sup>256</sup> Although both companies took steps to more actively police their websites, the results continue to be limited without a uniform effort among all marketplaces.<sup>257</sup>

Counterfeits continue to increase in frequency and severity despite the fact that online merchants invest millions of dollars to address the problem of trademark infringements.<sup>258</sup> An increased burden may force online merchants to develop better solutions that could actually effect change.<sup>259</sup> While the brand owner has the responsibility to police their mark, the ineffective systems developed by the online marketplaces make policing marks incredibly difficult.<sup>260</sup> The plethora of listings cannot be mainly addressed by an outside

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<sup>249</sup> H. Comm. on the Judiciary, 116th Cong., *supra* note 197; Berzon et al., *supra* note 30.

<sup>250</sup> Robert Barchiesi, *supra* note 220.

<sup>251</sup> *Id.*

<sup>252</sup> *Id.*

<sup>253</sup> *Id.*

<sup>254</sup> *Id.*

<sup>255</sup> *Id.*

<sup>256</sup> *Id.*

<sup>257</sup> *Id.*

<sup>258</sup> See U.S. DEP'T OF HOMELAND SEC., *supra* note 78, at 4, 7, 41.

<sup>259</sup> See *id.* at 39.

<sup>260</sup> *Id.* at 20.

brand owner, and those who are best equipped to address this issue are the creators of the online marketplaces.<sup>261</sup>

Another option to address the sale of counterfeit products in online marketplaces would be to create a method for government oversight in online infringements. Although CBP catch counterfeit products at ports, additional oversight could prevent counterfeits from entering the online marketplace.<sup>262</sup> Perhaps regulations that would require online marketplaces, such as Amazon, to inspect their warehouses for infringing products would mitigate the problem.<sup>263</sup> Additionally, under such regulations, online merchants would be unable to claim they had no knowledge of the infringing product, as they would be required to inspect goods. Online merchants may reject this idea because it could open them up to additional tort liability, like the situation in the *Oberdorf* case.<sup>264</sup> Also, it would create an enormous additional expense to inspect all items, and companies may not have the expertise to know which products are authentic and which are counterfeits. While some aspects of solution may be helpful, putting the entire burden on the company would likely prove both unfair and ineffective.

Signs of such government oversight have recently sprouted.<sup>265</sup> On January 24, 2020, the Department of Homeland Security issued a detailed report outlining how to combat the growing problem of counterfeits and trademark infringement.<sup>266</sup> The report was created as a response to President Trump's "Memorandum on Combatting Trafficking in Counterfeit and Pirated Goods."<sup>267</sup> In the report, DHS officials listed immediate action steps for the department, which include:

Ensure entities with financial interests in imports bear responsibility; increase scrutiny of Section 321 environment[;] suspend and debar repeat offenders; act against non-compliant international posts[;] apply civil fines, penalties, and injunctive actions for violative imported products[;] leverage advance electronic data for mail mode[;] anti-counterfeiting consortium to identify online nefarious actors plan[;] analyze enforcement resources[;] create modernized e-commerce enforcement framework[;] assess contributory trademark infringement liability

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<sup>261</sup> *Id.* at 6.

<sup>262</sup> See *Intellectual Property Rights*, U.S. CUSTOMS AND BORDER PROT., <https://www.cbp.gov/trade/priority-issues/ipr> (last modified May 14, 2019); see U.S. DEPT. OF HOMELAND SEC., *supra* note 78, at 23.

<sup>263</sup> U.S. DEP'T OF HOMELAND SEC., *supra* note 78, at 5.

<sup>264</sup> See *Oberdorf*, 930 F.3d at 150–51.

<sup>265</sup> U.S. DEP'T OF HOMELAND SEC., *supra* note 78, at 5.

<sup>266</sup> *Id.* at 1.

