

2010

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Recommended Citation

Virginia Welch, *Contributory Trademark Infringement: Who Bears the Burden of Policing Online Counterfeit Activity*, 13 SMU SCI. & TECH. L. REV. 361 (2010)
<https://scholar.smu.edu/scitech/vol13/iss3/6>

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Contributory Trademark Infringement: Who Bears the Burden of Policing Online Counterfeit Activity?

Virginia Welch¹

I. INTRODUCTION

Trademark law seeks to prevent fraud and deception through the use of a distinctive mark. Consumers identify certain marks as indicators of a product's quality and authenticity. Moreover, if a product does not bear the recognized trademark, consumers are alerted that the item is likely inauthentic. The invention of the Internet and the online marketplace has complicated trademark law because consumers cannot physically inspect a product before purchasing it. Thus, the risk of fraud and deception has increased, which may harm consumers.

Indeed, trademark holders have experienced numerous challenges in the past decade due to an increase in infringing conduct in the online marketplace. According to the Internet Crime Complaint Center (a partnership of the FBI and the National White Collar Crime Center), "internet auction fraud was by far the most reported offense, comprising 44.9% of referred complaints."² Furthermore, counterfeiting is an estimated \$600 billion-a-year global industry.³ This nation's "businesses and industries lose about \$200 billion a year in revenue and 750,000 jobs due to the counterfeiting of merchandise."⁴ Both consumers and trademark holders are directly impacted by counterfeit sales. As counterfeiters steal the identity of a product, the value of that brand name deteriorates.⁵ Additionally, trademark owners are hindered in their efforts to sell and market their product if a brand name carries

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 2. Justin N. Redman, *Post Tiffany (NJ) Inc. v. eBay Inc.: Establishing a Clear, Legal Standard for Online Auctions*, 49 JURIMETRICS J. 467, 470 (2009) (citing Internet Crime Report for 2006, National White Collar Crime Center and Federal Bureau of Investigation, http://www.ic3.gov/media/annualreport/2006_IC3_Report.pdf (last visited August 8, 2010)).
 3. Ambrose Clancy, *Faking It: Nothing Phony About Profits in the Knockoff Business*, LONG ISLAND BUSINESS NEWS, July 2, 2009, available at <http://libn.com/blog/2009/07/02/faking-it-nothing-phony-about-profits-in-the-knockoff-business/>.
 4. Press Release, U.S. Customs and Border Protection, U.S. Customs Announces International Counterfeit Case Involving Caterpillar Heavy Equipment (May 29, 2002), available at http://www.cbp.gov/xp/cgov/newsroom/news_releases/archives/legacy/2002/52002/05292002.xml.
 5. Redman, *supra* note 1, at 470.

significantly less value to the consumer.⁶ Consumers can neither determine the source nor judge the quality of a product if they cannot distinguish the difference between an authentic or a counterfeit product.

It is apparent that something needs to be done to block the sale of counterfeit goods in the online marketplace. Great debate has emerged regarding who should be responsible for policing infringement on the Internet. Should trademark holders be held responsible since it is their brand that they are trying to protect? Or should online marketplaces be held accountable since they provide the platform for this unlawful conduct and benefit financially from such activity? Because the prevalent practice of Internet sales continues to increase in popularity, allocating responsibility solely to one party would prove extremely onerous to the blamed party. The ideal solution would be to create some kind of ‘burden-sharing’ arrangement where both the mark holder and online marketplace have certain policing responsibilities. With a ‘burden-sharing’ arrangement, neither party would be unduly burdened, consumer confusion would be curbed, and trademark holders could maintain the integrity of their brand. Thus, in order to ensure that the consumer is protected from sham products and tainted marketplaces, the courts and the legislature must stop pointing fingers and encourage cooperation.

II. BACKGROUND

A. The Purpose of Trademark Law

Intellectual property is comprised of trademark, copyright, and patent rights. Intellectual property is further defined as a “category of intangible rights protecting commercially valuable products of the human intellect.”⁷ A trademark acts as a “limited property right in a particular word, phrase or symbol.”⁸ Specifically, a trademark is “any word, name, symbol, or device, or any combination thereof [that is] (1) used by a person, or (2) which a person has a bona fide intention to use in commerce . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown”⁹ A trademark is essentially a commercial substitute for one’s signature that designates the source of goods or services.¹⁰ Trademark law seeks to protect both the buying public by preventing consumer confusion and the trademark holder by preventing infringement and unfair misap-

6. *Id.*

7. BLACK’S LAW DICTIONARY 881 (9th ed. 2009).

8. *Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 219 (3d Cir. 2005).

