

# Secondary Trademark Infringement Liability in the E-Commerce Setting

Summary of Responses to Federal  
Register Notice PTO-T-2020-0035

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*August 2021*



UNITED STATES  
PATENT AND TRADEMARK OFFICE



## Introduction

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This paper summarizes the current state of the law and the public's views on contributory trademark infringement liability in the e-commerce setting. The U.S. Patent and Trademark Office produced this document further to the Department of Homeland Security (DHS) report titled "Combating Trafficking in Counterfeit and Pirated Goods," issued on January 24, 2020.<sup>1</sup> The DHS report was developed in response to the President's April 3, 2019, "Memorandum on Combating Trafficking in Counterfeit and Pirated Goods."<sup>2</sup>

The DHS report reviewed the causes and scope of counterfeit activity online, as well as current private mitigation efforts. The report observed that "e-commerce has contributed to a shift in the sale of counterfeit goods in the United States, with consumers increasingly purchasing goods online and counterfeiters producing a wider variety of goods that may be sold on websites alongside authentic products."<sup>3</sup> The DHS report, quoting a 2018 Organization for Economic Co-operation and Development (OECD) report, also noted, "[e]-commerce platforms represent ideal storefronts for counterfeiters" and provide "powerful platform[s] for counterfeiters and pirates to engage large numbers of potential consumers."<sup>4</sup>

The DHS report found that "[t]he scale of counterfeit activity online is evidenced ... by the significant efforts e-commerce platforms" have had to undertake themselves in combatting counterfeits.<sup>5</sup> To elucidate this point, the report cited a major e-commerce platform's efforts to prevent more than "1 million suspected bad actors from publishing a single product for sale through its platform and block[] over 3 billion suspected counterfeit listings from being published to their marketplace."<sup>6</sup> The DHS report stated that "[d]espite efforts such as these, private sector actions have not been sufficient to prevent the importation and sale of a wide variety and large volume of counterfeit and pirated goods to the American public."<sup>7</sup> It concluded that the "projected growth of e-commerce fuels mounting fears that the scale of the problem will only increase," and consequently, "an effective and meaningful response to the President's memorandum is a matter of national import."<sup>8</sup>

Accordingly, the DHS report included a section titled "Actions to be Taken by DHS and the U.S. Government." The report observed that "[s]trong government action is necessary to fundamentally realign incentive structures and thereby encourage the private sector to increase self-policing efforts and focus more innovation and expertise on this vital problem."<sup>9</sup> To that end, the DHS report identified 11 action items to be taken by the U.S. government to address the trafficking of counterfeit and pirated goods (figure 1).

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- 1 See U.S. Dep't of Homeland Security, Combating Trafficking in Counterfeit and Pirated Goods: Report to the President of the United States (2020), [www.dhs.gov/sites/default/files/publications/20\\_0124\\_plcy\\_counterfeit-pirated-goods-report\\_01.pdf](http://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf).
  - 2 See Memorandum on Combating Trafficking in Counterfeit and Pirated Goods, 2019 Daily Comp. Pres. Doc. 201900203 (Apr. 3, 2019), [www.govinfo.gov/content/pkg/DCPD-201900203/pdf/DCPD-201900203.pdf](http://www.govinfo.gov/content/pkg/DCPD-201900203/pdf/DCPD-201900203.pdf).
  - 3 Dep't of Homeland Security, *supra* note 1, at 4 (citing U.S. Gov't Accountability Office, GAO-18-216, Intellectual Property: Agencies Can Improve Efforts to Address Risks Posed by Changing Counterfeits Market (2018)).
  - 4 Dep't of Homeland Security, *supra* note 1, at 4 (quoting OECD (2018), *Governance Frameworks to Counter Illicit Trade*, 84, 85, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264291652-en>).
  - 5 Dep't of Homeland Security, *supra* note 1, at 5.
  - 6 *Id.*
  - 7 *Id.*
  - 8 *Id.*
  - 9 *Id.*

**Figure 1: U.S. government action items identified by the Department of Homeland Security report to address trafficking in counterfeit and pirated goods**

Immediate actions by DHS and recommendations for the U.S. government	
1.	Ensure entities with financial interests in imports bear responsibility
2.	Increase scrutiny of Section 321 environment
3.	Suspend and debar repeat offenders; act against non-compliant international posts
4.	Apply civil fines, penalties and injunctive actions for violative imported products
5.	Leverage advance electronic data for mail mode
6.	Anti-counterfeiting Consortium to Identify Online Nefarious Actor (ACTION) plan
7.	Analyze enforcement resources
8.	Create modernized e-commerce enforcement framework
9.	Assess contributory trademark infringement liability for platforms
10.	Re-examine the legal framework surrounding non-resident importers
11.	Establish a national consumer awareness campaign

Source: U.S. Department of Homeland Security, “Combating Trafficking in Counterfeit and Pirated Goods,” p. 5.

The USPTO, through the U.S. Department of Commerce (DOC), was tasked with leading on action item 9, “Assess Contributory Trademark Infringement Liability for Platforms (figure 2).

The USPTO subsequently published a Federal Register Notice on November 13, 2020, to obtain comments from the public, summarized in the section of this

report titled “Summary of Submissions.”<sup>10</sup> However, to provide context, below is an overview of the current state of the law concerning contributory trademark infringement liability.

## Overview of the current state of law

In 1982, the United States Supreme Court, in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982), applied the common law tort principle of contributory liability to trademark infringement. The Court held that manufacturers can be held contributorily liable for trademark infringement if they: (1) intentionally induce another to infringe a trademark, or (2) continue to supply a product knowing or having reason to know that the recipient is using the product to engage in trademark infringement.<sup>11</sup>

This legal doctrine of contributory trademark infringement liability has been applied in other environments, including online platforms.<sup>12</sup> The seminal case on contributory liability of online platforms is the Second Circuit’s decision in *Tiffany (NJ) Inc. v. eBay Inc. (Tiffany)*.<sup>13</sup> Tiffany sought to hold eBay contributorily liable on the basis that eBay knew, or had reason to know, that counterfeit Tiffany goods were widely offered on the eBay website.<sup>14</sup> The district court sided with Tiffany that eBay’s removal of postings and blocking of sellers when it received specific notices of individual instances of infringement was inadequate to avoid liability.<sup>15</sup>

10 United States Patent and Trademark Office, “Secondary Trademark Infringement Liability in the E-Commerce Setting,” 85 Fed. Reg. 72,635 (Nov. 13, 2020).

