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The Digital Dilemma: Counterfeit Culture And Brand Protection Reform In The E-Commerce Era

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THE DIGITAL DILEMMA: COUNTERFEIT CULTURE AND BRAND PROTECTION REFORM IN THE E-COMMERCE ERA

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In recent decades, the Internet's growth has revolutionized the modern shopping experience. With the rise of e-commerce platforms, consumers can now instantly access thousands of products. Unfortunately, the ease of online shopping has also supported the development of counterfeit culture and fueled a coinciding increase in trademark infringement. Furthermore, given the expected expansion of e-commerce, brand identity conveys substantial value in online marketplaces. This backdrop, coupled with a surge in trademark litigation since *Tiffany v. eBay*, demonstrates the importance of trademark reform. The current framework for assessing trademark infringement in e-commerce settings disproportionately burdens small businesses, and this Comment proposes a solution that aims to balance the interests of rightsholders, online marketplaces, and consumers. Moreover, additional safeguards like artificial intelligence and blockchain technology provide an extra layer of protection for businesses. Through better legislation and improved regulations, Congress can ensure that online marketplaces adapt to challenges posed by the digital age and advance the public good.

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I. INTRODUCTION

From shopping centers to stadiums, Americans are exposed to hundreds of trademarks daily.[1] A trademark is a "word, name, symbol, logo, design or any combination thereof that distinguishes *the goods* of one seller from those of others and indicates the source of *the goods*."[2] Early trademarks sprung into use thousands of years ago. Around 5000 B.C., people in China created pottery branded with the names of Chinese emperors.[3] Similarly, the ancient Egyptians placed distinctive marks on products like clothes and silverware, and the Romans left trademarks on their tableware.[4] Centuries later, with the end of the Civil War, concerns about international trademark infringement grew, resulting in the United States signing agreements for "reciprocal protection of trademarks with Russia, Belgium, and France."[5] After the United States passed Title 15, a federal trademark law providing protection against domestic infringers, "trademark registrations doubled to over 4,000" in 1905 and increased to more than 10,000 a year later.[6]

Today, with the rise of globalization, trademarks allow companies to expand their businesses into several jurisdictions.[7] The Internet is the vessel for globalization, bringing people and cultures together in an international

1. *See 7 Reasons Why Trademarks are Important for Startups*, ABOU NAJA (Dec. 3, 2020), https://abounaja.com/blogs/7-reasons-why-trademarks-are-important [https://perma.cc/9F5X-EE6T].

2. Jason Nolan, *Trademark Symbols Explained*, NOLAN IP LAW (Sept. 30, 2021), https://nolaniplaw.com/trademark/trademark-symbols-explained/ [https://perma.cc/5K4P-5BB4].

3. *See* Solange Ramirez, *The History of Trademarks all around the World*, iGERENT (June 30, 2021), https://igerent.com/history-trademarks-all-around-world [https://perma.cc/8LUR-N8H9].

4. *See id.*

5. Zvi S. Rosen, *Federal Trademark Law: From Its Beginnings*, AMERICAN BAR ASSOCIATION, https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2018-19/march-april/federal-trademark-law [https://perma.cc/L9QR-QUD2].

6. *Id.*; *see* Trade-mark Act of 1881, ch. 138, 21 Stat. 502–504; Trade-mark Act of 1905, ch. 592, 33 Stat 724–731.

7. *See Three Important Aspects of Worldwide Trademark Search to Know*, TMREADY (July 23, 2021), https://thetrademarksearchcompany.com/3-important-aspects-of-worldwide-trademark-search/ [https://perma.cc/2RYP-F6TM].

community.[8] In this environment, national borders quickly become irrelevant, since the Internet's reach helps brands cross borders and enter new markets.[9] Indeed, the digital age has reinvented almost every industry, and the retail sector is no exception.[10]

Electronic commerce, or e-commerce, took shape when Amazon started one of the first shopping websites in the early 1990s.[11] In the mid-1990s, online retail sales flourished.[12] eBay opened in 1995 as a website modeled after auction houses where shoppers could trade collectibles.[13] At its inception, e-commerce offered fairly limited options for consumers.[14] Today, it has evolved to support customization and mobile commerce.[15] Beginning in 2010, new sales models, like subscription boxes and direct-to-consumer models, emerged and gave online businesses an enormous tactical

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8. *See* Eleanor McKenzie, *The Impact of the Internet on Globalization*, TECHWALLA (Nov. 2, 2018), https://www.techwalla.com/articles/the-impact-of-the-internet-on-globalization [https://archive.is/pF1cQ].

9. *See* Jim Glassman, *The Internet's Impact on Retail*, J.P. MORGAN (Mar. 4, 2019), https://www.jpmorgan.com/commercial-banking/insights/internet-impact-on-retail [https://perma.cc/M2QY-LD8G].

10. *See* Dan Wallace-Brewster, *Retail Exclusivity In The Digital Age*, FORBES (Jan. 29, 2021), https://www.forbes.com/sites/forbescommunicationscouncil/2021/01/29/retail-exclusivity-in-the-digital-age/?sh=17b9b9e39ef8 [https://perma.cc/G9TE-Y7W8].

11. *See* Joe McFerrin, *The History of eCommerce: How Did it All Begin?*, IWD AGENCY (Sept. 23, 2021), https://www.iwdagency.com/blogs/news/the-history-of-ecommerce-how-did-it-all-begin [https://perma.cc/D5JF-SVLU].

12. *See* ANDI STEIN & BETH BINGHAM GEORGES, AN INTRODUCTION TO THE ENTERTAINMENT INDUSTRY 157 (2018).

13. *See id.* at 159.

14. *See* Steve Olenski, *The Evolution Of eCommerce*, FORBES (Dec. 29, 2015), https://www.forbes.com/sites/steveolenski/2015/12/29/the-evolution-of-ecommerce/?sh=64031a037145 [https://perma.cc/EKB4-5BA6].

15. *See* Trevin Shirey, *The Evolution of Ecommerce*, WEBFX (Sept. 19, 2019), https://www.webfx.com/blog/internet/the-evolution-of-ecommerce/ [https://perma.cc/NS7B-ZCNX].

advantage.[16] Subscription models bring more customers, provide predictable revenue, and boost return on customer acquisition costs.[17] As of March 2019, the top four online retailers are collectively responsible for 61.5% of e-commerce sales in the United States: Amazon (47%), eBay (6.1%), Walmart (4.6%), and Apple (3.8%).[18] In China, Alibaba, JD.com, Punduoduo, and Suning own more than 80% of the market share.[19]

Amidst this backdrop, the prevalence of counterfeit goods is an ongoing problem.[20] Proliferation of the Internet in daily life has made it more difficult for brands to protect their trademarks against counterfeit goods sold on online marketplaces.[21] The rise of online marketplaces as a primary means of consumption has led to the rampancy of counterfeit culture in the digital age.[22] Businesses have cause for concern as holes in existing trademark law have hampered the ability of brand owners and businesses to hold online marketplaces contributorily liable for the infringing activities of their users.[23] Thus, as branding changes to meet buyers' demands in the digital age, it becomes increasingly important for Congress to enact legislation to

16. *See* Beka Rice, *The eCommerce decade: How the 2010s changed online shopping*, JILT (Apr. 6, 2021), https://jilt.com/blog/decade-ecommerce-2010s/ [https://perma.cc/XX2W-HXVW] ("From 2014 to 2018, the subscription box market grew 890 percent." The direct-to-consumer model "became viable for smaller companies and startups; technological advances and cost reductions allowed brands to bring everything from sourcing to production to sales to shipping under one roof.").

17. *See 5 Advantages of Subscription Based Pricing*, FUSEBILL, https://blog.fusebill.com/advantages-subscription-based-pricing [https://perma.cc/YQF4-9CA7].

18. Rice, *supra* note 16.

19. *Id.*

20. *See* Katie Arcieri, *E-commerce Retailers, Government Sharpen Focus to Combat Counterfeit Goods*, S&P GLOBAL MKT. INTELL. (Oct. 11, 2021), https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/e-commerce-retailers-government-sharpen-focus-to-combat-counterfeit-goods-67011531 [https://perma.cc/L87J-R9T4].

21. *See* Justin Maya, *Counterfeit and "Knock-off" Goods Sold Online & the Battle to Prevent Trademark Infringement*, 500LAW (Feb. 12, 2015), https://500law.com/counterfeit-knock-off-goods-sold-online-battle-prevent-trademark-infringement/ [https://perma.cc/GTF8-WV46].

22. *See* Gina Boone, *Designing Dupes: A Legislative Proposal for Holding Online Marketplaces Contributorily Liable for Counterfeit Goods*, 31 FORDHAM INTELL. PROP. MEDIA & ENT. L. J. 1302, 1308–21 (2021).

23. *See* Maya, *supra* note 21.

hold online marketplaces liable for trademark infringement under a theory of contributory liability. In this way, such marketplaces would be held to the same standard as traditional brick-and-mortar stores.

Throughout the past few years, various legislative and scholarly proposals have been put forward.[24] These proposals tend to focus on harmonizing trademark law with copyright law, imposing broader knowledge requirements for proof of liability, and empowering consumers.[25] While these proposals are commendable, they do not adequately account for the different parties and contending interests involved in online transactions—online marketplaces, third-party vendors, and consumers.[26] Under such limitations, these proposals often place disproportionate burdens on one party over another, and they are simply not comprehensive enough.[27]

This Comment argues that trademark law should hold online marketplaces liable for trademark infringement under a theory of contributory liability because doing so would ensure that consumers' and rightsholders' needs are met in an online world. This Comment will also propose a framework for assessing contributory liability for online marketplaces which seeks to balance the interests of rightsholders and online marketplaces. Under this test, the standard of liability is determined by the nature of the online marketplace's interaction with third-party sellers and consumers. Part II will provide an overview on trademark law.[28] Part III will explain the Internet's development, with particular emphasis on its implications for e-commerce and trademark infringement.[29] Part IV will discuss the jurisprudence of federal and state courts.[30] Part V will propose a new test for online marketplaces regarding contributory liability for trademark infringement.[31] Part

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24. *See infra* Part V.B.

25. *See id.*

26. *See id.*

27. *See id.*

28. *See infra* Part II.

29. *See infra* Part III.

30. *See infra* Part IV.

31. *See infra* Part V.

VI will outline additional measures that, when supplemented with the proposed test, can curb trademark infringement in e-commerce.[32] Lastly, Part VII will conclude the Comment with an outlook on counterfeit culture in an e-commerce setting.[33]

II. TRADEMARK BACKGROUND

A. *Origins of Trademarks*

Trademark law derives from the Commerce Clause of the Constitution.[34] It is controlled by state and federal law.[35] Early on, state common law provided the primary source of trademark protection; "[h]owever, in the late 1800s, Congress passed the first federal trademark law."[36] From then onwards, federal trademark law mostly replaced the state's common law tradition as the primary source of authority.[37] Today, the Lanham Act, enacted in 1946, governs the scope of trademark law, and it covers issues like registration, qualifications for trademark, and trademark infringement.[38] The legislation created a national trademark registration system and prohibited the use of counterfeit goods and services in commerce.[39] Under the Lanham

32. *See infra* Part VI.

33. *See infra* Part VII.

34. *See* Uli Widmaier, *Use, Liability, and the Structure of Trademark Law*, 33 HOFSTRA L. REV. 603, 621 (2004).

