

2021

Designing Dupes: A Legislative Proposal for Holding Online Marketplaces Contributorily Liable for Counterfeit Goods

Gina Boone

Fordham University School of Law, gboone3@law.fordham.edu

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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 (2021).

Available at: <https://ir.lawnet.fordham.edu/iplj/vol31/iss4/8>

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Cover Page Footnote

J.D. Candidate, Fordham University School of Law, 2022; M.P.S., Public Relations and Corporate Communications, Georgetown University, 2018; B.S., Media, Culture, and Communications, New York University, 2016. I would like to thank Professor Courtney Cox for her guidance and for taking this journey with me throughout the research and writing of this Note. I would also like to thank the Senior Writing & Research Editor, Sara Mazurek, and the IPLJ Editorial Board and Staff for their hard work throughout this process. Thank you to Maria Sinatra for her advice and inspiration that lead me to write this Note. Finally, I would especially like to thank my mom, my family, and my friends for their loving support.

Designing Dupes: A Legislative Proposal for Holding Online Marketplaces Contributorily Liable for Counterfeit Goods

Gina Boone*

With a simple click on your favorite online marketplace, any consumer can unknowingly buy counterfeit goods. Counterfeits are no longer limited to fake luxury bags on the streets of Chinatown. These dupes can be roller skates, children's toys, and even car tires. However, counterfeit products' impact reaches far beyond just consumer health and safety. Counterfeiting negatively affects small businesses, imposes financial burdens, and causes reputational damage. Online marketplaces are aware of the increase of counterfeit products on their websites. Yet, they continue to facilitate its growth because it is unlikely the online platforms will be held liable for the sale of counterfeit goods. Left with very little options, rightsholders often suffer and consumers are unaware of the dangers. In light of these growing concerns, Congress recognizes the need for anti-counterfeiting legislation. Expanding contributory trademark liability could be the most effective way to address this need, but representatives have left anti-counterfeiting law

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vulnerable. This Note addresses the tension between rightsholders and online marketplaces and proposes regulatory solutions to provide more guidance for anti-counterfeiting legislation.

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INTRODUCTION

In 2013, Mindy McCarthy—owner of the Etsy store MinMac—started her jewelry company to generate income while raising her children.¹ She focused on her packaging and relied on positive reviews when potential customers considered buying from her store.² After having success, she found counterfeiters using her product photos, shrinking the images to fit their pendants and selling them on online marketplaces, such as Amazon, eBay, and Wish.com.³ The designs were blurry and sold for significantly less than what it cost for Mindy to make.⁴ Filing hundreds of infringement notices, Wish.com blocked her requests and Amazon eventually denied her notices as well.⁵ By 2018, only making one-quarter of her annual

¹ Oleksandra Zavertailo, *Interview: The Impact of Counterfeiting on a Growing Etsy Business*, MEDIUM (Mar. 21, 2019), <https://medium.com/simplybrand/interview-the-impact-of-counterfeiting-on-a-growing-etsy-business-cd51bdac268f> [<https://perma.cc/29R7-DKCP>].

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.*

revenue, Mindy was in a financial hole and decided to step away from her business.⁶ This struggle with online marketplaces is just one example of how counterfeits affect rightsholders.

Counterfeits are seemingly everywhere. Once limited to street dealers in Chinatown, these dupes are now readily available on online marketplaces like Amazon and eBay. Because online marketplaces are often unresponsive to rightsholders' notices and mainly communicate automated responses,⁷ there have been rising tensions between brands and these online platforms.⁸ Further, online marketplaces require rightsholders to find proof of counterfeit sales and to provide the seller's identity, which is usually information only the marketplace can access.⁹ Rightsholders, feeling helpless to the process, often want to sue the platforms for their lack of activity against counterfeits, but going against these online giants is risky.¹⁰

Other rightsholders have had their fair share of poor interactions with online marketplaces as well. Kevin Williams and Glenn Archer—owners of Brush Hero—went from receiving an average of four-star reviews for their car detailing brush on Amazon to one-star reviews due to counterfeit sales.¹¹ The counterfeits looked like the real product, which is made in Utah, but the returns had the “Made in China” label.¹² Williams described the situation as “the worst possible scenario,” reporting infringing sellers as many as five times.¹³ A similar situation occurred for Jon Fawcett's Fuse Chicken, a smartphone accessories company. Upon asking his account representative to restrict other sellers' ability to list his products, Amazon replied that the restriction was for companies who spend millions in

⁶ *Id.*

⁷ Jeff Bercovici, *Small Businesses Say Amazon Has a Huge Counterfeiting Problem. This 'Shark Tank' Company Is Fighting Back*, INC. (Mar./Apr. 2019), <https://www.inc.com/magazine/201904/jeff-bercovici/amazon-fake-copycat-knockoff-products-small-business.html> [<https://perma.cc/58MT-TYBS>].