11 *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854-55 (1982).

12 In addition, the theory of strict liability under state products liability laws has garnered interest as a result of several recent cases. See *Oberdorf v. Amazon.com Inc.*, 930 F.3d 136 (3d Cir. 2019). *Oberdorf* addresses the issue of whether Amazon is a “seller” under Pennsylvania’s products liability law and thus strictly liable. The parties settled before the Pennsylvania Supreme Court took up the case. See also *Loomis v. Amazon.com LLC*, B297995, 2021 WL 1608878 (Cal. App. Ct. Apr. 26, 2021) (Amazon could be held strictly liable). See also *McMillan v. Amazon.com, Inc.*, 983 F.3d 194 (5th Cir. 2020) (certifying the following question of state law to the Supreme Court of Texas: “Under Texas products-liability law, is Amazon a ‘seller’ of third-party products sold on Amazon’s website when Amazon does not hold title to the product but controls the process of the transaction and delivery through Amazon’s Fulfillment by Amazon program?” The Texas Supreme Court issued its response, in the negative, on June 25, 2021). *McMillan v. Amazon.com, Inc.*, No. 20-0979, 2021 WL2605885, \_ S.W.3d \_ (Tex. Sup. Ct. June 25, 2021).

13 *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010), *cert. denied*, 562 U.S. 1082 (2010).

14 Through its “buying program,” Tiffany concluded that more than 73% of the Tiffany merchandise for sale on eBay’s platform was counterfeit. *Id.* at 97.

15 eBay maintained a type of notice and takedown system through its Verified Rights Owner Program, which included a buyer-protection program, employees devoted to combating counterfeiting, and suspension of sellers suspected of counterfeiting. However, eBay

Figure 2: USPTO action item regarding assessing contributory trademark infringement liability for e-commerce

<b>9. Assess Contributory Trademark Infringement Liability for E-Commerce</b>
<p>Online platforms have avoided civil liability for contributory trademark infringement in several cases. Given the advance and expansion of e-commerce, DHS recommends that the Department of Commerce consider the following measures:</p> <ul style="list-style-type: none"> <li>▪ Assess the state of liability for trademark infringement considering recent judicial opinions, and the impact of this report—including platforms’ implementation of the best practices directed herein.</li> <li>▪ Seek input from the private sector and other stakeholders as to the application of the traditional doctrines of trademark infringement to the e-commerce setting, including whether to pursue changes in the application of the contributory and/or vicarious infringement standard to platforms.</li> </ul>

Source: U.S. Department of Homeland Security, “Combating Trafficking in Counterfeit and Pirated Goods,” p. 33.

The Second Circuit disagreed. It held that “[f]or contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.”<sup>16</sup> Thus, eBay had no duty to investigate the authenticity of the products sold through its platform or to take further steps to prevent the sale of counterfeit products. Instead, the burden of identifying and seeking the removal of counterfeit products from eBay’s site fell to Tiffany.

The Second Circuit did state that “when [a service provider] has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way.”<sup>17</sup> It did not, however, find willful blindness by eBay because “eBay did not ignore the information it was given about counterfeit sales on its website.”<sup>18</sup>

Few cases have subsequently been brought against online marketplaces for contributory trademark infringement, presumably because of the high bar set by *Tiffany*.<sup>19</sup> However, *Tiffany* has informed the application of contributory liability for brick-and-mortar stores.<sup>20</sup>

declined to automatically or permanently suspend sellers on a first or second notice, instead only removing the listing. *Id.* at 99.

16 *Id.* at 107. See also the trial court’s finding: “It is the trademark owner’s burden to police its mark, and companies like eBay cannot be held liable for trademark infringement based solely on their generalized knowledge that trademark infringement might be occurring on their websites.” *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 527 (S.D.N.Y. 2008).

17 *Tiffany*, 600 F.3d at 109 (citing *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992) (“To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate.”); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996) (applying *Hard Rock Cafe’s* reasoning to conclude that “a swap meet can not [sic] disregard its vendors’ blatant trademark infringements with impunity.”).

18 *Tiffany*, 600 F.3d at 110.

19 See, e.g., *Tre Milano, LLC v. Amazon.com, Inc.*, No. B234753, 2012 WL 3594380 (Cal. Ct. App. Aug. 22, 2012) (unpublished state court opinion) (generalized notice provided to Amazon through its Notice of Claimed Infringements (NOCI) was insufficient to establish contributory liability); *Chloe SAS v. Sawabeh Info. Servs. Co.*, No. 2:11-cv-04147 GAF (MANx), 2013 WL 12126742 (C.D. Cal. Oct. 8, 2013) (relying on *Inwood*, “virtual swap meet” found to have knowingly allowed its members to engage in wholesale counterfeiting of plaintiffs’ marks).

20 See *Coach, Inc. v. Int’l Bazaar Inc.*, No. 3:11-CV-1733-N, 2013 WL 12310712 (N.D. Tex. June 7, 2013) (court applied holding in *Tiffany* and found Coach, Inc.’s generalized notice of counterfeiting to a large indoor market insufficient for contributory trademark infringement because the market “did not have specific knowledge of specific tenants’ infringements.”); *Luxottica Group, S.p.A. v. Airport Mini Mall, LLC*, No. 18-10157, 2019 WL 3676340 (11th Cir. Aug. 7, 2019) (court applied the standard of willful blindness articulated in *Tiffany* and found the landlord’s conduct amounted to constructive knowledge sufficient to hold the landlord liable for contributory trademark infringement); *Omega SA v. 375 Canal, LLC*, 984 F.3d 244, 248 (2d Cir. 2021) (court relied on *Tiffany*, stating: “In *Tiffany*, we held that a defendant may be liable for contributory trademark infringement if it was willfully blind as to the identity of potential infringers—that is, under circumstances in which the defendant did not know the identity of specific infringers,” and thus rejected the defendant’s argument that “Omega needed to identify a specific infringer to whom Canal continued to lease property”).