35. *See Trademark Protection under State Common laws*, INTELL. PROP. CTR. (May 23, 2005), https://theipcenter.com/2005/05/trademark-protection-under-state-common-laws/ [https://perma.cc/C54T-8TWK].

36. *See id.*

37. *See id.*

38. *See* Sandra L. Rierson, *Pharmaceutical Counterfeiting and the Puzzle of Remedies*, 8 WAKE FOREST INTELL. PROP. L. J. 433, 436 (2008); *see also Trademark Protection under State Common laws*, *supra* note 35.

39. *See generally* Danielle Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 SANTA CLARA L. REV. 863, 870 n.37, 891 (2002); Rierson, *supra* note 38 at 436.

Act, the main remedy for infringement is injunctive relief, although actual damages, lost profits, and costs are potentially recoverable as well.[40]

B. Purpose of Trademarks

Trademarks serve a number of important functions in society.[41] Generally, they provide quality, advertising, and marketing functions.[42] Trademarks protect consumers from deceptive trade practices and shield producers from economic harm that results from the diversion of their customers.[43] When counterfeits infringe on marks, rightsholders often suffer damages from lost profits, injury to goodwill, as well as business reputation.[44] Furthermore, they reduce consumer search costs by acting as a unique identifier of goods.[45] Instead of meticulously studying the "provenance and qualities of every potential purchase," consumers use trademarks as indicators to make efficient purchasing decisions.[46] Finally, trademarks incentivize producers to consistently maintain their products and services at a specified quality.[47] When a brand's quality is inconsistent, it "will not lower search costs, so consumers will be unwilling to pay more for the branded than for

40. *See* Kurt M. Saunders & Gerlinde Berger-Walliser, *The Liability of Online Markets for Counterfeit Goods: A Comparative Analysis of Secondary Trademark Infringement in the United States and Europe*, 32 NW. J. INT'L L. & BUS. 37, 41 (2011).

41. *See* Timothy W. Blakely, *Beyond the International Harmonization of Trademark Law: The Community Trade Mark as a Model of Unitary Transnational Trademark Protection*, 149 U. PENN. L. REV. 309, 309–10 (2000).

42. *See* Mohammad Amin Naser, *Re-Examining the Functions of Trademark Law*, 8 CHI.-KENT J. INTELL. PROP. 99, 101 (2008).

43. *See* Mark McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1848 (2013).

44. *See* Sandra Rierson, *IP Remedies After eBay: Assessing the Impact on Trademark Law*, 2 AKRON INTELL. PROP. J. 163, 173 (2008).

45. *See* Stacey L. Dogan & Mark A. Lemley, *A Search-costs Theory of Limiting Doctrines in Trademark Law,* 97 TRADEMARK REP. 1223, 1223 (2007).

46. *See id.* at 1225.

47. *See* David W. Barnes, *A New Economics of Trademarks*, 5 NW. J. TECH. & INTELL. PROP. 22, 65 (2006).

the unbranded good."[48] In these ways, trademarks benefit the overall social welfare function by quantifying the goodwill of a business—the "special value" associated with the consumer loyalty generated by a seller's "advertising and investments in quality."[49]

C. Eligibility for Trademark Protection

The Lanham Act codifies the registration requirements for federal trademark protection.[50] To be eligible for federal trademark protection, a mark must be used in interstate commerce, affixed, distinctive, nonfunctional, and be based on non-prohibited content.[51] First, a trademark must be used in connection with the sale or transportation of goods or services across state lines.[52] Next, for a trademark to be deemed "affixed," it must be located on displays, containers, tags, labels, or directly on the goods themselves.[53] Trade dress is a type of trademark that protects the look and feel of a product.[54] Then, for a trademark to be distinctive, it must be able to differentiate itself from other marks or signs.[55] Distinctiveness is based on a spectrum, beginning with marks that are not distinctive and ranging from marks that

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48. *See* William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & ECON. 265, 270 (1987).

49. *See* Robert G. Bone, *Hunting Goodwill: A History of The Concept of Goodwill in Trademark Law*, 86 BOS. U. L. REV. 547, 549 (2006).

50. *See* David Gilmartin, *The Pennsylvania Trademark Act: Merely a Shadow of the Federal Lanham Act?*, 31 DUQ. L. REV. 541, 545 (1993).

51. *See* Mark E. Miller & Scott W. Pink, *Trademark Basics and Trademark Use*, O'MELVENY & MYERS LLP https://www.omm.com/omm_distribution/trademark/trademark_fundamentals_whitepaper.pdf [https://perma.cc/KTP5-VXSP].

52. *See* Amy B. Cohen, *Intent to Use: A Failed Experiment*, 35 UNIV. S.F. L. REV. 683, 687 (2001).

53. *See* Nicholas A. Kees & Alexander C. Lemke, *Use of Trademarks in the U.S.*, 13 NAT'L L. REV. (2021).

54. *See* Jean-Paul Ciardullo, *Can You Identify Your Trade Dress?*, FOLEY (July 18, 2016), https://www.foley.com/en/insights/publications/2016/07/can-you-identify-your-trade-dress [https://perma.cc/TH3A-TJVZ].

55. *See* Timothy Denny Greene & Jeff Wilkerson, *Understanding Trademark Strength*, 16 STAN. TECH. L. REV. 535, 564 (2013).

are very distinctive.[56] Furthermore, a mark cannot obtain protection if it contains a feature that is essential to a product's use or purpose or otherwise affects the product's cost or quality.[57] Finally, a mark cannot receive trademark protection if it is confusingly similar to other marks; if it is immoral, deceptive, or scandalous; or if it disparages another person.[58]

D. Trademark Infringement Claims

Showing a likelihood of confusion between two marks is the crux of a trademark infringement claim.[59] Courts generally rely on different considerations to complete this inquiry, and the Ninth Circuit draws on factors from *AMF Inc. v. Sleekcraft Boats*[60] for its assessment of such claims.[61] These include the following: (1) strength of the plaintiff's mark; (2) relatedness of the goods or services; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) likely degree of purchaser care; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines.[62] Juries usually decide whether there is a likelihood of

56. *See id.* (finding that generic marks never rise to the level of distinctive because they are commonly used); *see id.* at 548 (finding that descriptive marks are not inherently descriptive, so they must acquire secondary meaning to be considered distinctive); *see id.* at 549 (finding that suggestive marks are distinctive, and they allude to an underlying characteristic or quality of a product without describing it); *see id.* (finding that arbitrary marks are words that have a common meaning, one which has no relation to the goods or services for which the mark is used); *see id.* at 550 (finding that fanciful marks consist of invented or coined words made with the purpose of serving as a trademark); *see id.*

57. *See* D. Peter Hochberg, *Trademarks and Service Marks – Can They Be Registered if Functional?*, WALTER HAVERFIELD (March 13, 2018), https://www.walterhav.com/trademarks-and-service-marks-can-they-be-registered-if-functional/[https://perma.cc/DF7E-D628].

58. *See* Jonathan Schmig, *6 Common Reasons for Trademark Registration Refusal*, LAW INC. (Aug. 23, 2017), https://www.lawinc.com/trademark-registration-refusal [https://perma.cc/4DK3-N9F8].

59. *See* Margreth Barrett, *Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to Uses "In the Manner of a Mark"*, 43 WAKE FOREST L. REV. 893, 894 (2008).

60. AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979).

61. *See* Thuy Michelle Nguyen, *Multi-Time Machine v. Amazon: Confusion in the Likelihood of Confusion Analysis*, 51 LOY. L.A. L. REV. 341, 344 (2018).

62. *See id.* at 350.

confusion between two marks, using consumer surveys and evidence of actual consumer confusion.[63] To do this, social science experts "present consumers with a representation of the allegedly infringing product and ask them a number of questions that indirectly measure the level of confusion (e.g., who the consumers think made the product at issue, what other products originate from the same maker, etc.)."[64] Next, they "record consumers' answers and perform statistical analyses on the survey results."[65] Because trademarks target consumers, it is the real, rather than hypothetical, consumers that comprise the "audience for infringement."[66]

III. THE INTERNET ERA

A. *The Rise of the Internet*

Since the birth of the World Wide Web, the Internet has become a hub for commerce.[67] In the United States alone, e-commerce comprised around $2.1 trillion of the U.S. economy in 2018, which equates to about 10% of the nation's gross domestic product (GDP).[68] During the coronavirus pandemic, e-commerce sales surged over 30% from 2019 to 2020, and e-commerce

63. *See* Jeane C. Fromer & Mark A. Lemley, *The Audience in Intellectual Property Infringement*, 112 MICH. L. REV. 1251, 1259 (2014).

64. Irina D. Manta, *In Search of Validity: A New Model for the Content and Procedural Treatment of Trademark Infringement Surveys*, 24 CARDOZO ARTS & ENT. L.J. 1027, 1036–37 (2007).

65. *Id.* at 1037.

66. *See* Fromer & Lemley, *supra* note 63, at 1258–59.

67. *See* Michael L. Rustad & Diane D'Angelo, *The Path of Internet Law: An Annotated Guide to Legal Landmarks,* 10 DUKE L. & TECH. REV. 1, 15 (2011).

68. *See* DAVID SHEPARDSON, *INTERNET SECTOR CONTRIBUTES $2.1 TRILLION TO U.S. ECONOMY: INDUSTRY GROUP*, Reuters (SEPT. 26, 2019), HTTPS://WWW.REUTERS.COM/ARTICLE/US-USA-INTERNET-ECONOMY/INTERNET-SECTOR-CONTRIBUTES-2-1-TRILLION-TO-U-S-ECONOMY-INDUSTRY-GROUP-IDUSKBN1WB2QB [HTTPS://PERMA.CC/5JM5-3A2F].

constituted 14% of U.S. sales, rising from 11% in the previous year.[69] Indeed, e-commerce constitutes the fourth largest sector of the U.S. economy, trailing behind real estate, government, and manufacturing.[70]

Counterfeiting has become much more prevalent due to the onset of the Internet and online shopping.[71] Counterfeiting refers to the "practice of manufacturing and exchanging products that are branded to appear like their authentic counterparts but are not genuine."[72] As the Internet continues to expand, sales from e-commerce marketplaces are growing and will continue to do so, causing traditional retail to trail behind.[73] Online business owners are advantaged by the more accessible scalability, low overhead and high margins, and global access that e-commerce provides them.[74] Due to significant benefits like "[t]he convenience of 24-hour online shopping and home delivery, combined with much greater product choice," e-commerce will likely become the solitary form of retail consumption in the coming years.[75]

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69. Annie Palmer, *Groceries and Sporting Goods Were Big Gainers in the Covid E-Commerce Boom of 2020*, CNBC (Feb. 19, 2021), https://www.cnbc.com/2021/02/19/e-commerce-surged-during-covid-groceries-sporting-goods-top-gainers-.html [https://perma.cc/AB6R-3EVK].

70. *See* Shepardson, *supra* note 68.

71. *See* Roberto Fontana et al., *How Luxury Brands Can Beat Counterfeiters*, HARV. BUS. REV. (May 24, 2019), https://hbr.org/2019/05/how-luxury-brands-can-beat-counterfeiters [https://perma.cc/7KLZ-3LHW].

72. Karis Stephen et al., *Combating Counterfeit Goods in the Age of E-Commerce*, REGUL. REV. (Aug. 28, 2021), https://www.theregreview.org/2021/08/28/saturday-seminar-combating-counterfeit-goods-e-commerce/ [https://perma.cc/A2DG-C8YB].