<sup>267</sup> Memorandum on Combatting and Trafficking in Counterfeit Pirated Goods, 2009 DAILY COMP. PRES. DOC. 1 (Apr. 3, 2019).

for platforms; [and] re-examine the legal framework surrounding non-resident importers.<sup>268</sup>

Under this new guidance, DHS has instructed CBP to “adjust its entry process and requirements . . . to ensure all appropriate parties who import transactions are held responsible for exercising a duty of reasonable care.”<sup>269</sup> Additionally, CBP is directed to treat domestic warehouses and fulfillment centers as “the ultimate consignee for any good that has not been sold to a specific consumer at the time of its importation,” so that the shipments may be inspected for counterfeits—which often go undetected.<sup>270</sup> CBP is to issue guidance on procedures for actually implementing such policies.<sup>271</sup>

The report recommends that the Department of Commerce (DOC) “assess contributory trademark infringement liability for e-commerce.”<sup>272</sup> The guidance asks the DOC to review recent jurisprudence and the report to determine whether and how e-commerce websites could be held liable.<sup>273</sup> On November 13, 2020, the U.S. Patent and Trademark Office (USPTO) issued a public notice entitled “Secondary Trademark Infringement Liability in the E-Commerce Setting,” which sought comments from stakeholders on the issue of trademark infringement in the online marketplace, which may yield additional solutions to reform the outdated e-commerce legal framework.<sup>274</sup> Acknowledgement by DHS that the *Tiffany* standard no longer functions in today’s e-commerce landscape, coupled with the USPTO’s request for comments on the issue, indicates that strong governmental reform is on the horizon.<sup>275</sup>

The DHS report also calls for the federal government to “establish a national consumer awareness campaign,” and suggests online education through e-commerce websites could be useful to consumers.<sup>276</sup> Public education on counterfeits could be addressed by brands and merchants alike providing easily accessible information on counterfeit products. While many brands already offer customers methods for identifying authentic products over counterfeits, consumers have to search for the information on the brand’s website. Most customers, when buying a product on Amazon or eBay, will automatically

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<sup>268</sup> U.S. DEP’T OF HOMELAND SEC., *supra* note 78, at 26–27.

<sup>269</sup> *Id.* at 27.

<sup>270</sup> *Id.*

<sup>271</sup> *Id.* at 28.

<sup>272</sup> *Id.* at 29.

<sup>273</sup> *Id.* at 33.

<sup>274</sup> Secondary Trademark Infringement Liability in the E-Commerce Setting, 85 Fed. Reg. 72635 (U.S. Dept. of Commerce Nov. 13, 2020).

<sup>275</sup> U.S. DEP’T OF HOMELAND SEC., *supra* note 78, at 5.

<sup>276</sup> *Id.* at 33–34.

begin their search on one of these online platforms, so having information readily available where consumers shop would increase public awareness on counterfeits. With brand owners, online merchants, governments, and customers all being aware of the problem, it will increase the likelihood that counterfeits will be apprehended by authorities prior to any consumer risks or brand damage.

The DHS report is a significant step forward in addressing the perils of online counterfeits for brand owners, consumers, and online marketplaces.<sup>277</sup> It is the most thorough and comprehensive analysis of current counterfeit infringement problems to date and demonstrates the role government can take in addressing counterfeits.<sup>278</sup> As previously mentioned, pronounced pushback from major online marketplaces is to be expected. However, with the growth in awareness from consumers of the dangers of counterfeit problems and the injustice of a lack of accountability for online marketplaces at the forefront of the conversation, there is hope to see some actual change in remedying the counterfeit problem.

Another method to address the issue of online marketplace counterfeits is for Congress to develop a statute that creates either a cause of action for consumers or brand owners to sue if a company sells counterfeit products. Although this method would be aggressive, it would provide a clear, affirmative right that consumers and brand owners could assert. This would incentivize online marketplaces to diligently police their websites and could significantly curb trademark infringements. There would certainly be strong opposition from online marketplaces if such a strict statute was created. First, they would argue that it is the responsibility of brand owners to police their marks, as is stated under the Lanham Act. Second, they would argue it be would unduly burdensome to absorb all of this new liability, especially given their service is to *facilitate* the sales, not to sell the products.

An alternative to such a broad approach would be to create a statute to overturn *Tiffany*, requiring the high standard of specific knowledge of particular online infringements.<sup>279</sup> In particular, the knowledge standard for contributory liability must be modified so brand owners can recover. Rather than saying there must be more than “general knowledge” of infringement for a company to be liable, Congress could draft a statute to establish clear factors for willful blindness. It could clarify that once an online marketplace has been notified of a certain amount of infringements for a particular brand, they have been put on notice to address subsequent listings from the same brand. Willful blindness has been established as constructive knowledge in contributory

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<sup>277</sup> *Id.* at 41.

<sup>278</sup> *Id.* at 3.