Following *Tiffany*, the onus of policing trademark violations<sup>21</sup> on online platforms falls predominantly on rights holders, requiring them to detect infringements and report them to the platforms for action. Online platforms need not undertake any proactive steps to stop the posting of trademark infringing products, but instead must simply respond to specific rights holder complaints.<sup>22</sup>

## Federal Register Notice

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On November 13, 2020, in response to DHS report action item 9 on contributory liability, the USPTO issued Federal Register Notice PTO-T-2020-0035, “Secondary Trademark Infringement Liability in the E-Commerce Setting,” to obtain input from the private sector and other stakeholders regarding the application of traditional doctrines of trademark infringement to the e-commerce setting, including whether to pursue changes in the application of the contributory or vicarious infringement standards, or both, to e-commerce platforms.<sup>23</sup> The Federal Register Notice was republished on January 11, 2021, for a two-week period to allow stakeholders additional time to submit comments.<sup>24</sup>

The USPTO received comments from 28 respondents, of which 24 comments were suitable for publication.<sup>25</sup> Table 1 lists the respondents, broadly categorizing them as: (1) respondents who support the current

secondary trademark infringement liability regime (Status Quo Respondents), and (2) respondents who take the position that the current legal regime is ineffective and should be changed (Change Respondents).

## Summary of Submissions

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The USPTO requested input on six questions, and this summary is organized around those questions.<sup>26</sup>

**Question 1:** *Is the doctrine of secondary infringement liability, as currently applied by the courts, an effective tool in addressing the problem of the online sale of counterfeit goods? If not, please identify the shortcomings in this approach to combatting counterfeits sold online, including whether the shortcomings are general to all goods and modes of e-commerce or whether they are specific to a particular type of goods or e-commerce.*

### Comments of Change Respondents

The 19 Change Respondents unanimously agree that the doctrine of secondary trademark infringement liability, as currently applied by the courts, is not an effective tool in addressing the problem of counterfeit goods sold through the internet. The Global Brand Owner and Consumer Protection Coalition (GBOC) underlines this point by stating, “It is clear that market forces, standing alone, are not sufficient to change platform behaviors in this regard.”

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21 Although the legal standards for an online platform’s secondary liability for copyright infringement are distinct from the trademark infringement standards, the practical result based on judicial interpretations is quite similar. The Digital Millennium Copyright Act (DMCA), Pub. L.105-304; 112 Stat. 2860 (1998) (codified in scattered sections of 17 U.S.C.), established a mechanism that defined how rights holders could notify online platforms, using standardized notice elements, of allegations of infringing postings. If a platform opts in to the DMCA system (e.g., accepting notices of infringement that are properly crafted, taking down postings, and undertaking other steps to reduce the likelihood of infringement), it receives a safe harbor from monetary remedies for contributory copyright infringement. The platforms need not take proactive steps to search for and take down infringing postings because courts have held that the DMCA knowledge standard also requires knowledge of specific infringements.

22 Takedown programs vary among online platforms, but they are based on the same general structure: The rights holder discovers a posting for a product it believes is infringing its trademark and then informs the online platform, often through a dedicated form or portal. Unlike the copyright infringement notices sent under the DMCA, the requirements established for the trademark notices by the online platforms can vary—some requiring test purchases to prove the alleged infringement. After a notice is successfully submitted, the online platform reviews it and may remove the listing or the seller.

23 United States Patent and Trademark Office, “Secondary Trademark Infringement Liability in the E-Commerce Setting,” 85 Fed. Reg. 72,635 (Nov. 13, 2020).

24 86 Fed. Reg. 1951 (Jan. 11, 2021).

25 Three responses were not germane to the Federal Register Notice, and one was a duplicate response filed in error. The published responses are available at [www.regulations.gov/document/PTO-T-2020-0035-0001/comment](http://www.regulations.gov/document/PTO-T-2020-0035-0001/comment).

26 To the extent a respondent did not structure its submission around these topics, we have attempted to include their comments in the appropriate category.



**Table 1: Respondents to Federal Register Notice expressing support for the status quo or for change**

Status Quo Respondents	Change Respondents
<ul style="list-style-type: none"> <li>▪ Amazon</li> <li>▪ Computer &amp; Communications Industry Association (CCIA)</li> <li>▪ Electronic Frontier Foundation (EFF)</li> <li>▪ Engine Advocacy</li> <li>▪ Internet Association</li> </ul>	<ul style="list-style-type: none"> <li>▪ Alliance for Automotive Innovation (Auto Innovators)</li> <li>▪ American Apparel &amp; Footwear Association (AAFA)</li> <li>▪ American Bar Association-IP Law Section (ABA-IPL)</li> <li>▪ ArtWorks</li> <li>▪ Automotive Anti-Counterfeiting Council (A2C2)</li> <li>▪ Center for Anti-Counterfeiting and Product Protection (A-CAPP)</li> <li>▪ Eddie M. Green Jr.</li> <li>▪ Footwear Distributors &amp; Retail Association (FDRA)</li> <li>▪ Global Brand Owner and Consumer Protection Coalition (GBOC)</li> <li>▪ Global Innovation Policy Center (GIPC)</li> <li>▪ International AntiCounterfeiting Coalition (IACC)</li> <li>▪ IP Law Association of Chicago (IPLAC)</li> <li>▪ Irwin IP LLC</li> <li>▪ Kevin Olmstead</li> <li>▪ National Association of Manufacturers (NAM)</li> <li>▪ Recording Industry Association of America (RIAA)</li> <li>▪ Susan Basko</li> <li>▪ Toy Association</li> <li>▪ Transnational Alliance to Combat Illicit Trade (TRACIT)</li> </ul>