73. *See* Pia Bogush, *Pros and Cons of eCommerce: What are the advantages and disadvantages of online retail?*, BUS. TECH WKLY. (May 6, 2021), https://www.businesstechweekly.com/online-sales-and-growth/selling-online/pros-and-cons-of-ecommerce/ [https://perma.cc/JTQ8-PFDM].

74. *See* Thomas Smale, *4 Reasons Why an Online Business is the Best Investment You Will Ever Make*, ENTREPRENEUR (Jan. 14, 2015), https://www.entrepreneur.com/article/241759 [https://perma.cc/D5BY-VBKP].

75. Christoph Ungerer, *The emerging markets e-commerce opportunity*, BROOKINGS (Mar. 26, 2021), https://www.brookings.edu/blog/future-development/2021/03/26/the-emerging-markets-e-commerce-opportunity/ [https://perma.cc/9GDS-4ULK].

The Internet has led to the development of various e-commerce marketplaces, such as Amazon and eBay, where "counterfeiters prey on consumers by allowing imitations to blend in with legitimate businesses."[76] "eBay, Inc., is an online auction website that facilitates commercial transactions between individual buyers and sellers, including small businesses." [77] It generates revenue by charging sellers fees to list their merchandise for sale and then charging a percentage of the price for which these goods are sold for facilitating the transaction.[78] While eBay does not take physical possession of the goods offered for sale on its website, it does maintain control over the sellers engaging in business on their platform by forcing all users to register with eBay and sign eBay's User Agreement.[79] This is important because it signifies that marketplaces exercise a degree of authority over their third-party sellers, so legal recourse is sometimes available for consumers.[80] The eBay VeRO program allows intellectual property rights owners to report counterfeit products or listings.[81] When a company suspects that a listing violates its intellectual property rights, it can file a Notice of Claimed Infringement (NOCI).[82] The NOCI form requires rights owners to assert ownership of a property right and a "good faith belief" that the listings infringe

76. *See* Boone, *supra* note 22, at 1309–10.

77. *See* Saunders & Berger-Walliser, *supra* note 40, at 45.

78. *See id.*

79. *See* Andrew Couts, *Terms & Conditions: When it comes to privacy, eBay is the anti-Facebook*, DIGITAL TRENDS (Feb. 10, 2013), https://www.digitaltrends.com/web/terms-conditions-ebay/ [https://perma.cc/JPG5-HAMQ]; Saunders & Berger-Walliser, *supra* note 40, at 45.

80. *See generally* James Bikoff, *Supporting Liability for Online Marketplaces that Allow Third-Party Sellers to Offer Defective and/or Counterfeit Products*, JD SUPRA (Mar. 24, 2021), https://www.jdsupra.com/legalnews/supporting-liability-for-online-3180683/ [https://perma.cc/M3UZ-72CC].

81. *See The eBay VeRO Program Explained (Verified Rights Owners Program)*, 3DSELLERS (Nov. 16, 2022), https://www.3dsellers.com/blog/ebay-vero [https://perma.cc/6CSL-HR4L].

82. *See id.*

such a right.[83] In this way, potentially infringing listings may be removed with NOCI forms.[84]

Because of the vast diversity of marketplaces available to counterfeiters, the full range of counterfeit goods extends from luxury items to children's toys.[85] Today, the probability of encountering counterfeit goods is higher due to the increase of third-party vendors.[86] While businesses sell their products on online marketplaces as first-party vendors, which produce sales directly, third-party sellers use them to sell products directly to customers.[87] Online marketplaces rely on third-party vendors to improve their product selections and increase their sales.[88] For example, Amazon takes a 15% cut from all sales by third-party sellers, irrespective of whether the sold products represent counterfeit goods.[89] Furthermore, since the company introduced third-party vendors to its website, it "has rapidly expanded its selection to more than 500 million items."[90] This confers a tremendous

83. Elizabeth K. Levin, *A Safe Harbor for Trademark: Reevaluating Secondary Trademark Liability after Tiffany v. eBay*, 24 BERKELEY TECH. L. J. 491, 497 (2009).

84. *See id.*

85. *See* Stephen et al., *supra* note 72; *Countering Counterfeits: The Real Threat of Fake Products*, NAT'L ASS'N OF MFR. 4, https://www.nam.org/wp-content/uploads/2020/07/CounteringCounterfeits.vF_.pdf [https://perma.cc/RJJ5-6SE2].

86. *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/?sh=7dae06646002 [https://perma.cc/N5W5-FACU].

87. *See* Joshua Fruchter, *Amazon Takes Aim at Patent Infringement in its Marketplace*, 13 NAT'L L. REV. 19 (2023).

88. *See* Jim Stirewalt, *From Good to Great: How to Use Third-Party Marketplaces to Enhance Your Online Customer Experience*, MARKETING DIVE (Sept. 24, 2021), https://www.marketingdive.com/spons/from-good-to-great-how-to-use-third-party-marketplaces-to-enhance-your-onl/607099/ [https://perma.cc/5BCQ-NZSU].

89. *See* Jay Greene, *How Amazon's Quest for More, Cheaper Products Has Resulted in a Flea Market of Fakes*, WASH. POST (Nov. 14, 2019), https://www.washingtonpost.com/technology/2019/11/14/how-amazons-quest-more-cheaper-products-has-resulted-flea-market-fakes/ [https://perma.cc/WDQ6-RDCY].

90. *See id.*

commercial advantage, since the "massive selection" works to "drive prices down across the site, luring shoppers in the process."[91]

Counterfeit goods impose several harmful costs to manufacturers.[92] First, they devalue manufacturers' investments in innovation and infringe their intellectual property rights.[93] Sellers providing counterfeit products charge lower prices, resulting in the "perceived devaluation of the real products."[94] In addition, counterfeits damage brand names and business reputations by infringing trademarks and confusing consumers with respect to the quality and source of products and services.[95] The presence of counterfeit goods forces businesses to expend valuable resources on "policing platforms" and brand protection, which diverts funds from product improvement, technological development, wage growth, and job creation.[96] Consequently, several luxury brands have stopped selling their products directly to online marketplaces like Amazon. As a result, Amazon now relies on third-party vendors to stock these products on its platform instead.[97] Most importantly, counterfeiters become competitors of legitimate businesses, slicing up their sales and market shares by freeriding on investments in research and brand development.[98] For example, the presence of counterfeit Nike goods on Amazon was financially damaging because counterfeiters profited from undercutting the company through the extensive sale of popular shoes

91. *See id.*

92. *See Countering Counterfeits: The Real Threat of Fake Products*, NAT'L ASS'N OF MFR., https://www.nam.org/wp-content/uploads/2020/07/CounteringCounterfeits.vF_.pdf [https://perma.cc/RJJ5-6SE2].

93. *See id.*

94. *See 6 Low-Key Ways Your Brand Can Be Devalued Really Fast*, RED POINTS, https://www.redpoints.com/blog/brand-devaluation/ [https://perma.cc/7ZLV-K5WA].

95. *See Countering Counterfeits: The Real Threat of Fake Products*, *supra* note 92.

96. *See id.*

97. *See* Greene, *supra* note 89 (stating, for instance, brands like Louis Vuitton have noted the costliness of policing online marketplaces for counterfeit goods).

98. *See* Kevin Lewis, *The Fake and the Fatal: Consequences of Counterfeits*, 17 THE PARK PLACE ECON. 47, 52 (2009).

such as Air Jordans, which cost $200 a pair.[99] As such, counterfeit goods threaten to diminish U.S. economic growth.[100]

Furthermore, counterfeit goods threaten consumers.[101] Counterfeiters take advantage of consumers' desires for lower prices, and consumers pay the final price by being put in harm's way.[102] Much of the harm centers on health and safety.[103] For instance, many typical counterfeit goods, like helmets, that fail to meet government-approved safety standards can mean the difference between life and death when they cannot perform their functions.[104] For example, in the best case scenario, counterfeit drugs may fail to provide therapeutic value.[105] It is clear, then, that counterfeit goods have a direct impact on the lives of consumers.

B. Challenges of an E-Commerce Setting

Just as e-commerce provides unique opportunities for business owners, it poses serious problems for law enforcement. First, it makes it difficult to ascribe liability to any particular defendant.[106] The defining feature of e-

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99. *See* Katie Arcieri, *Nike's Breakup with Amazon May Lead to Other Brands to Call it Quits: Analysts*, S&P GLOBAL MARKET INTELLIGENCE (Jan. 6 2020), https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/nike-s-breakup-with-amazon-may-lead-other-brands-to-call-it-quits-analysts-56193375 [https://perma.cc/AE7B-MQ5L].

100. *See* Lewis, *supra* note 98, at 52 (For example, in 2019, counterfeiting "subtracted nearly $131 billion from the U.S. economy, including direct, indirect and included economic impacts."); *Countering Counterfeits: The Real Threat of Fake Products*, *supra* note 92, at 4 (amounting to "$22.3 billion of lost labor income, 325,542 fewer jobs, $5.6 billion of lost federal tax revenues and nearly $4 billion less in state and local tax collections."); *id.*

101. *Countering Counterfeits: The Real Threat of Fake Products*, *supra* note 92, at 5.

102. *See* Elizabeth Gasiorowski Denis, *Crackdown on Counterfeiting*, ISO (Jan. 8, 2014), https://www.iso.org/news/2014/01/Ref1809.html [https://perma.cc/H7BM-NVY2].

103. *Countering Counterfeits: The Real Threat of Fake Products*, *supra* note 92 at 1 (stating counterfeit products include cosmetics, toys, and pharmaceuticals).

104. *Id.* at 5.

105. *See Fake Drugs 101: Facts on Illegal, Counterfeit Drugs*, PFIZER, https://www.pfizer.com/news/articles/fake_drugs_101_facts_on_illegal_counterfeit_drugs#:~:text=In%20the%20worst%20case%2C%20some,rat%20poison%2C%20or%20cement.%E2%80%9D&text=Consuming%20counterfeit%20drugs%20can%20have,and%20overall%20global%20public%20health [https://perma.cc/PP3C-PMTU].

106. *See* Pamela R. Kaplan, *The Shifting Definition of 'Seller': E-Commerce Product Liability Claims in NJ*, NJ L.J. (Jan. 15, 2021), https://www.law.com/njlawjournal/2021/01/15/the-

commerce is its network.[107] This means that "the whole transaction process, such as information transfer, payment, as well as delivery of physical commodities which are usually taken place and completed simultaneously in traditional transactions, is separated in e-commerce and completed with the participation of various service providers."[108] The Internet's ability to allow users to stay anonymous gives counterfeiters a significant advantage, making it more difficult for officials to trace criminal activity to its source.[109] Thus, counterfeiters tend to open several seller accounts so that, if a platform closes one of their accounts, they can simply create a new one.[110] Furthermore, even when government officials successfully track criminals, jurisdictional limits may hamper their ability to bring charges against them.[111] For example, Canadian courts maintain jurisdiction on crimes committed on Canadian territory.[112] Though content providers "may physically reside, conduct their business, and locate their servers in a particular location," their content is still available from anywhere worldwide.[113] Since many third-party vendors do not reside in the United States, they are "shielded from legal accountability."[114] In this way, "[t]raditional principles of international jurisdiction, par-

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shifting-definition-of-seller-e-commerce-product-liability-claims-in-nj/ [https://perma.cc/WK2Y-4C4D].