⁸ *See id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

advertising.¹⁴ Without success in combating counterfeit products, Fawcett filed a lawsuit against Amazon.¹⁵

As Mindy's case and others demonstrate, the road to tackling counterfeits has become tumultuous, and problems in current law are the heart of the issue. Bringing a lawsuit against individual sellers is costly, but it is also difficult as counterfeit sellers are often located outside of U.S. jurisdiction.¹⁶ Additionally, current laws allow online marketplaces to generally avoid liability for the sale of counterfeit goods. The dominant rule comes from the Second Circuit, which held that an online marketplace is not liable for contributory trademark infringement unless the platform has more than general knowledge that the sales of counterfeit items are afoot.¹⁷

Although online marketplaces argue they take counterfeit sales seriously by implementing anti-fraud measures,¹⁸ as a result of current law, these platforms have very little incentive to bear the responsibility of vetting counterfeit sellers and products.¹⁹ Courts do not want to impose liability on online marketplaces because some legitimate products are sold on the platforms, and eliminating the sale of all resold goods would diminish competition for genuine merchandise.²⁰ However, many rightsholders want an adequate response to the growing problem.²¹

The tug of war between rightsholders and online marketplaces has heightened, calling on legislators to take a closer look at the

¹⁴ *Id.*

¹⁵ *See* Fuse Chicken LLC v. Amazon.com, Inc., No. 5:17CV1538, 2018 WL 2766163 (N.D. Ohio June 8, 2018).

¹⁶ Marcella Ballard & Maria R. Sinatra, *Shop Safe Act 2020: A New Tool for Brand Owners in the Fight Against Online Counterfeits?*, VENABLE (May 6, 2020), <https://www.venable.com/insights/publications/2020/05/shop-safe-act-2020-a-new-tool> [https://perma.cc/Q3EE-YLPA].

¹⁷ *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 107 (2d Cir. 2010).

¹⁸ *Id.* at 100.

¹⁹ *See* James Bikoff, *Shop Safe Act: A Bill to Hold E-Commerce Sites Liable for Counterfeit Goods Sold Online*, SMITH, GAMBRELL & RUSSELL, LLP, <https://www.sgrlaw.com/ttl-articles/shop-safe-act-a-bill-to-hold-e-commerce-sites-liable-for-counterfeit-goods-sold-online> [https://perma.cc/B43Y-AL4Q].

²⁰ *Tiffany (NJ) Inc.*, 600 F.3d at 98.

²¹ *See generally* Bercovici, *supra* note 7.

counterfeit problem.²² In combating the problem, a bipartisan group of House Representatives proposed a bill, the “Stopping Harmful Offers on Platforms by Screening Against Fakes in E-Commerce Act of 2020,” better known as the SHOP SAFE Act, amending the Lanham Act to address contributory trademark infringement.²³ The SHOP SAFE Act was one of three bi-partisan bills introduced to address the growth of counterfeit products on online platforms,²⁴ signaling a significant bi-partisan concern. Due to a new Congress, the bills were archived. Though the bill is inefficient for rightsholders and leaves very little recourse available,²⁵ the SHOP SAFE Act was a noteworthy proposal in addressing contributory trademark liability.

New anti-counterfeiting legislation has the potential to miss the mark in settling the consequences of current laws. In considering the remediation of current laws’ effects, foreign and copyright law illustrate legislative pitfalls, expressing the need for improvements to anti-counterfeiting legislation.²⁶ This Note explores the counterfeit problem, the impact and drawbacks with current law, and how legislation such as the SHOP SAFE Act does not protect against all counterfeiting.²⁷ Part I describes the key drivers of counterfeiting

²² See *infra* Section I.A.2; see also Press Release, AAFA, AAFA Calls for Legislation to Hold Online Marketplaces Accountable for Counterfeit Sales (Jan. 25, 2021), available at https://www.aafaglobal.org/AAFA/AAFA_News/2021_Press_Releases/AAFA_calls_for_legislation_online_marketplaces_accountable_counterfeits.aspx [<https://perma.cc/VQD6-6LRX>].