The American Apparel and Footwear Association (AAFA) goes further by stating, “market-based factors do not provide an adequate incentive for platforms to establish systems and technology that actually prevent the sale of counterfeits,” but instead, under current business models, “platforms profit off of every sale, regardless of whether the merchandise is genuine or counterfeit.” The Change Respondents do not take the position that the issue is exclusive to particular types of goods or modes of e-commerce. With regard to the latter, virtually all of the submissions focus on e-commerce platforms that permit the sale of goods by third parties. Moreover, it should be mentioned that multiple submissions commented on the increase in fraudulent advertisements on social media that encourage counterfeit purchases.<sup>27</sup>

The Change Respondents’ input on Question 1 is summarized as follows:

**a. The knowledge test for contributory infringement liability is vague and applied inconsistently.**

Several Change Respondents—AAFA, the American Bar Association-IP Law Section (ABA-IPL), the Alliance for Automotive Innovation (Auto Innovators), the National Association of Manufacturers (NAM), the Recording Industry Association of America (RIAA), and the Toy Association—take the position that the “know or have reason to know” test for contributory infringement articulated in *Inwood* has been applied inconsistently by the courts. Auto Innovators further explains that the application of secondary infringement liability “had led to several ambiguities,” such as “the degree to which online service providers and intellectual property owners must monitor the e-commerce platforms for marks”

<sup>27</sup> See, e.g., Respondent AAFA (“The increase of fraudulent advertisements on social platforms are [sic] driving consumers to rogue, counterfeit, or otherwise illicit websites. Given the growing role social media channels play in the sale of counterfeit products, these platforms must also be taken into consideration when evaluating the current e-commerce landscape.”).

and “what constitutes sufficient knowledge or control to hold an e-commerce platform provider liable.”

**b. Establishing e-commerce platforms’ knowledge of counterfeit products is too difficult a burden for brand owners.**

Several of the Change Respondents—AAFA, ABA-IPL, GBOC, and the International AntiCounterfeiting Coalition (IACC)—remark on the challenges brand owners face in satisfying the “know or reason to know” prong of *Inwood*, particularly as interpreted by the Second Circuit in *Tiffany*, 600 F.3d 93. AAFA states that the cost to provide evidence of “specific knowledge” is “prohibitively high,” as it may involve, inter alia, test purchases and other expenses to determine authenticity. AAFA further states that the current standard “disincentivizes e-commerce platforms to self-police” and encourages counterfeiters to take advantage of the current framework. AAFA emphasizes that because a contributory infringer’s duty to prevent infringement is triggered by that party’s knowledge of the infringement, “it is extremely important to fix the requisite level of knowledge correctly.” ABA-IPL states that, in practice, the *Tiffany* standard functions closer to an “actual knowledge” standard than the lower “reason to know” standard set out by the Supreme Court. The Toy Association observes that “online marketplaces have largely been able to skirt liability, so long as they lack particularized knowledge of the counterfeit or infringing goods,” and thus clarity is needed to “ensure online marketplaces are held accountable, especially where they have acknowledged the widespread sale of counterfeit goods on their platforms or are willfully blind to it.”

**c. The burden of enforcement lies disproportionately on brand owners.**

Many of the Change Respondents—AAFA, ABA-IPL, the Automotive Anti-Counterfeiting Council (A2C2), the Footwear Distributors & Retail Association (FDRA), GBOC, Toy Association, and the Transnational Alliance to Combat Illicit Trade (TRACIT)—believe that the current state of the law, which puts the onus on brand owners to find and

report listings of counterfeit goods to e-commerce platforms, disproportionately burdens brand owners. These Change Respondents note that not only do e-commerce platforms have no affirmative duty to police their sites for counterfeit products, but there is inconsistency in platforms’ notice-and-takedown procedures.<sup>28</sup> IACC states, “[t]he end result has been a wide disparity in the level of IP [intellectual property] protection across the online space, characterized by a patchwork set of rules, procedures, and evidence requirements that rights-holders must navigate to seek assistance in protecting their brands.” As the Toy Association explains, “certain tools are only made available to brands that have registered for particular marketplace enforcement programs that may have onerous terms; some are only available at a cost to the brand owner; and some may only be available to accepted brands after application to the marketplace,” and, in addition, “they are not uniform across marketplaces.” Further, because the process is reactive, by the time a listing for a counterfeit product is removed, consumers may have already been exposed to (and purchased) the illicit goods.

**d. The law has not been able to keep pace with current technology.**

Multiple Change Respondents—AAFA, the Center for Anti-Counterfeiting and Product Protection (A-CAPP), FDRA, GBOC, and TRACIT—argue that e-commerce platform incentives to keep counterfeit listings off their sites (e.g., consumer trust and reputation) are outweighed by the incentives to maximize listings, and therefore profits.

AAFA and A-CAPP note that the traditional standards of contributory liability are not well suited to e-commerce. IACC states that “while the e-commerce landscape has changed dramatically in recent years, the legal framework related to secondary liability has remained largely stagnant,” which can be attributed to intellectual property owners largely eschewing bringing claims because “the likelihood of prevailing in such cases is minuscule.”

Specifically, AAFA notes that the current standard does not consider the volume of information and

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<sup>28</sup> Currently, no statute requires that platforms offer “notice-and-takedown” programs for trademark counterfeiting. Any such programs in existence are voluntary.

control that e-commerce platforms have over third-party sellers. In fact, AAFA finds it “almost comical when platforms explain that they have too many sellers to properly vet them all—as if their policies that allowed millions of unvetted/minimally vetted sellers were not a deliberate business choice, but an uncontrollable law of nature.” The Toy Association reaffirms this point by stating the “volume of sellers and products is not inevitable though.” Rather, “it is a business decision that online marketplaces themselves make.” Further, the Change Respondents argue that the current law does not account for e-commerce platforms’ growing involvement in activities typically fulfilled by sellers, such as promotion (e.g., “Amazon’s Choice”), shipping, and order fulfillment.