107. *See Common Issues of Trademark Infringement in E-commerce and Enforcement*, KING & WOOD MALLESONS (Aug. 4, 2014), https://www.kwm.com/en/cn/knowledge/insights/china-bulletin-2014-08-02-20140804 [https://perma.cc/6SXE-3T8U].

108. *Id.*

109. *See* John H. Zacharia & Kari Kammel, *Congress's Proposed E-commerce Legislation for Regulation of Third Party Sellers: Why It's Needed and How Congress Should Make It Better*, 21 U.C. DAVIS BUS. L.J. 91, 96 (2020).

110. *See* Bikoff, *supra* note 80.

111. *See* Roger A. Grimes, *Why It's so Hard to Prosecute Cyber Criminals*, CSO (Dec. 6, 2016), https://www.csoonline.com/article/3147398/why-its-so-hard-to-prosecute-cyber-criminals.html [https://perma.cc/V8FU-KJTU].

112. *See* Pierre Trudel, *Jurisdiction over the Internet: A Canadian Perspective*, 32 INT'L L. 1027, 1032 (1998).

113. *See* Kevin A. Meehan, *The Continuing Conundrum of International Internet Jurisdiction*, 31 BOS. C. INT'L & COMP. L. REV. 345, 349 (2008).

114. *See* Bikoff, *supra* note 80.

ticularly territoriality, are poorly suited for this sort of environment of geographic anonymity."[115] Courts have attempted to produce compelling solutions, albeit to no avail, and so there is currently no uniform global standard for Internet jurisdiction.[116]

Because of the challenges of an e-commerce setting, governments must develop new ways to combat trademark infringement. Governments must cooperate with the private sector to dismantle criminal infrastructures. This would necessitate new legislation, applications, and amendments to existing laws.[117] While many governments have begun making more targeted efforts against online marketplaces, the unequal involvement of international authorities continues to hamper large-scale progress.[118]

IV. CURRENT LANDSCAPE OF TRADEMARK LAW

The U.S. Supreme Court described the rule for secondary trademark infringement in *Inwood Labs, Inc. v. Ives Labs, Inc*.[119] The Court reasoned that drug manufacturers could be found contributorily liable for trademark infringement if they knew that a group of pharmacists had intentionally mislabeled generic drugs as brand name drugs in an effort to deceive customers.[120] This case established the *Inwood* test, which articulates that a manufacturer or distributor is liable for contributory trademark infringement if he either "intentionally induces another to infringe a trademark," or (2) "continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement."[121] Alhough this test originally applied

115. *See* Meehan, *supra* note 113, at 349.

116. *Id.* at 345–46.

117. *See* Trudel, *supra* note 112, at 1028.

118. *See How Ecommerce Platforms and Governments Are Taking Steps to Fight Online Counterfeits*, INCOPRO, https://www.incoproip.com/how-ecommerce-platforms-and-governments-are-taking-steps-to-fight-online-counterfeiters/ [https://perma.cc/Y5UN-QL4L].

119. Inwood Labs, Inc. v. Ives Labs, Inc., 456 U.S. 844, 853–54 (1982).

120. *See id.* at 854.

121. *Id.*

to manufacturers or distributors for contributory liability, the Second Circuit later incorporated the approach to cases involving online marketplaces.[122]

In 2010, the Second Circuit in *Tiffany v. eBay*[123] addressed secondary liability in the context of an online marketplace.[124] Tiffany & Co., a luxury jewelry company, discovered various counterfeit Tiffany products offered on eBay's website.[125] eBay received around $4.1 million in revenue from Tiffany jewelry listings, numerous of which were counterfeits.[126] Tiffany reported the issue to eBay and requested that it remove the listings.[127] While eBay fulfilled Tiffany's request by taking down specific listings, it did not thoroughly check all Tiffany product listings to search for potential counterfeit goods.[128] Soon afterwards, Tiffany sued eBay for contributory infringement.[129] The court held that although Tiffany informed eBay about sixteen separate counterfeit Tiffany products on its website and shared several customer complaints about counterfeit Tiffany products, eBay did not meet the requisite level of knowledge required under *Inwood*.[130] The *Tiffany* court explained that eBay's attempt to decrease the number of counterfeits by removing specific listings and suspending repeat infringers' accounts weighed against a finding of liability under *Inwood*.[131]

122. *See* Boone, *supra* note 22, at 1316.

123. Tiffany Inc. v. eBay Inc., 600 F.3d 93 (2d Cir. 2010).

124. *See* Saunders & Berger-Walliser, *supra* note 40, at 39.

125. *See Tiffany Inc.*, 600 F.3d at 97.

126. *See id.* at 98.

127. *See id.* at 99.

128. *See id.* at 98–99.

129. *See id.* at 103.

130. *See* Hayley Dunn, *What's in Your Box? Removing the Tiffany Standard of Knowledge in Online Marketplaces*, 29 CATH. U. J. L. & TECH. 91, 100 (2021).

131. *See id.*

A few years later, a California court ruled in favor of Amazon under the *Tiffany* approach. In *Tre Milano v. Amazon*,[132] Tre Milano, a manufacturer of iron hair straighteners, filed direct and contributory trademark infringement claims against Amazon after discovering numerous counterfeit versions of its product.[133] The company argued that Amazon's response to its takedown measures was inadequate.[134] Between May 2010 and April 2011, for instance, Tre Milano sent 311 Notices of Claimed Infringement (NOCI) to Amazon, 85 of which were for follow-ups for infringing listings which had still not been removed from the online marketplace.[135] Nevertheless, it failed to demonstrate a likelihood of succeeding on its direct and contributory infringement claims against Amazon.[136] Under the court's reasoning, since Amazon removed the infringing listings, it was not willfully blind, and not responsible for the counterfeit goods.[137]

Shortly afterwards, a different court delivered a triumphant win for luxury brand owners.[138] In *Chloe SAS v. Sawabeh Information Services Co.*,[139] companies like Chloé, Cartier, and A. Lange & Söhne sued Sawabeh Information Services Company and TradeKey for contributory trademark infringement.[140] Since this was the first case that held an online marketplace liable for contributory trademark infringement, it represented a significant

132. Tre Milano, LLC v. Amazon.Com, Inc., No. B234753, 2012 WL 3594380 (Cal. Ct. App. Aug. 22, 2012).

133. *See* Nicholas J. Tardif, *California Appellate Court Upholds Amazon's Anti-Counterfeiting Measures*, COWAN, DEBAETS, ABRAHAMS & SHEPPARD LLP (Sept. 10, 2012), https://cdas.com/california-appellate-court-upholds-amazons-anti-counterfeiting-measures/ [https://perma.cc/8RJX-593K].

134. *See id.*

135. *See id.*

136. *See Tre Milano, LLC*, 2012 WL 3594380 at 24.

137. *See id.*

138. Ashley Bumatay, *A Look At TradeKey: Shifting Policing Burdens From Trademark Owners to Online Marketplaces*, 11 HASTINGS BUS. L. J. 341, 341–42 (2015).

139. Chloe SAS v. Sawabeh Info. Servs. Co., No. CV 11-4147, 2013 U.S. Dist. LEXIS 187398 (C.D. Cal. Oct. 8, 2013).

140. *See* Bumatay, *supra* note 138, at 341.

deviation from *Tiffany*.[141] TradeKey operates as a "group of offshore internet companies" and does not sell goods directly to consumers.[142] Unlike other online marketplaces like Amazon, TradeKey did not earn revenue by sharing in the sales transactions between third-party vendors and consumers.[143] Instead of taking a percentage of the transactions processed through its site, it collected money by charging for premium memberships and "directly solicited wholesale counterfeit buyers and distributors to become paying premium members."[144] Plaintiffs in this case hired a private investigator to search for potentially counterfeit goods on TradeKey's platform.[145] After purchasing a premium membership, a TradeKey employee reached out to the investigator and advised him on how to sell counterfeit goods on the platform.[146] After creating an account, the investigator tried to establish a following on the website.[147] The company also removed the word "replica" from the investigator's advertisements in order to disguise the counterfeit goods.[148] The investigator soon learned that there were more than six thousand third-party vendors selling branded goods on the platform, including Chloé-branded goods, Cartier branded goods, and Mont Blanc-branded goods.[149] These third-party vendors had no permission from the plaintiffs to offer genuine goods for sale.[150] Furthermore, the investigator purchased confirmed counterfeit goods on the platform.[151] The court ruled that TradeKey had knowledge of infringing activity because it managed two sales divisions

141. *See id.* at 341–42.

142. *See id.* at 351.

143. *See id.*

144. *See id.*

145. *See id.*

146. *See id.*

147. *See id.*

148. *See id.* at 351–52.

149. *See id.* at 352.

150. *See id.*

151. *See id.*

for "Replica Products" and "Replica Retention."[152] In contrast with *Tiffany*, these named divisions indicated that TradeKey knew of the existence of counterfeit goods on its website. While eBay had generalized knowledge of infringement, it lacked specific knowledge.[153] During the investigator's work, a TradeKey employee reassured him that selling counterfeit luxury goods was not a problem for the company, since it relied on such products to bring in a great deal of revenue.[154] The evidence further indicated that TradeKey retained extensive control over its website and listings, choosing keywords for premium members to promote their sales.[155] The platform, which monitors and extensively controls all aspects of listings, did not even allow members to change their listings.[156] Therefore, the court granted the plaintiffs' summary judgment motion addressing TradeKey's contributory counterfeiting and also granted their request for a permanent injunction.[157] The scope of the injunction was extensive, as it prohibited TradeKey from helping customers "buy, sell, manufacture, or distribute" trademarked products in any way, displaying products that feature any of the plaintiffs' marks, using the plaintiffs' marks as identifiers, and facilitating direct infringement.[158]By requiring e-commerce marketplaces to take measures to police trademarks, the TradeKey decision focused on producing proactive responses for trademark infringement.[159]

Other courts have also ruled in favor of rightsholders. In *Spy Optic Inc. v. Alibaba.com Inc.*,[160] a California court found that Alibaba could be con-

152. *See id.* at 353.

153. *See id.* at 349.

154. *See id.* at 353.

155. *See id.*

156. *See id.*

157. *See id.*

158. *See id.*

159. *See id.* at 354.

160. Spy Optic Inc. v. Alibaba.com, Inc., 163 F.Supp.3d 755 (C.D. Cal. 2015).

tributorily liable for trademark infringement due to counterfeit goods available on its website.[161] Alibaba is an e-commerce platform that joins Chinese manufacturers and suppliers to small and medium-sized businesses worldwide.[162] Alibaba opposed the state court's reasoning, arguing that its program, AliProtect, provided a system for brand owners to report and remove infringing products.[163] The court disagreed, explaining that even though the plaintiff relied on AliProtect to monitor counterfeit goods, the infringer continued to post counterfeit products to Alibaba's website.[164] Unlike in Tiffany, where eBay removed counterfeit listings and punished repeat offenders, Alibaba failed to take action against reported infringers. Since Alibaba knew that the business was involved in trademark infringement and had the power and means to restrain the company from doing so, Alibaba was liable for contributory trademark infringement.[165]

V. A CONTEMPORARY FRAMEWORK FOR AN E-COMMERCE SETTING

Given the tensions between brand owners and online marketplaces, existing law simply does not account for the implications of e-commerce on trademark infringement.[166] The following section discusses the shortcomings of trademark law, as well as weaknesses in scholarly and legislative proposals. It will conclude with a new test used to determine whether to hold online marketplaces liable for contributory trademark infringement—one which seeks to balance the interests of brand owners and online marketplaces. Under this test, the requisite standard of liability is determined by the nature of the online marketplace's interaction with third-party sellers and consumers.[167]

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161. *See id.*

162. *See* Yulia Volyntseva, *Alibaba vs AliExpress: Which is Best for Dropshopping?*, BUS. TECH. WKLY. (Apr. 9, 2022), https://www.businesstechweekly.com/online-sales-and-growth/selling-online/alibaba-vs-aliexpress/ [https://perma.cc/8M3E-YSV7].