²³ See H.R. 6058, 116th Cong. (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

²⁴ See S. 3073, 116th Cong. (1st Sess. 2019), available at <https://www.congress.gov/116/bills/s3073/BILLS-116s3073is.pdf> [<https://perma.cc/YJ87-CENU>]; see also S. 3431, 116th Cong. (2d Sess. 2020), available at <https://www.congress.gov/116/bills/s3431/BILLS-116s3431is.pdf> [<https://perma.cc/2XBM-WG9D>]. Although both bills mention online marketplaces, the SHOP SAFE Act is of significant importance because it explicitly addresses contributory trademark liability.

²⁵ See *infra* Section III.A.

²⁶ See *infra* Sections II.C, II.D.

²⁷ The SHOP SAFE Act has been archived due to a new Congress. However, because two of the House Representatives remain in the House, it is likely this bill or a similar bill will at least be introduced. Legislation to combat counterfeits on online marketplaces is of interest to Congress and the proposals in this Note would apply if members of Congress decide to introduce a bill to address contributory liability of online marketplaces under the Lanham Act.

and its harms, how online marketplaces play a role, and current laws surrounding liability of online marketplaces. Part II explains the growing complications with current law, the tension between brands and online marketplaces resulting from current law, and comparative findings in copyright and foreign law. Part III describes the SHOP SAFE Act's implications for rightsholders and proposes solutions to amend the bill based on both foreign and copyright law.

I. HOUSE OF MIRRORS: THE COUNTERFEIT PROBLEM

The counterfeit problem stems from the increase of fake items on the Internet and the inadequacy of measures taken by online marketplaces. Thus, the problem leads to a dangerous game of whack-a-mole with hardly any end in sight. To understand how serious the problem is, one must understand the key background information surrounding counterfeits, online marketplaces, and current laws. Section I.A provides an overview of counterfeiting and online marketplaces, including defining what counterfeiting is and its key drivers. Section I.A also explains how counterfeiting contributes to health and safety concerns, financial and reputational harm, diminishment of innovation and investments, and organized crime. Section I.B presents an overview of the purpose of the Lanham Act, which governs trademark law, and details direct trademark infringement and contributory trademark liability. Lastly, Section I.C explains current domestic laws surrounding contributory trademark liability of online marketplaces, focusing on the Second Circuit's decision, which has a significant impact on liability of online marketplaces.

A. *How Online Platforms Enable Counterfeiting*

Counterfeiting is the use of a mark that is identical to a registered mark,²⁸ and involves “the manufacturing or distribution of goods under someone else’s name, and without their permission.”²⁹ Counterfeit goods are typically of low quality³⁰ and defraud purchasers

²⁸ 15 U.S.C. § 1127.

²⁹ *What is Counterfeiting?*, INT’L ANTICOUNTERFEITING COAL., <https://www.iacc.org/resources/about/what-is-counterfeiting> [<https://perma.cc/ZPF2-JCE2>].

³⁰ *See id.*

who pay for the brand name's standard.³¹ They often come from foreign markets; for example, the U.S. has cracked down on China for the influx of counterfeit goods coming into the country.³² A typical example of a counterfeit is a fake Louis Vuitton bag sold as the real thing.³³ However, many counterfeit products produced include refrigerator testing instruments,³⁴ unsafe cribs,³⁵ and bicycles.³⁶ Although counterfeiting is a federal and state crime,³⁷ counterfeit goods have become a profitable activity due to the rise of the Internet and online shopping.³⁸ While the expansion of the Internet has led to the

³¹ United States v. Hon, 904 F.2d 803, 806 (2d Cir. 1990).

³² Alan Rappeport, *U.S. Cracks Down on Counterfeits in a Warning Shot to China*, N.Y. TIMES (Jan. 24, 2020), <https://www.nytimes.com/2020/01/24/us/politics/us-cracks-down-on-counterfeits-in-a-warning-shot-to-china.html> [<https://perma.cc/W8QX-6NUJ>].

³³ See generally Trace William Cowen, *Louis Vuitton Busts Up Massive Fake Bags Operation in China*, COMPLEX (Sept. 03, 2020), <https://www.complex.com/style/2020/09/louis-vuitton-busts-fake-bags-operation-in-china> [<https://perma.cc/WL46-7S5L>].