FDRA states that “the current regime effectively operates as a shield for Platforms” and that “Platforms are incentivized to refrain from vetting sellers and their products before the sellers conduct business through the Platforms” in order to avoid “actual knowledge, and thus, liability.” A2C2 underlines that gap by stating, “The initial entry for sellers to online marketplaces is often as simple as setting up an account with a unique email address.”

A-CAPP proposes “a balanced approach that adds some proactive responsibility to 1) e-commerce providers, 2) brand, or mark, owners, and 3) consumers.” Part of this approach calls for “e-commerce platforms to be viewed as ‘crime controllers’—entities with a responsibility to control the development of criminal schemes through their direct intervention ... As a crime controller, the e-commerce platform could serve as (1) a handler of motivated offenders, (2) a guardian of suitable targets, or (3) a place manager that controls the places where targets and offenders would meet depending on what might [be] more effective and efficient in order to disrupt the criminal opportunity.” A-CAPP illustrates these three roles in the form of a crime triangle (figure 3).

### Comments of Status Quo Respondents

The five Status Quo Respondents unanimously favor retaining the current legal regime for secondary trademark infringement liability and warn of

Figure 3: E-commerce crime triangle



Source: Comments submitted by the Center for Anti-Counterfeiting and Product Protection at Michigan State University. Submission, p. 4, [www.regulations.gov/comment/PTO-T-2020-0035-0023](http://www.regulations.gov/comment/PTO-T-2020-0035-0023). See also Kari Kammel, Jay Kennedy, Daniel Cermak & Minelli Manoukian, *Responsibility for the Sale of Trademark Counterfeits Online: Striking A Balance in Secondary Liability While Protecting Consumers*, 49 AIPLA Q. J. 221, 231, at Fig. 3 (Spring 2021).

the negative consequences that will result from any changes to the status quo. The Status Quo Respondents’ arguments fall into the following general categories:

**a. Changing the law will harm legitimate competition.**

Amazon, the Computer & Communications Industry Association (CCIA), and the Electronic Frontier Foundation (EFF) argue that amending the standard for secondary trademark infringement liability will harm the secondary market for legitimate products because brand owners will start pursuing sellers of genuine, but competitive, goods, and, therefore, e-commerce platforms will only allow goods to be sold by sellers authorized by brand owners. Amazon states that the shift would have a harmful, chilling effect on the “secondary market for safe, genuine goods by raising barriers to entry for honest sellers and online stores and by encouraging online stores to err on the side of caution, resulting in restricted price competition and selection to the detriment of consumers and SMBs [small and medium-sized businesses].” CCIA concludes that “[t]he existing secondary infringement liability regime has helped provide the legal framework to grow a robust secondary market for safe, genuine goods at competitive prices.” EFF suggests that if any



change is warranted, “it should be to give [online intermediaries] additional protection.”

Amazon concludes that cooperation between rights owners and online stores, which is critical in combatting counterfeiting, would be undermined by encouraging rights owners to pursue platforms “out of convenience instead of bringing their expertise and resources to bear on counterfeiting directly.”

**b. Trademark bullying will increase.**

The Internet Association, Engine Advocacy, and EFF argue that empowered brand owners will use a reduced burden for holding an e-commerce platform liable as a “sword.” This concern overlaps with the concern regarding competition and is based on the assumption that if the shield for e-commerce platforms and other intermediaries is lowered, trademark bullies will threaten litigation to pressure companies to discontinue the sale of legitimate products that the brand owner finds undesirable or otherwise take action against legal activities. The Internet Association posits that “[c]hanging the secondary trademark liability standards could make bullying behaviors worse.”

**c. Brand owners will stop pursuing the real bad actors—counterfeiters.**

CCIA, Amazon, and the Internet Association posit that if a change in the law makes it easier to hold e-commerce platforms liable for the sale of counterfeit goods on their sites, brand owners will stop taking action against third-party seller counterfeiters. These respondents note that the counterfeiters are the real “bad actors,” not the operators of the platforms that they use. As the Internet Association articulates, “in the face of a legislative mandate, companies may hesitate to do anything other than what the law requires to avoid the risk of future liability” and, as a result, may not “explore alternative counterfeiting solutions, even if those solutions would ultimately be *more effective*” (emphasis in original).

**d. E-commerce platforms are not equipped to evaluate listings for counterfeit products.**

Amazon, the Internet Association, and Engine Advocacy allege that changing the current regime would be unfair to e-commerce platforms because they are not equipped to distinguish authentic

from counterfeit products. Engine Advocacy notes, “Trademark owners are best suited to initiate the process of removing infringement from an e-commerce platform, because they know their own marks, and know what is infringing versus authorized, etc.” Conversely, “platforms know even less [than trademark owners] about other entities’ trademarks,” so “those platforms would have even less information than the mark owners to decide what to take down.” Amazon additionally notes that e-commerce platforms do not have the resources to assess the merit of complaints regarding counterfeit products and cites *Tiffany*, 600 F.3d 93, to state that the unique expertise of rights holders is “among the reasons responsibility for policing trademarks rightly lies primarily with their owners.”

**e. Implementing new legislative mandates may be expensive and have limited effectiveness.**

Engine Advocacy expresses concern that smaller and startup e-commerce companies will “not be able to afford the cost and risk of a legal framework that mandates proactive policing and/or holds companies liable for user-generated infringing content they have no knowledge of or direct involvement in.”

Engine Advocacy and EFF identified problems with possible changes in the law that would require e-commerce platforms to employ technology-based filtering tools. Engine Advocacy observes that “[t]he most sophisticated tools are so expensive that the development costs are orders of magnitude above what a startup could afford. Off-the-shelf tools ... are also too expensive for early-stage companies to license and maintain.” Further, these tools may cast too wide a net, thus resulting in a high false positive rate and the removal of legitimate listings. Finally, Engine Advocacy states that sophisticated counterfeiters are able to find ways to circumvent the filtering technology. EFF concurs with Engine Advocacy’s analysis.