163. *Spy Optic Inc.*, 163 F.Supp.3d at 766.

164. *See id.*

165. *See id.*

166. *See id.* at 755.

167. *See infra* Part V.C.

A. Deficiencies in Trademark Law

It is nearly impossible for brand owners and rightsholders to completely eliminate counterfeiting in online marketplaces.[168] Unfortunately, current law makes it even more difficult for them to pursue contributory trademark infringement claims against third-party online retailers.[169] These parties must demonstrate that e-commerce marketplaces knew or had reason to know that third-party vendors were engaged in the sale of counterfeit goods.[170] This is very challenging for plaintiffs to prove, and as such, e-commerce marketplaces like Amazon and eBay are usually not held liable for trademark-infringing counterfeit goods.[171] The reasoning behind this is that these marketplaces act as "passive e-commerce facilitators," rather than active infringers.[172] However, in order to promote the objectives of trademark law, both active and passive infringers must be held liable for infringement occurring on e-commerce marketplaces.[173] Since the Lanham Act lacks provisions for assigning liability for third parties, courts must resort to traditional tort law principles of contributory liability (enterprise liability and imputed intent).[174] Furthermore, the Supreme Court has failed to provide adequate guidance regarding secondary trademark infringement on the Internet.[175] Without trademark reform, courts will apply the *Inwood* standard, which currently lacks vigor due to the prevalence of the e-commerce

168. *See* Boone, *supra* note 22, at 1340.

169. *See* Julie Giardina, *USPTO to Consider Secondary Trademark Infringement in E-Commerce*, WOMBLE BOND DICKINSON (Dec. 16, 2020), https://www.womblebonddickinson.com/us/insights/alerts/uspto-consider-secondary-trademark-infringement-e-commerce [https://perma.cc/4AVU-86D7].

170. *See id.*

171. *See* Jack Greiner, *Strictly Legal: Ohio State University prevails in trademark fight with online marketplace*, CINCINNATI.COM (Mar. 3, 2021), https://www.cincinnati.com/story/money/2021/03/03/strictly-legal-osu-prevails-trademark-fight-online-marketplace/6901496002/ [https://perma.cc/PAC9-7R5A].

172. *See* Ohio State Univ. v. Redbubble, Inc., 989 F.3d 435, 440 (6th Cir. 2021).

173. *See* Virginia Welch, *Contributory Trademark Infringement: Who Bears the Burden of Policing Online Counterfeit Activity?*, 13 SMU SCI. & TECH. L. REV. 361, 364 (2010).

174. *See id.*

175. *See id.* at 365.

era. Therefore, courts continue using the obsolete *Inwood* approach, failing to balance the needs and interests of online marketplaces, brand owners, and consumers alike.

B. Deficiencies in Scholarly and Legislative Proposals

1. Scholarly Proposals

In the wake of e-commerce growth, scholars and educators have offered a variety of perspectives regarding possible solutions.[176] These proposals focus on adopting safe harbor provisions inspired by copyright law and modifying or eliminating *Tiffany*'s knowledge requirement.[177] While they have their merits, they do not fully address the rights and interests of all stakeholders in e-commerce transactions: consumers, third-party vendors, and online marketplaces.[178] In order to effectively reduce trademark infringement in e-commerce, however, the collective efforts of these stakeholders are vitally necessary.[179]

A relatively well-known proposal focuses on aligning trademark law with copyright law to mirror the safe harbor provisions in the Digital Millennium Copyright Act (DMCA).[180] The DMCA "is a United States copyright law that significantly limits the liability of online service providers for copyright infringement committed by their users."[181] It was enacted in 1998 to balance the interests of copyright holders with those of internet users.[182] As such, it "shifted the burden to service providers to take action to remove

176. *See supra* Part V.B.

177. *See supra* Part V.B.

178. *See infra* Part V.C.

179. *See infra* Part V.C.

180. *See* Justin Nicholas Redman, Note, *Post Tiffany (NJ) Inc. v. eBay, Inc.: Establishing a Clear, Legal Standard for Online Auctions*, 49 JURIMETRICS 467, 483 (2009).

181. *See* Brianne Schaer, *What is the Digital Millennium Copyright Act?*, REPUTATION X (Aug. 30, 2022), https://blog.reputationx.com/dmca [https://perma.cc/8E5T-FGX9].

182. *See id.*

infringing content once they received notice of infringement from a copyright owner."[183] Under Title II of the DMCA, internet service providers (ISPs) who comply with certain "notice and takedown" requirements can escape financial liability in the event that a particular subscriber commits copyright infringement.[184] Besides their responsibility to take down potentially infringing material, ISPs must follow various provisions: they "must (1) not generate financial gain from the infringement; (2) not have actual knowledge of the facts indicating infringement; (3) when learning of potential infringement, take swift action to remove or disable access to the infringing transmission; and (4) create and execute a policy of terminating the accounts of repeat infringers."[185] Currently, since there is no equivalent to DMCA in the trademark context, online marketplaces face legal uncertainty regarding their risks for trademark infringement liability.[186] Without these safe harbor provisions, which incentivize service providers to police their marketplaces, online marketplaces no longer have a powerful incentive to police counterfeit sales.[187] Proponents of this change argue that it would promote "the Internet's development, [create] incentives for cooperation between rightsholders and online entities, and [offer] guidance for infringement liability."[188] The problem with this proposal, however, is that it falls short of ensuring protection because it is not completely effective in its repeat infringer policy and features a tension between actual and red flag knowledge.[189] Under the DMCA, red flag knowledge occurs when a service

183. *Id.*

184. *See* Redman, *supra* note 180, at 489.

185. *See id.*

186. *See* Alessandra Backus, *Passing the Virtual Buck: How the Ninth Circuit Used Contributory Trademark Law to Expand Liability for Web Hosts*, 19 J. INTELL. PROP. L. 427, 429 (2012).

187. *See* Samantha J. Levin, *Online Marketplaces' Responsibility for Harm from Counterfeit Cosmetics*, 22 N.C. J.L. & TECH. 143, 170 (2020).

188. Boone, *supra* note 22, at 1329.

189. *See id.* at 1329–30.

provider is aware of facts or circumstances of apparently infringing activity.[190] The DMCA lacks a clear regulatory framework, as evidenced by the fact that there "is no exact timeframe for notice-and-takedowns."[191] This means that rightsholders and brand owners must do more than their due diligence to protect their trademarks from being devalued by counterfeit goods.[192] Furthermore, courts also provide scant guidance for the DMCA's repeat infringer policy.[193] Existing law "does not specify a clear repeat infringer policy, nor does it require online marketplaces to make termination procedures publicly available."[194] Because courts are not requiring ISPs to create stricter policies, the DMCA's repeat infringer policy places higher burdens for rightsholders and fails to effectively deter counterfeit goods and trademark infringement.[195] Finally, the DMCA's knowledge requirements do not align with *Tiffany*'s knowledge requirement.[196] The concern is that if new proposals do not implement the *Tiffany* knowledge standard, courts may eventually find that a knowledge requirement is necessary for contributory trademark law.[197] This would impose a more rigorous standard of proof for rightsholders.[198]

Other scholars, like Hayley Dunn, an intellectual property trial attorney, argue that the most appropriate way to address the rise of counterfeit goods would require removing the knowledge requirement, as set forth in *Tiffany*, for online marketplaces.[199] Under this proposal, *Tiffany*'s knowledge standard must be removed "either by creating a statutory willful

190. *See* Hank Fisher, *Danger in the DMCA Safe Harbors: The Need to Narrow What Constitutes Red Flag* Knowledge, 49 UNIV. RICHMOND L. REV. 643 (2015).

191. *See* Boone, *supra* note 22, at 1329.

192. *See id.* at 1329–30.

193. *See id.* at 1330.

194. *See id.*

195. *See id.* at 1329–30.

196. *See id.* at 1330–31.

197. *See id.*

198. *See id.* at 1331.

199. Dunn, *supra* note 130, at 129.

blindness standard for online contributory trademark infringement, or by passing the SHOP SAFE Act."[200] Under a statutory willful blindness standard, online marketplaces who are aware that they may be selling infringing goods but nevertheless intentionally fail to investigate them would meet knowledge requirements, and face liability.[201] The implementation of a willful blindness standard, however, would be unduly onerous on rightsholders, subjecting them to financial and time burdens.[202] Efforts to detect trademark infringement and discover counterfeit goods are expensive and can require a great deal of investment, especially if there are numerous listings and third-party sellers.[203] Such measures would put small businesses at a major disadvantage, since they have less assets, limited employees, and less revenue compared to large companies and corporations.[204] Dunn's alternative, the passage of the SHOP SAFE Act, is also inadequate. First, the Act only covers counterfeit goods that threaten consumer health and safety.[205] The legislation, then, is overinclusive because it could arguably apply to nearly any product.[206] Furthermore, the Act limits brand owners' recourse for several reasons.[207] While the Act specifies that online marketplaces must establish a timely takedown of counterfeit listings, it fails to provide an exact process for doing so and neglects to implement a requirement for a specific time period for takedowns.[208] In addition, the Act's proposed repeat infringer policy

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200. *See id.* at 129.

201. *See* Boone, *supra* note 22, at 1316.

202. *See id.* at 1322–23.

203. *See id*. at 1323.

204. *See generally*, John A. Welsh & Jerry F. White, *A Small Business Is Not a Little Big Business*, HARV. BUS. REV. (July 1981), https://hbr.org/1981/07/a-small-business-is-not-a-little-big-business [https://perma.cc/S7Y2-VXVB].

205. *See* Boone, *supra* note 22, at 1341.

206. *See* Cara Gagliano & Katherine Trendacosta, *SHOP SAFE Is Another Attempt to Fix Big Tech That Will Mostly Harm Small Players and Consumers*, ELEC. FRONTIER FOUND. (Sept. 24, 2021), https://www.eff.org/deeplinks/2021/09/shop-safe-another-attempt-fix-big-tech-will-mostly-harm-small-players-and [https://perma.cc/7M4X-BH87].

207. *See* Boone, *supra* note 22, at 1341–44.

208. *See id.* at 1342.

fails by nature of its vagueness.[209] For instance, under the Act, online marketplaces must "terminate sellers who engage in more than three instances of using a counterfeit mark."[210] However, the Act does not mention whether "three instances" refers to the number of counterfeit listings or whether it refers to the number of occasions a seller was involved in counterfeit activity.[211]

Other scholars, like Andrew Lehrer, an intellectual property attorney, propose three alternative solutions: (1) implementing a trademark statute that mimics the DMCA, (2) creating a clearer and broader knowledge requirement, and (3) giving buyers more power to report infringing activity.[212] These solutions, while beneficial, are short-term and not comprehensive enough for wide-scale reform.[213] The first solution is ineffectual because of the DMCA's unsuccessful takedown process, repeat infringer policy, and knowledge requirements.[214] While a more explicit definition on the type of knowledge required for service providers would clearly be beneficial, it does not address the issue that online marketplaces have varying degrees of involvement with third party sellers.[215] Thus, the second solution is a temporary one at best. Regarding the third alternative, consumers already play an important role in reporting infringing activity since they usually send complaints to retailers and online marketplaces for defective products.[216] Furthermore, this option merely shifts more responsibility on consumers, rather than spreading the burden equally among all stakeholders involved in e-commerce transactions.[217]

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209. *See id.* at 1343.