9. Lanham Act, 15 U.S.C. § 1127 (2006).

10. BLACK’S LAW DICTIONARY, *supra* note 6, at 1630.

propriation by competitors.¹¹ Thus, an inevitable tension exists because trademark law tries to serve two different purposes at the same time.¹² However, avoiding consumer confusion is at the core of both of these rationales and is the common concern driving trademark law.¹³ The objectives of trademark law are interrelated because “you cannot protect consumers without protecting businesses and you cannot protect businesses without protecting consumers.”¹⁴ Consequently, when trademark infringement occurs, the consumer and trademark holder are both harmed.¹⁵

To plead a case of trademark infringement, a trademark owner must show two things: (1) that the trademark was used in commerce, and (2) that this use created a likelihood of confusion and/or diluted the mark.¹⁶ Trademarks do not need to be federally registered in order to be protected against unauthorized use.¹⁷ The Lanham Act defines “use in commerce” as, “the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.”¹⁸ Congress defined “use in commerce” narrowly so as “to include uses likely to establish a connection between a mark and a product or service in the minds of consumers.”¹⁹

The Lanham Act, while over fifty years old, still operates as the current regulatory authority of trademark law in the United States.²⁰ Although the Lanham Act is the principal source of protection, state common law and statutory protections are also available.²¹ Because the Lanham Act leaves much up to the judicial imagination, courts have been allowed to impose their own

11. Mark Bartholomew, *Advertising and the Transformation of Trademark Law*, 38 N.M. L. REV. 1, 1 (2008).
12. *Id.*
13. Jessica A.E. McKinney, Note, *Rescuecom Corp. v. Google Inc.: A Conscious Analytical Shift*, 95 IOWA L. REV. 281, 286 (2009).
14. Brendan J. Witherell, *The Extraterritorial Application of the Lanham Act in an Expanding Global Economy*, 97 TRADEMARK REP. 1090, 1112 (2007).
15. *Id.*
16. *See* Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463, 494 (S.D.N.Y. 2008).
17. Katie Pimentel, Comment, *Trademark Use as Keywords: A Comparative Look at Trademark Use as Keywords in Paid Search and Digital Public Performance Rights for Sound Recordings*, 9 J. MARSHALL REV. INTELL. PROP. L. 553, 557 (2010).
18. *See* 15 U.S.C. § 1127.
19. Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 98 TRADEMARK REP. 1345, 1351 (2008).
20. Andrew Brabender, Note, *Internet Trademark Disputes: A Modified Approach to the Applicability of the “Goods or Services” Requirement in the Lanham Act*, 41 NEW ENG. L. REV. 115, 115 (2006).
21. John T. Cross, *Contributory Infringement and Related Theories of Secondary Liability for Trademark Infringement*, 80 IOWA L. REV. 101, 127–28 (1994).

views and beliefs on trademark law.²² While the Lanham Act was enacted to unify national trademark protection, the operation of trademarks must continue to evolve in order to keep up with the ever-changing economy.

B. Contributory Trademark Infringement

An example of the evolution of trademark law lies in the trend of trademark holders to battle not only direct infringers, but also third parties who provide the direct infringers with tools for their illegal actions.²³ The concepts of secondary liability have been used to hold third parties liable for counterfeiting activities even though they were not the parties who had directly infringed on a trademark.²⁴ Examples of liable third parties include pharmaceutical manufacturers, department stores, gasoline suppliers, landlords, flea market operators, and swap meet operators.²⁵ Anti-counterfeiting efforts require combating direct infringers as well as secondary infringers.