³⁴ See *Product Counterfeiting: How Fakes Are Undermining U.S. Jobs, Innovation, and Consumer Safety: Hearing Before the Subcomm. on Com., Trade, & Consumer Prot. of the H. Comm. on Energy & Com.*, 109th Cong. 24 (June 25, 2005) (testimony of David S. Pearl, II, Executive Vice President, Uniweld Products, Inc.), available at <https://www.hsdl.org/?view&did=469799> [<https://perma.cc/6FMK-LPES>] [hereinafter *Product Counterfeiting*].

³⁵ See *Buyer Beware: Fake and Unsafe Products on Online Marketplaces: Hearing Before the Subcomm. on Consumer Prot. and Com. of the Comm. on Energy & Com.*, 116th Cong. 5 (Mar. 4, 2020) [hereinafter *Buyer Beware*] (statement of Lori Wallach, Director, Public Citizen's Global Trade Watch), available at <https://docs.house.gov/meetings/IF/IF17/20200304/110634/HHRG-116-IF17-Wstate-WallachL-20200304.pdf> [<https://perma.cc/DHA3-NB3P>].

³⁶ See *id.* at 2 (statement of Andrew Love, Head of Brand Security/Investigations/Global Enforcement, Specialized Bicycles), available at https://energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/03.04.30%20Written%20Testimony_Love.pdf [<https://perma.cc/N7RZ-5XA4>].

³⁷ United States v. Hon, 904 F.2d 803, 806 (2d Cir. 1990) (stating “Congress enacted section 2320 in response to an increasing tide of commercial trademark counterfeiting and wished to impose stiff criminal penalties upon those whose intentional acts were previously subject only to civil sanctions under the Lanham Act.”); *What is Counterfeiting?*, *supra* note 29.

³⁸ See U.S. DEP'T OF HOMELAND SEC., COMBATING TRAFFICKING IN COUNTERFEIT AND PIRATED GOODS 8, 10 (2020), available at https://www.dhs.gov/sites/default/files/publications/20_0124_pley_counterfeit-pirated-goods-report_01.pdf [<https://perma.cc/BQ69-6UGJ>]. Approximately “\$1.7 trillion and \$4.5 trillion a year” is attributed to domestic and international sales of counterfeit and pirated goods. LIBR. OF CONG., U.S. INTELLECTUAL PROPERTY AND COUNTERFEIT GOODS—LANDSCAPE REVIEW OF EXISTING/EMERGING RESEARCH (2020), available at

creation of many websites such as Amazon and eBay, the consequences include the ease in which counterfeiters prey on consumers by allowing imitations to blend in with legitimate businesses.³⁹

1. Key Drivers of Online Counterfeiting

The counterfeiting industry thrives for a multitude of reasons. First, consumers desire low prices.⁴⁰ Some proponents argue for lowering costs by promoting more competition to give consumers more choices.⁴¹ This argument is flawed. For example, high-priced items are typically European exports subjected to duties, and the materials needed to produce these items are costly.⁴² Second, online marketplaces make startup and production costs relatively attainable for counterfeit e-commerce.⁴³ The startup expenses are fixed and the costs of maintaining the web business are lower than normal business operations.⁴⁴ Counterfeiters can set up their “stores” with little to no specialized technological skills or sophistication, and there is no need to pay for retail space or hire in-person employees.⁴⁵ Online marketplaces also allow counterfeiters to easily continue their business considering once the platform shuts down their storefronts, they can quickly and easily set up new stores.⁴⁶

Third, counterfeiters enhance profitability by keeping production costs low, most commonly by stealing product secrets.⁴⁷ For example, employees may sell trade secrets to a third-party, who will

<https://www.uspto.gov/sites/default/files/documents/USPTO-Counterfeit.pdf>
[<https://perma.cc/M695-MMUU>].

³⁹ See *Buyer Beware*, *supra* note 35, at 7 (statement of Lori Wallach, Director, Public Citizen’s Global Trade Watch).

⁴⁰ See *What is Counterfeiting?*, *supra* note 29.

⁴¹ See *Buyer Beware*, *supra* note 35, at 9 (statement of David Friedman, Vice President, Advocacy Consumer Reports), available at <https://docs.house.gov/meetings/IF/IF17/20200304/110634/HHRG-116-IF17-Wstate-FriedmanD-20200304.pdf> [<https://perma.cc/HG6J-LPK4>].

⁴² See Josh Partner, *The High Price of Fashion*, N.Y. MAG. (Feb. 3, 2006), <https://nymag.com/fashion/06/spring/15735/index1.html> [<https://perma.cc/3ERT-XU66>].