210. *Id.*

211. *See id.*

212. *See* Andrew Lehrer, *Tiffany v. eBay: Its Impact and Implications on the Doctrines of Secondary Trademark and Copyright Infringement*, 2 BOS. U. J. SCI. & TECH. L. 373, 399–403 (2012).

213. *See infra* Part V.B.1.

214. *See* Boone, *supra* note 22, at 1329–30.

215. *See id.*

216. *See* Lehrer, *supra* note 212, at 381.

217. *See id.* at 401–03.

2. Legislative Proposals

In recent years, Congress has presented a series of proposals in response to growing dangers of third-party seller liability in e-commerce marketplaces.[218] Unfortunately, much of the proposed state and federal legislation still falls short of achieving the necessary reforms by failing to fully account for the interests of consumers, brand owners, and online marketplaces.[219] The following section frames anti-counterfeiting legislation in the context of the counterfeit problem, highlighting the holes in these possible solutions, and emphasizing the need for improvements to current law.[220]

On March 2, 2020, legislators from the U.S. House of Representatives set forth the Stopping Harmful Offers on Platforms by Screening Against Fakes in E-commerce (SHOP SAFE) Act, a bipartisan proposal that modifies the Lanham Act by allowing for contributory liability for e-commerce marketplaces resulting from counterfeit goods sold by third-party sellers.[221] The SHOP Safe Act encourages online marketplaces to implement best practices for screening and vetting sellers of potentially harmful products.[222] Nevertheless, the proposal suffers from some serious defects.[223] The primary issue with the Shop Safe Act is that it only holds third-party marketplace operators liable for counterfeit goods that present health or safety risks.[224] The Act defines health or safety risks as those that produce "illness, disease, injury,

218. *See infra* Part V.B.

219. *See id.*

220. *See id.*

221. *See* Marcella Ballard & Maria R. Sinatra, *Shop Safe Act 2020: A New Tool for Brand Owners in the Fight Against Online Counterfeits?*, VENABLE LLP (May 6, 2020), https://www.venable.com/insights/publications/2020/05/shop-safe-act-2020-a-new-tool [https://perma.cc/RM6X-A93N]; Boone, *supra* note 22, at 1338.

222. *See* Cristiano Lima, *Tech companies face another liability threat, this time over counterfeit goods*, WASHINGTON POST (Sept. 30, 2021), https://www.washingtonpost.com/politics/2021/09/30/tech-companies-face-another-liability-threat-this-time-over-counterfeit-goods/ [https://perma.cc/4UWA-GGQU].

223. *See infra* Part V.B.

224. *See* SHOP SAFE Act of 2020, H.R. 6058, 116th Cong. § 4(A) (2020); *see also* Zacharia & Kammel, *supra* note 109, at 117 (stating that the bill's application to goods that involve health and safety presents a serious limitation).

adverse event, allergic reaction, or death."[225] This means that the bill does not protect purchasers of fake, though safe, products.[226] Other shortcomings relate to the Act's ambiguities.[227] First, it is unclear what kind of technology is needed to screen for counterfeit goods. Second, it is unclear whether e-commerce marketplaces must assess whether images of goods being sold on their marketplaces accurately depict the goods. These ambiguities cause issues because they make it more difficult to implement and can alter the liability of online marketplaces.[228] The bill's requirement that marketplaces check the identity of third-party sellers could also be improved.[229] A possible fix could be using government identification, especially if such identification comes from a trustworthy governmental entity (like the Department of Motor Vehicles); however, since many third-party sellers are not based in the United States, not every identification can be verified with government databases.[230]

The Stop All Nefarious Toys in America (SANTA) Act further reflects the need for better legislation.[231] Presented in 2019, it requires online marketplaces to verify and disclose the identities of sellers of children's products to consumers.[232] The required information includes bank account information, government-issued photo identification, and business contact information.[233] It also requires third-party sellers to disclose whether they are retailers, importers, manufacturers, or resellers of children's products and mandates the display of all warning labels.[234] Any violation of the SANTA

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225. *See* Boone, *supra* note 22, at 1339.

226. *See id.* at 1338–39.

227. *See infra* Part V.B.

228. *See* Boone, *supra* note 22, at 1343.

229. *See* Zacharia & Kammel, *supra* note 109, at 118.

230. *See id.*

231. *See infra* Part V.B.

232. *See* Zacharia & Kammel, *supra* note 109, at 113.

233. *See id.*

234. *Santa Act Lauded as Important Tool to Improve Safety of Toys in Marketplace*, THE TOY ASSOCIATION (Dec. 17, 2019), https://www.toyassociation.org/PressRoom2/News/2019-

Act is deemed a violation of the unfair or deceptive practices act under the Federal Trade Commission Act.[235] This is especially significant, given the great risks that counterfeit toys present to children. Since counterfeit toys purchased from unverified sellers are typically untested and do not meet federal safety standards, it is very likely that they do not satisfy the requirements for small parts regulations, and as such, might cause extensive harm to children, such as choking incidents.[236]

Another proposal is the Integrity, Notification, and Fairness in Online Retail Marketplaces for Consumers (INFORM Consumers Act). This legislation requires online marketplaces to obtain and verify third-party sellers' government identification, tax identification, bank account information, and contact information.[237] Furthermore, online marketplaces must provide high-volume third-party sellers' contact information to consumers.[238] The bill increases transparency and accountability for online marketplaces by making it more difficult for counterfeiters to defraud consumers with fake or stolen products. The INFORM Consumers Act is broader than the others in that it covers all consumer products, not just toys.[239] Unfortunately, it comes with many drawbacks. This could inadvertently cause harmful consequences for sellers, especially minority-owned businesses.[240] By incentivizing communications between sellers and purchasers outside marketplaces, the bill sidesteps ordinary consumer and seller protections.[241] Thus, the bill threatens the privacy and security of small online sellers, especially those

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news/santa-act-lauded-as-important-tool-to-improve-safety-of-toys-on-marketplaces.aspx [https://perma.cc/8GCH-X6EE].

235. *See* Zacharia & Kammel, *supra* note 109, at 113.

236. *See* Ed Desmond, *Congress Shouldn't Play Around with Knockoff Toys*, REAL CLEAR POLICY (Mar. 4, 2021), https://www.realclearpolicy.com/articles/2021/03/04/congress_shouldnt_play_around_with_knockoff_toys_766552.html [https://perma.cc/HHK4-H9BW].

237. *See* Zacharia & Kammel, *supra* note 109, at 113.

238. *See id.*; Desmond, *supra* note 236.

239. *See* Zacharia & Kammel, *supra* note 109, at 119.

240. *See* Phil Taylor, *Online Retailers Take Issue with Inform Consumers Act*, SECURITY INDUSTRY (Apr. 8, 2021), https://www.securingindustry.com/online-retailers-take-issue-with-inform-consumers-act/s112/a13286/#.YWntact/s112/a13286/#.YWntHhDMI6h [https://perma.cc/D5MW-CM9Q].

241. *See id.*

selling second-hand goods.[242]Additionally, it restricts its application to high volume third-party sellers.[243] Under the legislation, a "high-volume third party seller" is one who has engaged in at least 300 sales or transactions of new or unused consumer goods, accumulating to a total of $5,000 or more in gross revenues, in any continuous 12-month period during the past 24 months.[244] Furthermore, the reporting requirement is vague regarding reliance on use of verification documents. The INFORM Consumers Act does not indicate whether the mere submission of the listed verification documents is sufficient to waive online marketplaces' liability or whether there is a responsibility for the marketplaces to actually verify the authenticity of the documents.[245]

In response to the increasing availability of counterfeit and pirated goods, the Department of Homeland Security recently issued a list of several recommendations.[246] The objective of these recommendations is to motivate the private sector to engage in self-policing efforts and encourage more innovation in this area.[247] The recommended actions include the following: ensuring entities with financial interests in imports bear responsibility; increasing scrutiny of Section 321 environment; suspending and debarring repeat offenders; applying civil penalties and injunctive actions for violative imported products, creating a modernized e-commerce enforcement framework; assessing contributory trademark infringement liability for marketplaces; and establishing a national consumer awareness campaign.[248] These policies give officials more extensive power to examine shipments in U.S. warehouses and fulfillment centers, like those of Amazon's. Thus, the implementation of many of the recommendations would necessitate more money and technology for greater inspections and might require a major expansion of government agencies' resources.

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242. *See id.*

243. *See* Zacharia & Kammel, *supra* note 109, at 119.

244. *See id.*

245. *See id.* at 120.

246. *See* U.S. DEP'T OF HOMELAND SEC., COMBATING TRAFFICKING IN COUNTERFEIT AND PIRATED GOODS: REPORT TO THE PRESIDENT OF THE UNITED STATES (Jan. 24, 2020).

247. *See id.*

248. *See id.*

C. A Novel Approach for the Digital Age

In the absence of any effective scholarly or legislative proposals, a new test is necessary to modernize trademark law in the e-commerce trademark infringement context. Specifically, a rebuttable presumption of strict liability should apply to marketplaces that play an active role. In contrast, a rebuttable presumption of negligence should apply to marketplaces that play an interactive role. Finally, a rebuttable presumption of willful blindness should apply to marketplaces that play a passive role. A determination regarding whether an online marketplace plays an active, interactive, or passive role requires an inquiry into the nature of a platform's involvement in the sales of counterfeit goods.

A non-exhaustive list of factors for this analysis includes: (1) whether the online marketplace platform labels counterfeit goods with its own logo; (2) whether the platform is sufficiently involved in the delivery of the goods; (3) whether the platform obtains a financial benefit from the transaction and, if so, whether it is substantial; (4) whether the platform handles customer service operations for the third-party vendors committing direct infringement; and (5) whether the platform aids in the storage of goods. The more these factors are present, the more they weigh in favor of an active role. The less these factors are present, the more they point to a passive role. By considering the influence of the aforementioned factors, the test aims to place equal responsibility on businesses and rights holders alongside online marketplaces by taking into consideration the nature of e-commerce sites' interactions with consumers.

On one end of the spectrum, a rebuttable presumption of strict liability should apply to marketplaces that play an active role. A marketplace that plays an active role might label goods with its own logo. This is important because it signifies an association between the marketplace and the good in consumers' minds. Furthermore, it might even denote a connotation to a consumer that the marketplace approves of the goods. If a marketplace is involved in the delivery of goods, it performs an active role because it facilitates the movement of goods directly from the vendor to the consumer. Furthermore, an active marketplace might charge a minimum of a 10% and 20% commission for sales by third-party vendors. When a marketplace takes over customer service operations, it holds itself out to the consumer as responsible for the counterfeit goods in question. Finally, a marketplace that handles storage of the goods at issue essentially provides third-party vendors with access to its valuable infrastructure. Such a close relationship between the marketplace and a vendor suggests a joint effort in these transactions. Since marketplaces playing an active role in the transaction of counterfeit goods have more opportunities to prevent such sales, they should be held strictly liable for contributory trademark infringement.