In the absence of any provision in the Lanham Act for assigning liability for third parties, courts have borrowed from tort law to reflect the notion that “[one] who induces another to commit a fraud and furnishes the means of consummating it is equally guilty and liable for the injury.”²⁶ A party is liable for contributory infringement “when he, she, or it knowingly contributes to or intentionally induces another’s infringement of an intellectual property right.”²⁷ A manufacturer or distributor may be liable for contributory trademark infringement when a product is marketed in a way that infringes on another’s trademark.²⁸ While the concept of contributory trademark infringement has a long history and is widely recognized in case law, there is no express statutory foundation establishing such liability.²⁹ Rather, contributory trademark infringement is a judicially created doctrine

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22. Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in a “Formalistic” Age*, 24 BERKELEY TECH. L.J. 897, 909 (2009).
 23. Alison A. Besunder, *Righting the Wrong: Recovering Remedies for Trademark Infringement and Counterfeiting*, 968 PAT/PLI 59, PATS., COPYRIGHTS, TRADEMARKS, & LITERARY PROP. COURSE HANDBOOK SERIES, PLI ORDER NO. 19111, 68 (2009).
 24. *Id.* at 70.
 25. *Id.*
 26. Dogan & Lemley, *supra* note 18, at 1355 (citing *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 530–31 (1924)).
 27. Note, *Central Bank and Intellectual Property*, 123 HARV. L. REV. 730, 731–32 (2010).
 28. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 502 (S.D.N.Y. 2008).
 29. *See* Dogan & Lemley, *supra* note 18, at 1351; *see also* *Grant Airmass Corp. v. Gaymar Indus., Inc.*, 645 F. Supp. 1507, 1511 (S.D.N.Y. 1986) (explaining that “liability under the Lanham Act has been construed to extend beyond those who actually misrepresent goods or directly place such goods in commerce”).

established by the United States Supreme Court case of *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*³⁰

C. The *Inwood* Test

The 1982 holding in *Inwood* renders a third party liable if it “intentionally induces another to infringe a trademark or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement.”³¹ While the *Inwood* test for contributory infringement was applied in the manufacturer-distributor context, courts have since applied the test in other contexts.³²

I. CONTRIBUTORY LIABILITY ON THE INTERNET

In 2005, the Supreme Court widened the possibilities of secondary liability against Internet Service Providers (ISPs), online auctions, and others who provide the platform used by counterfeiters to practice their trade even though these means may have some other legitimate purpose.³³ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster* involved a distributor of file-sharing technology which was used by consumers to illegally download music.³⁴ Although the case involved copyright infringement, the opinion shed light on how courts might approach and analyze secondary trademark infringement on the Internet, stating:

It is not only that encouraging a particular consumer to infringe a copyright can give rise to secondary liability for the infringement that results. Inducement liability goes beyond that, and the distribution of a product can itself give rise to liability where evidence shows that the distributor intended and encouraged the product to be used to infringe. In such a case, the culpable act is not merely the encouragement of infringement but also the distribution of the tool intended for infringing use.³⁵

Unfortunately, the Supreme Court has not offered similar guidance to cases involving secondary trademark infringement on the Internet. Given

30. See *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982); See also, *Tiffany*, 576 F. Supp. 2d at 502 (stating “contributory trademark infringement is a judicially constructed doctrine articulated by the Supreme Court in *Inwood*”).

31. See *Inwood*, 456 U.S. at 854.

32. Redman, *supra* note 1, at 478; see also Lauren Troxclair, *Search Engines and Internet Advertisers: Just One Click Away From Trademark Infringement?*, 62 WASH. & LEE L. REV. 1365, 1376 (2005) (discussing third party liability).

33. Besunder, *supra* note 22, at 70.

34. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 919 (2005).

35. *Id.* at 940.

that the Lanham Act does not address contributory trademark liability and the Supreme Court has yet to rule on the issue, courts continue to resort to the outdated *Inwood* test to determine whether an ISP or online marketplace should be liable for contributory trademark infringement.³⁶ *Tiffany v. eBay*, a recent case presented to the Southern District Court of New York, is a quintessential example of the struggle courts have when deciding these cases. *Tiffany v. eBay* was the first case in the United States to address the issue of contributory trademark liability of auction websites.