**f. Changes to the law could harm innocent intermediaries.**

The Internet Association voices concern that changes to the law pertaining to secondary liability may be interpreted in a broad manner such that other intermediaries like search engines, payment processors, delivery services, cloud storage

companies, and other parties in the e-commerce ecosystem could become liable for counterfeiting.

**Question 2:** *Have you pursued or defended secondary trademark infringement claims against an e-commerce platform, online third-party marketplace, or other online third-party intermediary where the claim was that the intermediary facilitated the sale of counterfeit goods, including counterfeit goods offered by a third-party seller? If so, what challenges did you face in pursuing or defending these claims under a secondary infringement theory, and what was the result?*

Few respondents addressed this question directly, and none responded in the affirmative. AAFA stated that its members have included e-commerce platforms as third parties in anti-counterfeiting litigation, which has made it possible to obtain injunctive relief by: (1) freezing counterfeiters' assets to the extent that the e-commerce platform has its own payment system, or (2) freezing the individual merchant storefronts on the e-commerce platform, or both. These actions have also assisted AAFA's members in obtaining expedited third-party discovery from an e-commerce website. GBOC advises its members and clients to consider pursuing no-fault injunctive relief through which the platform or other third parties (such as payment processors) will shut down seller accounts and any assets they control in relation to counterfeit or other infringing goods.

**Question 3:** *If you have chosen not to pursue a potential claim or defend against a claim for secondary trademark infringement against an e-commerce platform, online third-party marketplace, or other online third-party intermediary for reasons related to the current interpretation of the doctrine of secondary infringement, please explain how your decision-making was affected by the state of the law and how a different interpretation might have led to a different decision.*

Few respondents addressed this question directly. AAFA, IACC, and GBOC stated that their members have chosen not to pursue claims against e-commerce platforms because of the high evidentiary burden on plaintiffs, as established in *Tiffany*, 600 F.3d 93. Auto Innovators suggests in its response that its members have not taken action against e-commerce platforms because they did not wish to jeopardize the

e-commerce platforms' current cooperation on notice and takedowns. AAFA and Auto Innovators members have attempted to pursue claims directly against the third-party sellers. To that point, GBOC states that "most suits are brought against individual sellers" if "the seller is subject to US jurisdiction" but ultimately notes that "bad actors will simply resume their activities through alternative pseudonyms leading to an endless game of whack-a-mole." IACC further states that the "current framework is also seen by some as having a disproportionately negative impact on SMEs [small and medium-sized enterprises] that typically lack the financial wherewithal to pursue direct infringers abroad" and are often "insufficiently resourced to undertake" "large-scale notice-and-takedown actions" on e-commerce platforms. See also the section "The burden of enforcement lies disproportionately on brand owners" above.

**Question 4:** *To the extent you have identified shortcomings in the current application of the doctrine of secondary infringement in your answers to the above questions, please explain how you would recommend resolving those shortcomings.*

The Status Quo Respondents do not identify any shortcomings. The Change Respondents provide a variety of suggestions on improving the current legal regime on secondary liability as it applies to e-commerce. The recommendations fall into four categories: (1) pass legislation that requires e-commerce platforms to take proactive measures to limit the sale of counterfeit goods on their sites, (2) pass legislation requiring platforms to investigate and disclose the identity of third-party sellers, (3) amend the Lanham Act to codify the standard for secondary liability, and (4) other solutions. Additionally, NAM noted that any proposed legislation "must be careful not to prescribe overly rigid requirements that may prevent e-commerce platforms from developing and utilizing innovative solutions to prevent the sale of counterfeits and assist in locating counterfeiters."

**a. Pass legislation imposing requirements on e-commerce platforms.**

Many of the Change Respondents—A2C2, ABA-IPL, Irwin IP, Susan Basko, AAFA, TRACIT, Toy Association, GBOC, the IP Law Association of Chicago (IPLAC), IACC, and RIAA—reference several potential

legislative solutions, including a requirement that e-commerce platforms comply with a list of minimum requirements to avoid liability for counterfeiting activities taking place on their sites. The Change Respondents suggest that the legislation be broad enough to cover all types of counterfeit products, not only those that implicate “health and safety.” A handful of respondents mention that legislation could require e-commerce platforms to vet sellers and enact a system to terminate the accounts of recidivist infringers.<sup>29</sup>

AAFA states that legislation should explicitly link safe harbor protection with the incorporation of “input from trademark owners [in]to the platform’s ‘proactive technological measures for screening goods.’” Moreover, AAFA states that legislation should “require platforms to terminate a third-party seller’s right to use the platform after two instances of an infringement” and impose secondary liability “on platforms that reinstate product listings based on information from a third-party seller that it knew or should have known was fraudulent or irrelevant.” GBOC and TRACIT recommend a similar standard of imposing a two- or three-strikes requirement that platforms permanently disable a particular seller upon actionable instances of infringement.

Several Change Respondents advocate for ease and expediency for reporting bad actors, as well as a requirement that platforms notify consumers who have or may have received counterfeit products. Some suggestions focus on seller vetting, such as: (1) requiring sellers to regularly provide e-commerce platforms information, particularly so that sellers with multiple accounts can be traced to the originating individual or entity (the Global Innovation Policy Center [GIPC], FDRA, and TRACIT), or (2) requiring online platforms to make their foreign sellers submit business licenses or identify a legal representative in the United States (FDRA). Other suggestions focus on consumers, such as a requirement for platforms

to promote consumer awareness of counterfeits (A2C2), to provide a list displaying what can and what cannot be sold on a platform (TRACIT), and to implement a seller rating system (GIPC). Finally, some Change Respondents make suggestions focused on communication, such as requiring platforms to share more information about problem sellers with brand owners (GIPC); to provide written explanations to brand owners when takedown requests are denied (AAFA and GBOC); and to share details about counterfeit listings with e-commerce coalitions, law enforcement, and brand owners (TRACIT and Toy Association).