Interactive marketplaces lie directly in the middle of the spectrum. They are neither completely active nor completely passive. For instance, an interactive marketplace might charge a hefty commission for sales but not be responsible for ensuring delivery of goods from third-party vendors to consumers. Interactive marketplaces, then, are not as clearly involved in the transaction of counterfeit goods as compared with active marketplaces. They play a more limited role in transactions, and because of this, might not reasonably know about the sale of counterfeit goods under the circumstances. It would not be fair to hold them to the same standard as active marketplaces, who perform more prominent functions in transactions. As such, a rebuttable standard of negligence should apply to interactive marketplaces.

Finally, passive marketplaces fall on the other end of the spectrum. These websites might not take any actions in relation to transactions. For instance, they might not deliver or store goods, and play no role in customer service. Given their lack of participation in the transaction itself, they likely have no reason to know about sales of counterfeit goods and should be held to a lower standard. Marketplaces that play passive roles in transactions have less control over listings. This, in turn, makes them less likely to have knowledge of allegedly infringing activity. Because they are less likely to have knowledge, they should be held less liable. Therefore, because marketplaces play a passive role in the transaction of counterfeit goods, e-commerce marketplaces have less opportunities to prevent infringing sales. Therefore, a rebuttable presumption of willful blindness should be used for contributory trademark infringement.

The aforementioned test aims to balance the interests of parties involved in e-commerce transactions in light of each party's relative ability to police infringing listings. Assuming that the consumer is less sophisticated than the marketplace operator and possesses fewer resources, the onus should be on the marketplace platform. Indeed, nearly a quarter of consumers who have purchased products online report being defrauded by online counterfeiters.[249] The reality is that consumers are "uninformed of the risks"

249. *See* Akino Chikada, *Survey shows a staggering 24% of consumers have been duped by online counterfeiters*, MARK MONITOR (Apr. 15, 2016), https://www.markmonitor.com/mmblog/anticounterfeiting/survey-shows-a-staggering-24-of-consumers-have-been-duped-by-online-counterfeiters/ [https://perma.cc/YM9V-VC75].

regarding counterfeit goods "and instead find themselves fixated on the efficiency of the online marketplace."[250] Online marketplaces are also in a better position to police relative to brand owners.[251] Given the multitude of listings available on these websites, it is often challenging for trademark owner to evaluate whether goods are authentic, counterfeit, or protected under the first sale doctrine.[252] As such, Amazon and Alibaba use a notice and takedown procedure that is based on the DMCA's standards.[253] For example, Alibaba has a "three strikes policy," wherein brand owners must submit proof of three completed transactions involving counterfeits, as well as submissions of notices, before it removes a listing.[254] Unfortunately, this process is very burdensome, as it can take months, prove costly, and require considerable time and effort by the brand owner.[255] Therefore, because of the "ineffective systems" currently in place, shifting the burden on marketplaces would help identify counterfeit goods with greater frequency and incentivize marketplaces to improve their anti-counterfeiting mechanisms.[256]

Upon the implementation of this new test, it would take at least eighteen months for online marketplaces, third-party vendors, and consumers alike to feel its positive impact.[257] In the beginning, online marketplaces will

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250. *See* Dunn, *supra* note 130, at 121.

251. *See id.* at 122–23.

252. *See id.* at 95 (Under the first sale doctrine, "one who purchases a genuine trademark item has the right to sell that item without having to pay any royalty to the trademark owner." This means that "once the trademark owner has placed its product into the marketplace its right to control any further distribution is exhausted."); Sindy Ding-Voorhees & Stephen Feingold, *Does the First Sale Doctrine Protect the Reselling of Genuine Goods that Include Non-Genuine Replacement Parts with the Original Trademark Retained? C.D.Cal Denied the Application of First Sale Doctrine as Defense in a Trademark Infringement Claim*, JD SUPRA (Mar. 24, 2017), https://www.jdsupra.com/legalnews/does-the-first-sale-doctrine-protect-76596/ [https://perma.cc/TSK7-LPW7].

253. *See* Daniel C.K. Chow, *Alibaba, Amazon, and Counterfeiting in the Age of the Internet*, 40 NW. J. INT'L L. & BUS. 157, 187 (2020).

254. *See id.*

255. *See id.*

256. *See* Dunn, *supra* note 130, at 122–23.

257. *See* Jess Collen, *There Is A Brand New Trademark Law In Effect. Should You Care?*, FORBES (Dec. 17, 2021), https://www.forbes.com/sites/jesscollen/2021/12/17/there-is-a-brand-new-trademark-law-in-effect-should-you-care/?sh=170dc955dc04 [https://perma.cc/MH2P-NS32].

likely expend more costs on personnel and machine-learning technology to comply with robust anti-counterfeiting measures.[258] At first blush, it might seem that this proposal only benefits large online marketplaces. However, this is far from the case. E-commerce giants like Amazon and eBay would need to hire more personnel, like private investigators, to screen listings for possible infringement.[259] Smaller companies like Etsy, for instance, who make money by empowering sellers, would also benefit.[260] For example, better communication and greater collaboration between brand owners and online marketplaces can increase the detection of counterfeit activity.[261] Alibaba, for example, provides automatic notice and takedown measures.[262] If a seller fails to reply to an original complaint of trademark infringement, Alibaba automatically removes the listings with the products.[263] According to Alibaba, it spends more than $16.1 million annually in efforts to combat counterfeiting.[264] The marketplace, which aims to support small businesses, delists infringing listings as soon as possible.[265] Brand owners would also be more likely to cooperate with online marketplaces' investigators regarding their recent products and designs by meeting with them occasionally and providing them with informational documents.[266] Third-party sellers using the platform could opt to take their business elsewhere in the absence of anti-

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258. *See* The Associated Press, *Amazon Blocked 10 Billion Listings in Counterfeit Crackdown*, N.B.C. NEWS (May 10, 2021), https://www.nbcnews.com/tech/tech-news/amazon-blocked-10-billion-listings-counterfeit-crackdown-rcna875 [https://perma.cc/4MWN-FEHP].

259. *See* Bumatay, *supra* note 138, at 357.

260. *See* Dave Furness, *Etsy Warns The SHOP SAFE Act Could Harm Small Businesses*, ESELLER 365 (Mar. 9, 2022), https://www.eseller365.com/etsy-warns-shop-safe-act-harm-small-businesses/ [https://perma.cc/8YJZ-7TW7].

261. *See id.*

262. *See generally* Brogan Woodburn, *How to Report and Remove a Counterfeit from Alibaba*, RED POINTS, https://www.redpoints.com/blog/remove-a-counterfeit-from-alibaba/ [https://perma.cc/TGD3-3KFJ].

263. *See id.*

264. *See* Kathy Chu, *Alibaba's Taobao to Expedite Action Against Fakes*, DOW JONES, https://www.dowjones.com/scoops/alibabas-taobao-expedite-action-fakes/ [https://perma.cc/6BNX-Q22Y].

265. *See id.*

266. *See generally id.*

counterfeiting resources.[267] Therefore, the long-term effects will likely weigh against any short-term difficulties.

VI. ADDITIONAL SAFEGUARDS

While a new framework for assessing contributory trademark infringement for online marketplaces would certainly alleviate conflicts between trademark law and e-commerce, additional safeguards offer a safety valve for businesses, rightsholders, and consumers alike.[268] The following section outlines several options available for these parties, drawing on technology, price agreements, and consumer education to minimize the likelihood of trademark infringement in e-commerce.[269] These solutions provide a practical approach for stakeholders, encouraging them to reclaim their agency by engaging in self-policing efforts for counterfeit goods in online marketplaces.[270]

A. Artificial Intelligence

Artificial intelligence offers a promising avenue for brand protection in an e-commerce setting. Various companies, like Entrupy, Red Points, and Cypheme, provide solutions for companies and brands.[271] These companies use artificial intelligence to "analyze materials, colors, packaging and other

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267. Jennifer Saibil, *How Nike Leaving Amazon Has Changed the Face of Retail*, THE MOTLEY FOOL (Jan. 29, 2020), https://www.fool.com/investing/2020/01/29/how-nike-leaving-amazon-has-changed-the-face-of-re.aspx [https://perma.cc/W938-89HN] (for example, Birkenstock, a German shoewear company, ended its relationship with Amazon, while LVMH Moët Hennessy has avoided a direct relationship with the marketplace); *see* Elizabeth Segran, *Nike Tried Playing Nice with Amazon. Here's Why it Didn't Work*, FAST COMPANY (Nov. 13, 2019), https://www.fastcompany.com/90430332/nike-tried-playing-nice-with-amazon-heres-why-it-didnt-work [https://perma.cc/7K25-HGVV] (Nike also terminated its sale of merchandise to Amazon as a first-party vendor after Amazon reneged on its promise "to be vigilant in rooting out counterfeit and unauthorized goods"); Arcieri, *supra* note 99.

268. *See infra* Parts VI. A–D.

269. *See id.*

270. *See id.*

271. *See* Mike Elgan, *Fake products? Only AI can save us now*, COMPUTERWORLD (July 21, 2018), https://www.computerworld.com/article/3290370/fake-products-only-ai-can-save-us-now.html [https://perma.cc/Z7GJ-2WA6].

attributes to spot fakes."[272] Entrupy, for instance, uses microscopic images of goods, focusing on features that are common to an authentic product, but not a counterfeit one. Such features could include a material's texture, stitching, zipper, or the manner in which a logo has been affixed into an item.[273] Other artificial intelligence platforms rely on deep-learning-based image-recognition models to review product listings, searching for products that appear similar to legitimate brand products.[274] Once they identify a potentially infringing listing, they automatically file take-down requests for confirmed infringements through a bot-powered reporting system.[275] These platforms are often much more efficient than traditional anti-counterfeiting solutions, which usually involve intellectual property experts combing through plausibly infringing posts and manually filing take-down requests.[276] In this way, then, manufacturers and retailers who use artificial intelligence benefit from improved trust and stronger brand protection.[277]

B. Blockchain Technology

Businesses should also consider harnessing the power of NFTs and blockchain technology to curb trademark infringement in e-commerce. A nonfungible token (NFT) is a "unique identifier that can cryptographically assign and prove ownership of digital goods."[278] NFTs rely on the same

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272. *Id.*

273. *See* Neil Savage, *Catching the Fakes*, 64 COMMS. OF THE ACM 13, 13 (May 2021).

274. *See* Tim Lince, *How AI Will Revolutionise Trademark Searches*, WORLD TRADEMARK REV. (July 2, 2019), https://www.worldtrademarkreview.com/ip-offices/how-ai-will-revolutionise-trademark-searches [https://perma.cc/K643-3L8S].

275. *See* Sarah Brennan, *MarqVision Detects Counterfeit Products With Deep Learning and AI*, ITPRO (Sept. 18, 2020), https://www.itpro.com/business-strategy/intellectual-property/357164/marqvision-detects-counterfeit-products-with-deep [https://perma.cc/3U84-24KY].

276. *See id.*

277. *See AI: A Data Approach to IP Rights Enforcement against Counterfeits*, ENTRUPY (Jan. 23, 2019), https://www.entrupy.com/artificial-intelligence-a-data-approach-to-ip-rights-enforcement-against-counterfeiters/ [https://perma.cc/KN7G-URQ3].