II. CURRENT LAW

A. *Tiffany v. eBay*

Tiffany v. eBay highlights the recent dilemma of determining how to deal with third parties who supply direct trademark infringers with a platform for their illegal trade. The highly monitored dispute between Tiffany & Co. and eBay was presented to the Southern District of New York in 2007.³⁷ Tiffany sued eBay for the sale of counterfeit Tiffany silver jewelry on eBay's website and alleged six causes of action, including direct trademark infringement, contributory trademark infringement, false advertising, unfair competition, direct trademark dilution, and contributory trademark infringement.³⁸ The court sided with eBay, holding that Tiffany failed to meet its burden with regards to all asserted claims and that eBay's use of the Tiffany marks constituted protective, nominative fair use.³⁹

B. Court's Rationale: Contributory Trademark Infringement

To determine whether eBay was liable for contributory trademark infringement, the court asked "whether eBay continued to provide its website to sellers when eBay knew or had reason to know that those sellers were using the website to traffic in counterfeit Tiffany jewelry."⁴⁰ The interpretation of the phrase "knows or has reason to know" became a heated battle of semantics in the case.⁴¹ Both parties agreed that eBay had general knowledge that some portion of Tiffany goods sold on eBay may have been counterfeit.⁴² Tiffany argued that the *Inwood* test only requires this general

36. Redman, *supra* note 1, at 468.

37. Besunder, *supra* note 22, at 81-83.

38. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 469 (S.D.N.Y. 2008).

39. *Id.*

40. *Id.* at 470.

41. *Id.* at 507 (citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982)).

42. *Id.* The court found sufficient evidence of generalized knowledge from: (1) Tiffany's demand letters; (2) Tiffany's Buying Programs' results, which it shared with eBay, indicating that 73.1% of Tiffany items purchased in its 2004 Buying Program were counterfeit; (3) thousands of Notice of Claimed Infringe-

knowledge of infringing activities, while eBay advocated for a narrower interpretation of the *Inwood* test and argued that specific—not general—knowledge should be required to prove contributory trademark infringement.⁴³ The court held that “while eBay clearly possessed general knowledge as to counterfeiting on its website, such generalized knowledge is insufficient under the *Inwood* test to impose upon eBay an affirmative duty to remedy the problem.”⁴⁴

The court found support in its conclusion from precedent and policy. The court noted that other courts have rejected a standard that would “reach conduct that only might be infringing” and have opted to require a “higher showing that a defendant knew or had reason to know of specific instances of actual infringement.”⁴⁵ Moreover, the court looked to copyright law which deems generalized knowledge insufficient to impose contributory liability.⁴⁶ Holding that “Tiffany’s general allegations of counterfeiting failed to provide eBay with the knowledge required under *Inwood*,” the court next addressed whether eBay was willfully blind to the infringing activities.⁴⁷

ment forms (NOCI) that Tiffany filed alleging a good faith belief that certain listings were counterfeit or infringing on Tiffany’s marks; and (4) numerous complaints from buyers stating that they had purchased what they believed to be fake Tiffany jewelry through the eBay website. *See id.*

43. *Id.* at 507–08.

44. *Id.* at 508–10. The court noted that while the Second Circuit has not defined the requisite knowledge a defendant must have to satisfy the *Inwood* standard, generalized knowledge is insufficient for four reasons. First, the *Inwood* test focuses on individual infringers through its singular language—a manufacturer or distributor is contributorily liable when “it continues to supply its product to ONE whom it knows or has reason to know is engaging in trademark infringement.” *Inwood*, 456 U.S. at 854. Second, at least one district court in the Second Circuit has held that “trademark plaintiffs bear a high burden in establishing ‘knowledge’ of contributory infringement.” *Gucci Am., Inc. v. Hall & Assocs.*, 135 F. Supp. 2d 409, 420. (S.D.N.Y. 2001). Third, the fact that “courts have been reluctant to extend contributory trademark liability to defendants where there is some uncertainty as to the extent or the nature of the infringement.” *Tiffany*, 576 F. Supp. 2d at 508–09. Fourth, “neither *Fontovisa* nor *Hard Rock Cafe* support the notion that generalized knowledge is sufficient.” *Tiffany*, 576 F. Supp. 2d at 510.

45. *Tiffany*, 576 F. Supp. 2d at 510.

46. *Id.* n.37 (citing *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1027 (9th Cir. 2001) (“The mere existence of the Napster system, absent actual notice and Napster’s demonstrated failure to remove the offending material, is insufficient to impose contributory liability.”); *see also* *Hendrickson v. eBay, Inc.*, 165 F. Supp. 2d 1082, 1088–90 (C.D.Cal. 2001) (holding that generalized notice of copyright infringements was insufficient to establish knowledge for the purpose of contributory liability).