The AAFA, TRACIT, and GBOC also propose imposing secondary liability on e-commerce platforms that provide a higher level of service to sellers. Specifically, the organizations suggest that secondary liability should be imposed if the platform: (1) is involved in the actual or apparent control of a product to fulfill an order; (2) facilitates payment; (3) highlights infringing products through dedicated advertisements or otherwise to enhance the visibility of the product (e.g., Amazon’s Choice); or (4) does not require a seller to create its own listing.

#### **b. Pass legislation relating to third-party seller identification.**

AAFA, the Toy Association, and TRACIT supported the passage of legislation relating to disclosing third-party seller information.<sup>30</sup> Although not focused on platform liability, these Change Respondents note that legislation of this type, which removes the anonymity of bad actors, could address the issues surrounding the sale of counterfeit products by providing much-needed information to consumers and brand owners about the identity of third-party sellers. TRACIT states that such legislation should have a low threshold in order to protect consumers from lower-volume sellers who may be part of a larger counterfeit ring network, and notes the importance of preventing “terminated

29 Several Change Respondents’ legislative proposals reference provisions in the SHOP SAFE Act of 2020, H.R. 6058, 116th Cong. (2020). The SHOP SAFE Act 2021 was introduced in the House of Representatives in the 117th Session of Congress, located at [https://judiciary.house.gov/uploadedfiles/shop\\_safe\\_act\\_bill\\_text.pdf](https://judiciary.house.gov/uploadedfiles/shop_safe_act_bill_text.pdf), with a companion bill in the Senate, located at [www.coons.senate.gov/imo/media/doc/shop\\_safe\\_senate\\_bill\\_text.pdf](http://www.coons.senate.gov/imo/media/doc/shop_safe_senate_bill_text.pdf).

30 Specifically, these Change Respondents reference the Integrity, Notification, and Fairness in Online Retail Marketplaces for Consumers (INFORM Consumers) Act, S. 3431, 116th Cong. (2020). A new and revised INFORM Consumers Act has been introduced in the current Congress. S. 936, 117th Cong. (2021), located at [www.congress.gov/bill/117th-congress/senate-bill/936](http://www.congress.gov/bill/117th-congress/senate-bill/936).

sellers from rejoining or remaining on the platform under a different alias or storefront.”

**c. Amend the Lanham Act to codify (and clarify) the standard for contributory liability.**

As noted previously, several Change Respondents (AAFA, ABA-IPL, A2C2, FDRA, GBOC, Toy Association, and TRACIT) state that the current standard for contributory liability favors e-commerce platforms and imposes too great a burden on brand owners. Despite the resistance to the current standard, particularly as it was interpreted by the Second Circuit in *Tiffany*, 600 F.3d 93, the Change Respondents are also overwhelmingly in favor of codifying the secondary liability standard in the Lanham Act.

Several of the Change Respondents (ABA-IPL, FDRA, GIPC, and IPLAC) advocate for a “reasonableness” standard for secondary trademark infringement liability. ABA-IPL proposes that an e-commerce company be held liable when it “reasonably could have ascertained the infringement or counterfeiting.” GIPC advances a similar standard, namely, “commercially reasonable efforts commensurate with the severity of the problem.” FDRA believes that what constitutes “reasonable” could be tied to the size of the marketplace, as well as the platform’s degree of involvement in the product promotion, display and labeling, handling, warehousing, and shipping. IPLAC also emphasizes the inherent flexibility in a “reasonableness” standard.

**d. Other proposed solutions.**

The Change Respondents propose a variety of other solutions to address the online counterfeiting issue. Some are legislative in nature. For example, NAM suggests broadening the definition of “counterfeit” in 18 U.S.C. § 2320(d)(1)(A)(ii) and providing a cause of action for victims to take against counterfeiters. Auto Innovators, along with IPLAC, advocate for a requirement that websites hosting infringing materials have policies and policing mechanisms in place to provide for the prompt removal of postings that advertise or sell infringing goods. (Status Quo

Respondents Engine Advocacy and EFF also propose the creation of an equivalent of the Digital Millennium Copyright Act (DMCA) for trademark infringement.) Specifically, Auto Innovators proposes the creation of an expedited infringement procedure for counterfeit or otherwise infringing goods sold in e-commerce.<sup>31</sup>

RIAA recommends easing the burdens currently in place to obtain statutory damages for secondary trademark infringement, especially to permit the possibility of statutory damages when a trademark application has been filed (with no necessity to wait for the registration of the mark with the USPTO). FDRA further recommends the consideration of “statutory civil penalties against Platforms for delays in taking down counterfeit and infringing listings and for failing to take reasonable measures to detect” counterfeit products.

A-CAPP recommends that brands participate in a recordation-type system, housed by the USPTO or another federal agency that would allow brand owners to provide information to e-commerce platforms and the public about the appearance of their marks, or how counterfeits may appear.

TRACIT also recommends that platforms be required to “destroy, or deliver to law enforcement, goods held in warehouses/fulfillment centers following the removal of a corresponding listing” and share “consumer complaints about counterfeit products with affected brands.” Further, TRACIT recommends that e-commerce platforms be required to “monitor and prevent fraudulent advertising” and that “care should be given to vetting customer posted reviews.”

A2C2 recommends that online marketplaces “indicate whether the seller is an authorized dealer or reseller” of automobile parts and “eliminate shipping practices that change the source of the product purchased.”

FDRA recommends that platforms be required to “block offers that include bad faith trademark and key words” such as “copy” or “replica” that indicate a trademark infringement; “verify source and authenticity of packages in partnership with logistics’ intermediaries and shipping companies”; “prevent

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31 According to Auto Innovators, “[s]uch a procedure would be somewhat analogous to the proposed Expedited Cancellation Pilot Program and, to a lesser extent, the Accelerated Examination procedure for eligible patent applications.”

intentionally deceptive online displays and labelling” such as “the platform’s #1 choice,” which can convey legitimacy; and “require Platforms to freeze accounts of sellers under suspicion to prevent the unauthorized and illegal movement of funds that would help make brand owners whole.”