⁴³ U.S. DEP’T OF HOMELAND SEC., *supra* note 38, at 12. Production costs are low, transactions are convenient, and there is “an air of legitimacy.” *Id.* at 8.

⁴⁴ See *id.* at 12.

⁴⁵ See *id.*

⁴⁶ See Ballard & Sinatra, *supra* note 16.

⁴⁷ See U.S. DEP’T OF HOMELAND SEC., *supra* note 38, at 12.

then create the counterfeit goods from that information.⁴⁸ In other cases, employees will sell unreleased products.⁴⁹ Counterfeiters will also use intermediaries to steal products or technology, which “reduces the traceability to the counterfeiter.”⁵⁰ Additionally, counterfeiters reduce production costs by manufacturing the goods in foreign markets, where producing the good is cheaper due to unsafe working conditions and low quality materials.⁵¹ This method also lowers the chance of detecting the counterfeiter and minimizes legal liability.⁵²

Fourth, counterfeiters enjoy lower marketing costs.⁵³ Because of the Internet’s anonymity, they can easily retarget and remarket to consumers through advertising using legitimate images and descriptions.⁵⁴ This use of the Internet confuses consumers into thinking they are purchasing the real product.⁵⁵ For example, by using hashtags on social media, users can search, unknowingly find, and purchase counterfeit products comingled with legitimate products, making it difficult for users to differentiate.⁵⁶

Lastly, distribution costs are lower.⁵⁷ Counterfeiters previously used international air transport—because of the high volume of products shipped, enforcement was more difficult.⁵⁸ However, current trends suggest counterfeit products are sent in smaller packages via mail or express courier operators to minimize detection and loss

⁴⁸ *Id.*

⁴⁹ For example, a sales representative at the Louis Vuitton Guangzhou store sold unreleased bags to counterfeit makers at an upmarket price in order to facilitate the spread of counterfeit bags when the real bags would be released. *See* Cowen, *supra* note 33.

⁵⁰ *See* U.S. DEP’T OF HOMELAND SEC., *supra* note 38, at 12.

⁵¹ *Id.* at 12–13.

⁵² *Id.* at 12.

⁵³ *Id.* at 13.

⁵⁴ *See id.*

⁵⁵ *Id.*

⁵⁶ *Id.*; *see, e.g.*, Olivia Solon and David Ingram, *Scammers Have Turned Instagram into a Showroom for Luxury Counterfeits*, NBC NEWS (Apr. 24, 2019), <https://www.nbcnews.com/tech/tech-news/scammers-have-turned-instagram-showroom-luxury-counterfeits-n997256> [<https://perma.cc/5ZLNQ-DHZN>].

⁵⁷ U.S. DEP’T OF HOMELAND SEC., *supra* note 38, at 13.

⁵⁸ *Id.* at 14.

to the counterfeiter.⁵⁹ Instead of shipping by plane directly to consumers, counterfeiters may send products to third-parties—also known as drop shippers—through non-private express courier services.⁶⁰ Counterfeiters may also use false customs declarations and shipping manifests to conceal products, and mix counterfeit goods with legitimate items to minimize detection.⁶¹ Because there are lower distribution costs, counterfeiters enjoy “greater convenience in executing transactions” and an “air of legitimacy” by listing on popular online platforms.⁶²

2. How Counterfeit Goods Wreak Havoc

Counterfeit products raise serious consumer health and safety concerns as they are almost always manufactured in substandard conditions.⁶³ Often, the make-up of the counterfeit products is unknown and untraceable,⁶⁴ and the labs that manufacture these items have no oversight.⁶⁵ For example, potential hidden toxins are in jerseys, jewelry, purses, and children’s toys.⁶⁶ Further, during the

⁵⁹ INT’L CHAMBER OF COM., ROLES AND RESPONSIBILITIES OF INTERMEDIARIES: FIGHTING COUNTERFEITING AND PIRACY IN THE SUPPLY CHAIN 32 (2015), <https://cdn.iccwbo.org/content/uploads/sites/3/2015/03/ICC-BASCAP-Roles-and-Responsibilities-of-Intermediaries.pdf> [<https://perma.cc/MM84-2DWV>].