47. *Tiffany*, 576 F. Supp. 2d at 511–14 (holding that none of the following were sufficiently specific to impute to eBay with the required knowledge: Tiffany’s

The concept of willful blindness comes from the *Inwood* test, which finds liability when a plaintiff can demonstrate that the defendant “knows or has reason to know” of a third party’s trademark infringement.⁴⁸ The *Tiffany* court stated that “willful blindness means a person must suspect wrongdoing and deliberately fail to investigate.”⁴⁹ Tiffany claimed that eBay was willfully blind because it could have done more to prevent the listings of counterfeit goods but failed to take such measures.⁵⁰ However, the court held that eBay was not willfully blind to evidence of trademark infringement on its website.⁵¹ In holding that eBay was under no affirmative duty to search for potential infringers, the court noted that “willful blindness requires ‘more than mere negligence or mistake’ and does not lie unless the defendant knew of a high probability of illegal conduct and purposefully contrived to avoid learning of it, for example, by failing to inquire further out of fear of the result of the inquiry.”⁵²

The court continued its discussion on contributory trademark infringement by addressing whether eBay “continued to supply” its product in instances where it knew or had reason to know of infringement.⁵³ The court noted that courts have declined to find liability where a defendant takes “appropriate steps” to “cut off the supply of its product or service to the infringer” once it has sufficient knowledge.⁵⁴ The court concluded that eBay did in fact take “appropriate steps” to terminate its services to infringers because once eBay was notified through the Verified Rights Owner (VeRO) program of a counterfeit auction item, eBay removed the listing, warned the seller and buyer, cancelled the fees associated with the listing, and instructed the buyers to not carry out the sale. The court concluded the opinion by

demand letters, the “five-or-more” rule, buying programs, NOCIs, and buyer complaints).

48. *Id.* at 513 (stating that “the ‘reason to know’ standard can be satisfied by a showing that the defendant was willfully blind to the infringing activity”).
49. *Id.* (referring to *Hard Rock Café Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992); *Louis Vuitton, S.A. v. Lee*, 875 F.2d 584, 590 (7th Cir. 1989); *Monsanto Co. v. Campuzano*, 206 F. Supp. 2d 1271, 1275 (S.D.Fla. 2002)).
50. *Id.* (noting that the fact that eBay adopted further anti-counterfeiting measures after Tiffany initiated the suit does not indicate that it could have employed such efforts any earlier).
51. *Id.* at 515.
52. *Id.* (citing *Nike, Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352, 1369–70 (S.D. Ga. 2003)).
53. *Id.* at 516 (stating that the *Inwood* test “requires a plaintiff to prove that the defendant continued to supply its product to an infringer once it had knowledge of the infringement”).
54. *Id.* (citing *Proctor & Gamble v. Haugen*, 317 F.3d 1121, 1129-30 (10th Cir. 2003)).

highlighting the fact that the law is clear in placing the burden on the trademark owner to police its mark.⁵⁵

Though the decision provided some clarity regarding contributory trademark liability, it raised the question of when auction websites should be required to investigate and take action against trademark infringement on their sites.

C. Secondary Liability: Trademark Law v. Copyright Law

Trademark and copyright law are similar in the fact that courts have imposed secondary liability to both areas of law based on common-law tort theories. The differences between trademark and copyright law are a result of their differing rationales and policies. First, while copyright protection stems from a direct constitutional grant of power,⁵⁶ the Supreme Court has rejected such support for trademark protection.⁵⁷ Second, copyright law gives authors the exclusive rights to the original work as an incentive to create and share valuable works of art with the public.⁵⁸ However, trademark law “focuses on ensuring the integrity of the marketplace by protecting consumers against confusion as to the source of products.”⁵⁹ Thus, trademark law seeks to protect consumers by improving the quality of information in the marketplace.⁶⁰ Unlike copyright law, there is no federal policy that encourages the creation of more trademarks.⁶¹

Because of these “fundamental differences,” the Supreme Court has said that secondary liability for trademark infringement should be more narrowly drawn than that for copyright infringement.⁶² *Tiffany v. eBay* serves as a reminder that secondary trademark infringement is generally more difficult to prove than secondary copyright liability. In order to prevail on a contributory infringement claim under copyright law, the plaintiff must prove: (1) an

55. *Id.* at 527.

56. U.S. CONST. art. I, § 8, cl. 8 (“The Congress shall have power . . . to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”).