**Question 5:** *Please provide any studies or other information in your possession that demonstrate whether a change in the law of secondary liability for trademark counterfeiting with respect to e-commerce platforms, online third-party marketplaces, and other online third-party intermediaries would be effective in reducing online sales of counterfeit goods or whether it would pose any risks.*

Four respondents specifically answered this question. Auto Innovators cites three law review articles<sup>32</sup> that address secondary trademark infringement liability in the e-commerce field. A-CAPP,<sup>33</sup> RIAA,<sup>34</sup> and TRACIT<sup>35</sup> also identify work they have performed in the area of secondary liability for trademark counterfeiting. Finally, RIAA cites a 2018 study conducted by the Danish Internet Forum regarding the impact of conducting strict identity checks for Denmark’s .dk domain name registrants on reducing intellectual property rights violations.<sup>36</sup> Generally these sources, and particularly those authored by the Change Respondents, conclude that there is a need for increased engagement by e-commerce platforms to prevent the sale of counterfeits.

**Question 6:** *Are there any other areas of law or legal doctrines that could help inform or supplement the*

*standard for secondary trademark infringement to reduce online sales of counterfeit goods?*

Respondents identify various other areas of law in response to this question. For example, GBOC commented that “product liability law, unfair competition law, anti-cybersquatting law, and advertising law may all help inform or supplement the existing secondary trademark infringement liability doctrine so as to reduce online sales of counterfeit goods.”

Multiple respondents (AAFA, A-CAPP, and GBOC) cite the area of product liability law as one that could inform the standard for secondary trademark infringement liability. They note the recent rise in product liability actions being filed in state courts against e-commerce providers after consumers were injured or killed by defective or counterfeit products sold by third-party sellers. A-CAPP states that if strict liability theory is expanded, namely by clarifying whether a platform was a seller, “either judicially or by statute,” it might “help further secure the e-commerce supply chain or to incentivize the vetting of sellers” to avoid strict liability “in cases where the third party seller cannot be found.”

Four respondents (AAFA, Auto Innovators, GBOC, and TRACIT) refer to European law, namely article 14 of the EU’s e-Commerce Directive (Directive 2000/31/EC), which requires online marketplaces and internet service providers to remove or disable access to any infringing information expeditiously upon becoming aware of it. GBOC cites two studies comparing the U.S. approach with the EU approach.<sup>37</sup>

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- 32 Graeme B. Dinwoodie, *Secondary Liability for Online Trademark Infringement: The International Landscape*, 37 Colum. J.L. & Arts 463 (2014) (analyzing, in part, the effect of extending Copyright Act § 512 to trademarks within the context of takedown notices for counterfeit goods); Michelle C. Leu, *Authenticate This: Revamping Secondary Trademark Liability Standards to Address a Worldwide Web of Counterfeits*, 26 Berkeley Tech. L.J. 591 (2011) (arguing for balancing framework, placing burden of proving available alternatives on plaintiff while requiring online service providers to implement anti-counterfeiting measures); Emily Favre, *Online Auction Houses: How Trademark Owners Protect Brand Integrity Against Counterfeiting*, 15 J.L. & Pol’y 165 (2007) (arguing against holding online auction houses secondarily liable).
- 33 A-CAPP’s submission discusses its work in this area, including a working paper that was published in February 2021. See Kari Kammel et al., *Responsibility for the Sale of Trademark Counterfeits Online: Striking a Balance in Secondary Liability While Protecting Consumers*, 49.2 AIPLA Q.J. (June 2021).
- 34 RIAA does not provide a link to any particular study; however, it does cite its submission to the Department of Commerce in response to the request for comments on the Presidential Memorandum on “Combating Trafficking in Counterfeit and Pirated Goods,” available at [www.regulations.gov/document?D=DOC-2019-0003-0074](http://www.regulations.gov/document?D=DOC-2019-0003-0074).
- 35 TRACIT & AAFA, *Fraudulent Advertising Online: Emerging Risks and Consumer Fraud* (2020), [www.tracit.org/featured-report-fraudulent-advertising-online.html](http://www.tracit.org/featured-report-fraudulent-advertising-online.html).
- 36 Danish Internet Forum, *Crime Prevention on the Internet* (2018), [DIFOs kriminalitetsbekaempelse\\_EN.pdf](http://difo.kriminalitetsbekaempelse.EN.pdf) (dk-hostmaster.dk).
- 37 See Ben Natter & Natalia Dulkowska, *Intermediary Liability and Indirect Infringement for Marketplaces in Europe and the United States*, JD Supra (Jul. 11, 2020), [www.jdsupra.com/legalnews/intermediary-liability-and-indirect-35670/](http://www.jdsupra.com/legalnews/intermediary-liability-and-indirect-35670/); and Béatrice Martinet & Reinhard J. Oertli, *Liability of E-Commerce Platforms for Copyright and Trademark Infringement: A World Tour*, 7 *Landslide*, no. 5 (2015),



Other areas of the law cited by the respondents include torts (Auto Innovators) and unfair competition (AAFA and GBOC). Some respondents also identify specific laws that may inform the USPTO's analysis, including the Anti-Cybersquatting Consumer Protection Act (AAFA and GBOC), Federal Trade Commission regulations on truth in advertising (AAFA and GBOC), the DMCA (Auto Innovators, RIAA, TRACIT, and Irwin IP), and the Communications Decency Act of 1996 (Auto Innovators).

## Closing

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The comments received in response to Federal Register Notice PTO-T-2020-0035 ("Secondary Trademark Infringement Liability in the E-Commerce Setting") presented an array of views in the stakeholder community, as can be seen above. These comments and views will assist in the USPTO's work pursuant to the DHS report and in ongoing discussions on the appropriate balance and structure of the law of secondary trademark infringement liability.

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[www.americanbar.org/groups/intellectual\\_property\\_law/publications/landslide/2014-15/may-june/liability-e-commerce-platforms-copyright-trademark-infringement-world-tour/.](http://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2014-15/may-june/liability-e-commerce-platforms-copyright-trademark-infringement-world-tour/)



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