<sup>279</sup> *Tiffany (NJ) Inc.*, 600 F.3d at 107.

trademark infringement cases for brick-and-mortar stores, but courts have yet to apply the same standard through online marketplace infringements.<sup>280</sup> A statute to create such a cause of action may read:

An online retailer may be held contributorily liable for trademark infringement if: the online retailer suspects wrongdoing, and fails to investigate and rectify such wrongdoing, or fails to actively police for particular infringements after suspecting such wrongdoing. In order to evaluate whether the online retailer ‘suspects wrongdoing,’ courts shall evaluate the following factors, including but not limited to: (1) whether a party outside of the online retailer notified the online retailer of the particular alleged infringements of particular products; (2) whether a party outside of the online retailer notified the online retailer of general alleged infringements of particular products; (3) the amount of infringements; and (4) whether there is information publicly available indicating alleged infringement.<sup>281</sup>

This approach is feasible because it parallels Alibaba’s current methodology of actively policing a mark once there is a specific amount of infringement claims.<sup>282</sup> Additionally, broadening of the knowledge standard would incentivize online marketplaces to increase their efforts to combat counterfeits. It also does not entirely shift the burden away from brand owners—they would still have to put the website on notice prior to suing.

Online marketplaces would likely strongly oppose this kind of statute, because it would continue to increase their liability and burden. They may argue they are already creating solutions to address the counterfeit problem in a way that works for their particular company. Online marketplaces may also contend that they are not in the best position to police trademark infringements, because the brand owner knows the product best. Furthermore, since the brand owner has the privilege of the mark, it is the brand owner’s responsibility to

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<sup>280</sup> *Luxottica Grp. v. Airport Mini Mall, LLC*, 932 F.3d 1303, 1312 (11th Cir. 2019) (explaining “[a]cross the circuits, a consensus has developed that willful blindness is one way to show that a defendant had constructive knowledge in cases of contributory trademark infringement.”); *but see Tiffany (NJ) Inc.*, 600 F.3d at 108–09 (2d Cir. 2010) (finding that the district court’s determination that eBay was not willfully blind was not clearly erroneous despite eBay’s general and specific knowledge of Tiffany counterfeits on its website).

<sup>281</sup> See generally *Luxottica Grp.*, 932 F.3d at 1312–15. Brief for Council of Fashion Designers of America, Inc. as Amicus Curiae Supporting Plaintiff-Appellant, *Tiffany (NJ) Inc.*, 600 F.3d 93 (No. 08-3947-CV); Brief for Coty Inc. as Amicus Curiae Supporting Plaintiff-Appellant, *Tiffany (NJ) Inc.*, 600 F.3d 93 (No. 08-3947-CV); Brief for IACC Supporting Plaintiff-Appellant, *Tiffany (NJ) Inc.*, 600 F.3d 93 (No. 08-3947-CV).

<sup>282</sup> See Jessica Rapp, *Alibaba’s Fight Against Counterfeits: Where Are We Now?*, JING DAILY (June 23, 2019), <https://jingdaily.com/alibaba-fight-against-counterfeits-where-are-we-now/>.

police it, regardless of where it is sold.<sup>283</sup>

Although the cause of action in the proposed statute above addresses all products, there is proposed legislation that speaks directly to products in online marketplaces that implicate health and safety. On March 2, 2020, the House Committee on the Judiciary introduced the Stopping Harmful Offers on Platforms by Screening Against Fakes in E-commerce Act of 2020 (SHOP SAFE Act of 2020).<sup>284</sup> The SHOP SAFE Act would hold online marketplaces “contributorily liable for infringement by a third party seller” when the seller’s infringement “implicate[s] health and safety,” unless the online marketplace takes a series of measures.<sup>285</sup> The measures fall into three categories: seller screening, preventative listing review, and enforcement.<sup>286</sup>

The Act requires online marketplaces to verify the identity of sellers with reliable documentation, such as a government identification.<sup>287</sup> Additionally, online marketplaces must ensure the seller is available for service of process in the United States.<sup>288</sup> Online marketplaces must require sellers to attest to the authenticity of their listings; to provide their contact information, identification, geographic location; and to use images they own or have permission to use.<sup>289</sup> These provisions would help curb the anonymity of third party selling, which makes suing a seller for trademark infringement near impossible in online marketplaces.<sup>290</sup>

The proposed legislation also requires online marketplaces to use “proactive technological measures” to screen goods before displaying them to the public in order to ensure that there are no trademark infringements.<sup>291</sup> This would place an affirmative obligation on online marketplaces to actively police their websites, rather than solely rely on individual complaints of infringement.<sup>292</sup>

Online marketplaces have enforcement responsibilities under the Act.<sup>293</sup>

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<sup>283</sup> See § 1064.