57. *In re Trade-Mark Cases*, 100 U.S. 82, 94-95 (1879) (holding that Congress’s power to regulate trademarks can only come from its power to regulate interstate commerce).

58. *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

59. Elizabeth K. Levin, Note, *A Safe Harbor for Trademark: Reevaluating Secondary Trademark Liability After Tiffany v. eBay*, 24 BERKELEY TECH. L.J. 491, 504 n.97 (2009) (citing Peter S. Menell & David Nimmer, *Unwinding Sony*, 95 CAL. L. REV. 941, 971 (2007)).

60. Dogan & Lemley, *supra* note 18, at 1366.

61. Levin, *supra* note 58, at 504.

62. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 439 (1984).

act of direct infringement by someone other than the secondary party; (2) that the secondary party had knowledge of the infringing activity; and (3) that the secondary party induced, caused, or materially contributed to the infringement.⁶³ So it would seem that the test for contributory copyright infringement is not much different from the test for contributory trademark infringement. However, unlike trademark law, vicarious copyright liability may be found if a party has the right and ability to supervise the infringing activity and obtains a direct financial benefit from the infringing activities.⁶⁴ Thus, vicarious copyright law recognizes liability when a defendant profits directly from the infringement and has the right and ability to control the direct infringer, even if the defendant lacked prior knowledge of specific infringement. Had the Tiffany items sold on eBay been copyrighted instead of trademarked, the outcome of the case may have been more advantageous for Tiffany since the crux of the court's decision turned on the absence of specific knowledge.

The Digital Millennium Copyright Act (DMCA) is an area of copyright law that is unmatched in trademark law. Congress passed the DMCA to help tackle the type of problem confronted in *Tiffany v. eBay*.⁶⁵ Title II of the Act creates a safe harbor from copyright liability for online service providers if they follow the "notice and takedown" provisions enumerated in the statute.⁶⁶ The DMCA operates as a guide to service providers on how to avoid direct, contributory, and vicarious liability for their infringing customers. The safe harbor protects ISPs from liability for all monetary relief but does not affect the question of ultimate liability.⁶⁷

In order to satisfy the requirements of the safe-harbor provision, the online service provider must block access to—or completely remove—allegedly infringing material if it receives a notification of infringing activity.⁶⁸ Additionally, Section 512(c) of the Act demands that copyright owners abide by the strict notification requirements in order for the safe harbor to require that service providers prevent access to the infringing material.⁶⁹ While en-

63. Levin, *supra* note 58, at 512 (citing *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)).

64. *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971) (citing *Shapiro, Bernstein & Co., v. H.L. Green Co.*, 316 F.2d 304 (2d Cir. 1963)); *see also A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1023 (9th Cir. 2001).

65. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 469 (S.D.N.Y. 2008) (stating that the central dispute in the case is who should bear the burden of policing the trademark).

66. Digital Millennium Copyright Act (DMCA) of 1998, 17 U.S.C. § 512 (2000).

67. Levin, *supra* note 58, at 514.

68. 17 U.S.C. § 512(c).

69. Fara S. Sunderjji, *Protecting Online Auction Sites from the Contributory Trademark Liability Storm: A Legislative Solution to the Tiffany, Inc. v. eBay Inc.*

couraging the robust development and expansion of electronic commerce, the DMCA simultaneously provides “strong incentives for service providers and copyright owners to cooperate to detect and deal with copyright infringements that take place in the digital networked environment.”⁷⁰ While there is no analogous safe harbor available for trademarks, many scholars and commentators believe that the persistent problem highlighted by *Tiffany v. eBay* should stimulate Congress to enact a similar statute for trademarks.⁷¹

D. ANALYSIS

Individuals, judges, and companies may all hold different beliefs regarding who should bear the burden to police the trademark. But one thing is certain: something needs to be done. Trademark law is at a standstill, and has been for years. Meanwhile, technology, as well as e-commerce, continues to grow and advance.⁷² Congress has not updated trademark law since the Lanham Act of 1947 and the standard used for contributory trademark liability dates back to before the Internet even existed.⁷³ The Lanham Act was designed for a physical marketplace where the consumer actually views the product and has a better opportunity to detect an infringing mark. Congress did not anticipate the creation of the Internet when it wrote the Lanham Act in the early 1930s. Therefore, the Lanham Act provisions do not address trading goods across such modern mediums.