278. Louis DeNicola, *What to know about non-fungible tokens (NFTs)—unique digital assets built on blockchain technology*, BUS. INSIDER (Sept. 1, 2021, 6:32 AM), https://www.businessinsider.com/nft-meaning. [https://perma.cc/4Z4V-MYCH].

blockchain technology that generates cryptocurrencies,[279] and the great majority of them use the Ethereum blockchain.[280] Because NFTs are nonfungible, they cannot be replicated, and their storage on a public blockchain gives people the ability to verify their authenticity.[281] Blockchain technology helps ensure that NFTs are unique, and it makes it much more difficult to modify or counterfeit NFTs.[282] NFTs can be used to "verifiably identify and track specific objects (virtual or real)" as well as "record and guarantee provenance and value-add along a supply chain, allowing businesses to trust the identity, origin, and other specifications of a commodity."[283] NFTs can provide a supplemental level of protection to distributors and consumers.[284] For example, NFT-enabled ear tags for premium beef cattle give one the ability to accurately track each animal.[285] In the world of luxury goods, NFTs are being used to track and authenticate goods.[286] LVMH Moët Hennessy Louis Vuitton, or LVMH, which owns Louis Vuitton, Tiffany, and Dom Perignon, uses the AURA blockchain to help consumers "trace the authenticity of their branded luxury goods" through NFTs.[287]

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279. *See* Robyn Conti & John Schmidt, *What You Need To Know About Non-Fungible Tokens (NFTs)*, FORBES (May 14, 2021, 12:17 PM), https://www.forbes.com/advisor/investing/nft-non-fungible-token/. [https://perma.cc/98AN-Q6CU].

280. *See* Mitchell Clark, *NFTs, Explained*, VERGE (Aug. 18, 2021), https://www.theverge.com/22310188/nft-explainer-what-is-blockchain-crypto-art-faq [https://perma.cc/7M6Y-RFLM].

281. *See* Kelly McCarthy, *What are NFTs? Everything you need to know about non-fungible tokens*, ABC NEWS (May 16, 2021, 7:50 AM), https://abcnews.go.com/Business/nfts-fungible-tokens/story?id=77628412. [https://perma.cc/QD52-KE7M].

282. *See* DeNicola, *supra* note 278.

283. Graeme Fearon, *Beyond Digital Art: How to Implement NFTs to Benefit Your Business*, THE FASHION LAW (June 1, 2021), https://www.thefashionlaw.com/beyond-digital-art-how-to-implement-nfts-to-benefit-your-business/. [https://perma.cc/5BYG-7BYR].

284. *Id.*

285. *See id.*

286. *See* Robert Williams, *NFTs Pose Real Marketing Value that May Outlive Current Mania*, MARKETING DIVE (May 6, 2021), https://www.marketingdive.com/news/nfts-pose-real-marketing-value-that-may-outlive-current-mania/599558/ [https://perma.cc/2YC5-HKWU].

287. Ed Mantilla, *The Interplay Of NFTs In Intellectual Property Law*, JD SUPRA (June 4, 2021), https://www.jdsupra.com/legalnews/the-interplay-of-nfts-in-intellectual-3787133/ [https://perma.cc/3Y5U-PBYE].

C. Minimum Advertised Price (MAP) Policy Enforcement and Monitoring

The use of minimum advertised price policies can provide an additional tool for monitoring trademark infringement. Minimum advertised prices (MAPs) allow manufacturers to dictate the lowest price that a product can be advertised.[288] MAP agreements serve many purposes: they encourage fair competition, protect brand identity, and preserve sellers' margins. Price is one of the most important indicators of a product's authenticity; thus, with consistent pricing, brands can communicate their value to buyers by expressing that their brand of products is worth the price tag, which provides the product's value.[289] In the case where an "electronics company sets the MAP for a specific laptop at $250, then according to the MAP price meaning, merchants and resellers, both online and in-store, must offer the device at that price or higher."[290] In order for this strategy to work, however, companies must commit to enforcing MAP policies.[291] To create a MAP policy, a business must first stipulate and define the scope of a product's policies.[292] Next, it must explain the MAP compliance monitoring process and enforcement procedure.[293] Finally, it must describe the process retailers must follow to report the violation as well as produce a reward system.[294] When brands sell

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288. *See* Sanjeev Sularia, *4 Ways Online Retailers Can Fight Against Counterfeit Fraud*, TOTALRETAIL (Sept. 5, 2019), https://www.mytotalretail.com/article/4-ways-online-retailers-can-fight-against-counterfeit-fraud/ [https://perma.cc/U8SR-H39P].

289. *See* Laura Smous, *Minimum Advertised Pricing for Online Companies*, ADROLL (Aug. 16, 2022), https://www.adroll.com/blog/minimum-advertised-pricing-for-online-companies [https://perma.cc/G242-CZYZ].

290. *See* Mitchell Ledvin, *Minimum Advertised Price*, PIRS CAPITAL (July 25, 2021), https://pirscapital.com/blog/minimum-advertised-price/ [https://perma.cc/QV9M-VDSN].

291. *See* Kate Harrison, *How To Protect Your Company's Minimum Advertised Price (MAP) Online*, FORBES (Jun. 30, 2018), https://www.forbes.com/sites/kateharrison/2018/06/30/how-to-protect-your-companys-minimum-advertised-price-map-online/?sh=47e469055361/ [https://perma.cc/3B3R-GU9D].

292. *See* Sagun Shrestha, *What is Minimum Advertised Price (MAP)? And How to Create a Competitive MAP Policy?*, GROWBYDATA (May 12, 2022), https://growbydata.com/minimum-advertised-price/ [https://perma.cc/8MMW-B3U3].

293. *See id.*

294. *See id.*

their products through authorized resellers, they are holding them accountable to maintain their standards and pricing.[295] Resellers who are repeatedly undercut by unauthorized sellers are not as likely to continue working with the brand, causing lost sales and impaired relationships.[296] With MAPs, brands can support authorized resellers so they can sell products at fair prices and simultaneously expand their business and customer base.[297]

D. Consumer Education Campaigns

Consumer education plays an important role in the fight against trademark infringement in e-commerce.[298] As such, consumer education campaigns offer an alternative way for businesses to monitor infringement and engage in brand protection measures.[299] With consumer education campaigns, businesses can use avenues like trade exhibitions to promote awareness on counterfeit goods.[300] These measures are already being implemented on an international scale, as the International Trademark Association ("INTA") provides a consumer awareness campaign to teach youth about the importance of trademarks, brands, and the harms of counterfeit goods.[301] Brands should educate customers about the risks of buying from unauthorized sources and explain the key identifiers that allow them to distinguish between genuine and counterfeit goods.[302] Such risks include lack of appli-

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295. *See* Omar Deryan, *How to Enforce MAP Pricing on Amazon: Your Comprehensive Guide*, OJ DIGITAL SOLUTIONS (Aug. 14, 2022), https://ojdigitalsolutions.com/how-to-enforce-map-pricing-on-amazon/ [https://perma.cc/YB26-MNEX].

296. *See id.*

297. *See id.*

298. *See* Jordan Safranski, *5 Consumer Education Program Tips All Businesses Can Use to Protect Their Brand*, RED POINTS, https://www.redpoints.com/blog/consumer-education-program/ [https://perma.cc/C8JW-NWNX].

299. *See id.*

300. *See* Imed Eddine Bekhouche, *Copyright and Trademark Offences Which Might Infringe the Consumer's Rights*, 4 ATHENS J.L. 243, 253 (2018).

301. *See* Peter Ackerman, *Awareness Campaign Puts Fresh Spin on Trademark Management*, DECIPHER (May 11, 2012), https://www.innovation-asset.com/blog/awareness-campaign-puts-fresh-spin-on-trademark-management [https://perma.cc/4NUD-M22L].

302. *SEE* SANJEEV SULARIA, *THE COUNTERFEIT PROBLEM AND HOW RETAILERS CAN FIGHT BACK IN 2020*, Forbes (MAR. 17, 2020), HTTPS://WWW.FORBES.COM/SITES/FORBESTECHCOUNCIL

cable warranties or guarantees, tampered goods, expired products, and absence of quality controls.[303] For example, informing consumers that special details on a product's packaging, security tags, stitching and fabric may constitute design aspects that are difficult for counterfeiters to copy perfectly.[304] Once this occurs, brands can enlist the help of their customers by encouraging them to report suspicious goods and activity.[305]

VII. CONCLUSION

The Internet has democratized access to consumer goods, but in doing so, it has opened the floodgates to widespread trademark infringement in online marketplaces.[306] With their lower costs and access to a wider network of consumers, it is easy to understand why e-commerce growth shows no signs of slowing down anytime soon.

As e-commerce grows exponentially in the future, the need for better trademark laws vis-à-vis counterfeit goods has never been more important.[307] Since *Tiffany*, small businesses have faced more hurdles in protecting their brands.[308] With the burden of policing counterfeits now falling squarely on

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/2020/03/17/THE-COUNTERFEIT-PROBLEM-AND-HOW-RETAILERS-CAN-FIGHT-BACK-IN-2020 /?SH=37EC5B801F32. [HTTPS://PERMA.CC/Q285-MF8L].

303. *See Risks Associated With Buying Products From Unauthorized Sellers*, VORYS ECONTROL (Oct. 9, 2015), https://www.vorysecontrol.com/blog/risks-associated-buying-products-unauthorized-sellers/ [https://perma.cc/3CE9-TK6M].

304. *See* Brogan Woodburn, *3 essential brand protection strategies for businesses of all sizes*, RED POINTS (Nov. 13, 2021), https://www.redpoints.com/blog/brand-protection-strategies-for-businesses-of-all-sizes/ [https://perma.cc/6WPY-KQ63].

305. *See generally id.*

306. *See* Erica D. Klein & Anna K. Robinson, *Combating Online Infringement: Real-World Solutions for an Evolving Digital World*, AM. B. ASS'N (Apr. 1, 2020), https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2019-20/march-april/combating-online-infringement-real-world-solutions-evolving-digital-world/ [https://perma.cc/N47L-GP3D].

307. *See generally* Michelle Evans, *Global E-Commerce Market To Expand By $1 Trillion By 2025*, FORBES (Mar. 25, 2021), https://www.forbes.com/sites/michelleevans1/2021/03/25 /global-e-commerce-market-to-expand-by-us1-trillion-by-2025 [https://perma.cc/MFJ9-H2ZA].

308. *See* Janet Satterthwaite, *Supremes Say: 'You're On Your Own' — Analyzing Supreme Court's Decision Not to Review Tiffany v. eBay*, LAW.COM (Dec. 8, 2010), https://www.law.com /corpcounsel/almID/1202475840501 [https://perma.cc/XGH8-X47D].

their shoulders, brand protection is becoming financially difficult for small businesses.[309] This reality contrasts sharply with the objective of trademark law, which is to build the reputation of brands and businesses in a market.

While Congress' recent legislative proposals are a step in the right direction towards protecting consumers against counterfeit goods, there is still much room for improvement. A better framework requires equal consideration of all stakeholders involved in e-commerce transactions, like brand owners, online marketplaces, and consumers. Congress must address the challenges of the digital age by proposing a new test that balances the needs of these parties. This, in addition to various preventive measures, can reduce the health, safety, and economic risks posed by counterfeit goods. With continuing advancements in technology and the rise of the Internet, the online marketplace is now a hotspot for retail sales. Through better legislation and improved regulations, governments can preserve market integrity, uphold the values of trademark law, and promote consumer safety.

309. *See* Boone, *supra* note 22, at 1323.