<sup>284</sup> Press Releases, H. Comm. on the Judiciary, Nadler, Collins, Johnson & Roby Introduce Bipartisan SHOP SAFE Act to Protect Consumers and Businesses from the Sale of Dangerous Counterfeit Products Online (Mar. 2, 2020), <https://judiciary.house.gov/news/documentsingle.aspx?DocumentID=2838>.

<sup>285</sup> SHOP SAFE Act of 2020, H.R. 6058, 116th Cong. § 2 (2020) (defining “goods that implicate health and safety” as goods the use of “which can lead to illness, disease, injury, serious adverse event, allergic reaction, or death if produced without compliance with all applicable Federal, State, and local health and safety regulations and industry-designated testing, safety, quality, certification, manufacturing, packaging, and labeling standards.”).

<sup>286</sup> H.R. 6058, § 2.

<sup>287</sup> *Id.*

<sup>288</sup> *Id.*

<sup>289</sup> *Id.*

<sup>290</sup> *Id.*

<sup>291</sup> *Id.*

<sup>292</sup> *Id.*

<sup>293</sup> *Id.*

First, they must have a “program to expeditiously disable or remove from the platform” a reported infringement by an individual.<sup>294</sup> All major online marketplaces already have such systems in place, although the particular procedures in each vary.<sup>295</sup> The individual reporting, coupled with the online marketplace’s proactive preventative measures, may help decrease the prevalence of counterfeit goods.<sup>296</sup> Second, when an online marketplace takes down three separate listings from an individual seller, they must ban the seller from the website and ensure the seller cannot re-enter the online market under an alias.<sup>297</sup> This provision works to curb the common problem of suspended sellers constantly creating new accounts to relist their counterfeit products.

The Act takes a significant step towards curbing the detrimental effects of counterfeit products. The most significant change from the status quo is the seller verification process and mandate to consent to U.S. jurisdiction. Furthermore, the requirement for online marketplaces to proactively police their websites for infringements *prior* to a listing going live for consumers may dramatically decrease infringements. However, the “technological measures” for websites to take are undefined, and the review of these processes for compliance is unknown. Additionally, under the Act, contributory liability is limited to counterfeit goods “that implicate health and safety,” which excludes a large amount of goods—such as Tiffany jewelry—the very goods that began the battle for online contributory trademark infringement over fifteen years ago.<sup>298</sup> The SHOP SAFE Act is a monumental step forward for addressing online marketplace counterfeits and protecting consumers and rights holders.<sup>299</sup> The Act was placed on hold given the COVID-19 pandemic and would need to be re-introduced in the new congressional session. Ironically, the pandemic has emphasized the critical need for this legislation now more than ever given counterfeit PPE.<sup>300</sup> While it is limited in scope and has undefined terms, the Act may pave the way for broader legislation that could protect trademark owners and consumers alike.

## V. CONCLUSION

Recalling Ruth’s harrowing experience with counterfeit products harming herself and her dog from the introduction, she is now hesitant about opening

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<sup>294</sup> *Id.*

<sup>295</sup> *Id.*

<sup>296</sup> *Id.*

<sup>297</sup> *Id.*

<sup>298</sup> *See id.*; Tiffany (NJ) Inc., 600 F.3d at 98.

<sup>299</sup> Press Releases, H. Comm. on the Judiciary, *supra* note 197.

<sup>300</sup> *See* Berzon & Hernandez, *supra* note 201.

the box of her next online order. Strong legislation encouraging collaborative measures to proactively decrease trademark infringements could transform this trepidation back into excitement. For consumer safety and trademark integrity, Congress must create a new level of liability for online marketplaces. The standard set forth in *Tiffany* is inadequate for today's prominent e-commerce market, and the discrepancy is felt by consumers and brand owners alike. Removing the knowledge standard in *Tiffany*, either by creating a statutory willful blindness standard for online contributory trademark infringement, or by passing the SHOP SAFE Act, is the best method for incentivizing online marketplaces to address the trademark infringements. The integrity of trademarks and the safety of consumers depends on online marketplaces taking responsibility for counterfeits on their websites with the support of government intervention. Congress, help consumers open the box of their next online order with confidence.