Reflecting the substantial uncertainty regarding how to apply existing laws to internet commerce, the Second Circuit suggested that “attempting to apply established trademark law in the fast-developing world of the Internet is somewhat like trying to board a moving bus . . .”⁷⁴ Congress has been content with allowing courts to “develop the basic contours of trademark protection” and respond to the changes of trade, commerce, and invention.⁷⁵ However, the *Tiffany v. eBay* decision illustrates the consequences of such a position and highlights the importance of establishing a uniform standard that both online auctions and trademark holders can rely on. Great debate has been generated regarding whether this uniform standard should be based on case law (relying on *Tiffany v. eBay* to act as a guide) or on a statutory

Problem, 74 *FORDHAM L. REV.* 909, 928-30 (2005); *see also* 17 U.S.C. § 512(c)(1).

70. S. REP. NO. 105-90, at 20 (1998).

71. *See* Levin, *supra* note 58, at 517-27; *see also* Redman, *supra* note 1, at 489-90.

72. Bartholomew, *supra* note 10, at 2.

73. Courts still refer to the standard established in *Inwood*. *See* *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982).

74. *Bensusan Rest. Corp. v. King*, 126 F.3d 25, 27 (2d Cir. 1997).

75. Graeme B. Dinwoodie & Mark D. Janis, *Lessons from the Trademark Use Debate*, 92 *IOWA L. REV.* 1703, 1710-11 (2007).

solution, and the solution is yet to be determined. Many commentators argue that Congress should look to the *Tiffany v. eBay* decision for guidance and enact a safe harbor to regulate trademark infringement on online auction sites in order to avoid the piecemeal development of secondary trademark liability.⁷⁶

The ultimate dispute in *Tiffany v. eBay* turned on who should bear the burden of policing Tiffany's trademarks on eBay's website. There were valid arguments on both sides regarding who should bear such a responsibility. Placing the burden on the trademark holder is problematic because smaller companies that are not able to afford the extensive policing efforts necessary to satisfy the court's burden will be forced to close down, while the online auction site makes a profit off of the infringing activity. Moreover, internet companies are more likely to be equipped with the necessary technology to implement antifraud programs. Conversely, trademark owners are the experts in being able to identify their products and detecting potential infringers. Ultimately, there is a strong argument that the trademark holder should be required to take ownership in the majority of the policing efforts because it is the integrity of their brand that makes their business a success or failure. Self-policing a company's brand is necessary in order to prevent competitors from acquiring the rights in the mark. Additionally, courts should not place hefty burdens on ISPs because it will discourage development on the Internet, and it is likely that companies like eBay will pass the increased costs on to the customers through heightened service fees.

Interestingly, the court in *Tiffany v. eBay* focused all of its attention on the interests of the two parties, yet it did not consider the central interest of trademark law—consumer protection. The consumer is rarely discussed in the court's analysis and, thus, is not a factor in deciding who should be responsible to police the trademark. If consumer protection was the ultimate objective, it is likely that the court would have focused more on burden-sharing rather than burden-shifting because it would be a much more efficient, genial, and definite way to prevent consumer fraud. By having both the trademark holder and the online auction website bear certain responsibilities, there would be a decrease in counterfeit products present on the site and thus a decrease in consumer confusion. While the court ultimately placed the burden on Tiffany, the trademark holder, to police its mark, the court's decision was influenced by all of the antifraud measures eBay had implemented and its cooperation with Tiffany in expeditiously removing the listings after each Tiffany complaint. Analyzed from this point of view, the court's decision supports more of a burden-sharing relationship. The court should have focused more on this burden-sharing relationship that requires online-auction websites to monitor their site with the brand owner's assistance. Because placing the responsibility solely on one party is not desirable, another option is for Congress to amend the Lanham Act to include a safe harbor provision.

76. Levin, *supra* note 58, at 518–21.

A. The Digital Millennium Copyright Act: A Statutory Solution

The Digital Millennium Copyright Act is a good blueprint for a statutory solution, as it encourages burden-sharing instead of burden-shifting policing efforts. Despite the fundamental differences between copyright and trademark law, a statutory enactment similar to the safeguards contained in the Act would afford more certainty in the realm of trademark infringement on the Internet and eliminate unnecessary lawsuits. Such a scheme would allow trademark owners to quickly have allegedly infringing material removed and provide a safe harbor for service providers to avoid liability for infringing misconduct on their sites.

In deciding how to modernize trademark law, there are advantages and disadvantages to relying on case law precedent versus enacting a statutory solution. Many scholars have encouraged the enactment of a provision in trademark law that mirrors the provisions and safe harbors contained in the DMCA.⁷⁷ Relying on Congress to enact a statute similar to the DMCA would promote a uniform standard that holds both parties responsible for policing efforts and would reduce the costly litigation of unnecessary lawsuits. In *Tiffany v. eBay*, Judge Sullivan noted that Congress bears the ultimate responsibility of changing the law.⁷⁸ However, relying on a safe harbor provision may be troublesome. First, there is a risk that a safe harbor may act as more of a ceiling instead of a floor. When online auction sites only have to meet certain requirements in order to avoid liability, it is not likely that they will adopt antifraud measures above and beyond what is required. Instead, if liability is determined on a case-by-case basis, taking into account the specific circumstances of each party, ISPs will have an incentive to implement more anti-fraud measures in order to avoid liability.⁷⁹ Additionally,

77. *Id.* at 522–24. Moreover, the statute should establish procedures for proper notification and counter notification. Levin proposed that:

[T]he statute should require online auction sites to meet the following conditions: (1) the online auction site must not have actual knowledge of the infringing activity and must not be aware of facts or circumstances from which infringing activity is apparent; (2) if the site has the right and ability to control the infringing activity, it must not receive a financial benefit directly attributable to the infringing activity; and (3) upon receiving proper notification of claimed infringement, the site must expeditiously take down or block access to the material.

Id.

78. “Policymakers may yet decide that the law as it stands is inadequate to protect rights of owners in light of the increasing scope of Internet commerce and the concomitant rise in potential trademark infringement.” *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 470 (S.D.N.Y. 2008).

79. Examples of specific circumstances may include the anti-fraud tactics each party has already implemented, the financial ability of the party to implement further anti-fraud measures, the size of the business, the time it takes the party

courts are afforded greater flexibility if they rely on case law to set the precedent, rather than a statute. This also permits courts to more readily modify the law of trademarks to take into account developments and changes in the online marketplace. Congress cannot accurately predict what the online marketplace will be like in the near future, and the procedure for amending statutory law is a fairly lengthy one.

E. CONCLUSION

The introduction and growth of the Internet has increased the sale of counterfeit goods and services. Similarly, the Internet has raised numerous issues pertaining to the regulation of online counterfeit activity. Enforcement and prosecution of the individuals who sell counterfeit goods online proves to be a complicated task. This is because the companies and individuals who sell these sham products are often difficult to trace and can easily move their location. Trademark law is certainly at a crossroads, and the conflicting judicial interpretation is further evidence of the need for clarification of the law. Seeing that the online marketplace will only continue to grow and become more pervasive, the law of trademarks must provide guidance and answers to trademark holders, online websites, and consumers about the next chapter in trademark law. It is crucial that the judicial system or legislative branch offer such guidance in order to avoid an influx of lawsuits. How trademark law will adapt to technological change remains to be seen.

Technology continues to alter the marketplace and the way companies do business. Moreover, the entrance of third-party facilitators of transactions has complicated who should be held liable for trademark infringement. Unfortunately, the Lanham Act has not followed this development, which has led to many courts interpreting and applying the Act's infringement provisions differently. As noted earlier, the original provisions of the Lanham Act sought to codify trademark law, eliminate judicial obscurity, and enable prompt and effective relief.⁸⁰ Congress needs to go back to the drawing board and offer the same clarity it provided when it enacted the Lanham Act in 1946. To provide the most effective and positive resolution, Congress should draw from the advantages of statutory reform and common-law guidance. Congress should enact a safe harbor similar to the Digital Millennium Copyright Act. However, to encourage trademark holders and online marketplaces to take additional steps to prevent fraud and deception, Congress should note that meeting these requirements does not ensure absolute immunity from liability. In doing so, a universal standard will be available and consumer protection will be heightened because online marketplaces and trademark holders will still have an incentive to implement as many anti-fraud measures as feasible.

to respond to reports of infringing activity, each party's willingness to cooperate in combating infringers, etc.

80. See Witherell, *supra* note 13, at 1097.