⁶⁰ *Id.* For example, the counterfeit product may originate in an Eastern European country and the manufacturer may send it to the drop shipper via express mail service. *See id.* The drop shipper will act as a distributor and send the product directly to the consumer. *See id.*

⁶¹ OFF. OF THE INTELL. PROP. ENF’T COORDINATOR EXEC. OFF. OF THE PRESIDENT, U.S. JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT, SUPPORTING INNOVATION, CREATIVITY & ENTERPRISE CHARTING A PATH AHEAD 29 (2017–2019), available at https://obamawhitehouse.archives.gov/sites/default/files/omb/IPEC/spotlight/eop_ipecc_jointstrategicplan_hi-res.pdf [<https://perma.cc/ZG4S-HAV8>] [hereinafter JOINT STRATEGIC PLAN ON INTELL. PROP.]. For example, small counterfeit products have been concealed in air-conditioning equipment or sports balls. *Id.*

⁶² *See* Megan Corrigan et al., *US Government Cracks Down on Counterfeits in 2020*, BAKER HOSTETLER (Mar. 18, 2020), <https://www.ipintelligence.com/2020/03/18/us-government-cracks-down-on-counterfeits-in-2020/> [<https://perma.cc/GML5-A5DU>].

⁶³ *See Counterfeits and Their Impact on Consumer Health and Safety: Hearing Before the H. Comm. on the Judiciary*, 114th Cong. 1 (2d Sess. 2016) (testimony of Shelley Duggan, Global Brand Protection Program Leader, The Procter & Gamble Company), available at <https://www.judiciary.senate.gov/imo/media/doc/04-27-16%20Duggan%20Testimony.pdf> [<https://perma.cc/B6GF-F5YL>].

⁶⁴ *Id.* at 2.

⁶⁵ *See* U.S. DEP’T OF HOMELAND SEC., *supra* note 38, at 17.

⁶⁶ *Id.* at 16–18. Counterfeit cosmetics may also contain “arsenic, mercury, aluminum, or lead.” *Id.* at 18.

coronavirus pandemic, there were fraudulent COVID-19 tests and faulty facial coverings.⁶⁷

Health and safety are not the only dangers. Counterfeits also threaten economic harm.⁶⁸ Frontier Economics, an economics consultancy, conducted a study finding this “underground economy” creates a serious burden on the global economy.⁶⁹ The study explained counterfeits deprive governmental revenues of public services, places burdens on taxpayers, and contributes to unemployment.⁷⁰ In 2013, approximately 2 to 2.6 million jobs were lost globally due to counterfeit goods, with job displacement expected to double by 2022.⁷¹

Counterfeits also hurt the value of legitimate brands, leading to diminished innovation and a lack of investment in the creation of innovative products.⁷² For example, when rightsholders cannot receive a price premium for their goods, they are less likely to invest in creating products.⁷³ Mindy’s story⁷⁴ demonstrates how inventors are less likely to invent as they cannot produce products at counterfeit prices.⁷⁵ Additionally, smaller businesses often lack the expertise or resources to find and police the fakes, especially in global markets.⁷⁶ Small companies particularly suffer because they cannot invest in continuous monitoring, performing test buys, and sending takedown notices like larger corporations.⁷⁷

⁶⁷ See Amy Newhouse, *COVID-19 and Counterfeiting Go Hand-in-Hand*, THE HILL (July 27, 2020), <https://thehill.com/blogs/congress-blog/politics/509230-covid-19-and-counterfeiting-go-hand-in-hand> [<https://perma.cc/23BQ-URLD>].

⁶⁸ See *id.*

⁶⁹ FRONTIER ECONOMICS, THE ECONOMIC IMPACTS OF COUNTERFEITING AND PIRACY 5 (2016), <https://iccwbo.org/content/uploads/sites/3/2017/02/ICC-BASCAP-Frontier-report-2016.pdf> [<https://perma.cc/3FYV-9ERM>].

⁷⁰ See *id.*

⁷¹ *Id.* at 8.

⁷² See U.S. DEP’T OF HOMELAND SEC., *supra* note 38, at 19.

⁷³ *Id.*

⁷⁴ See *supra* Introduction.

⁷⁵ See Zavertailo, *supra* note 1.

⁷⁶ Daniel Costello, *Global Expansion Brings Counterfeit Risks*, L.A. TIMES (May 22, 2007), <https://www.latimes.com/archives/la-xpm-2007-may-22-fi-smallchina22-story.html> [<https://perma.cc/A9SG-N6D5>]; *Product Counterfeiting*, *supra* note 34, at 3 (statement of Hon. Cliff Stearns, Chairman, Subcomm. On Com., Trade, and Consumer Prot.) (stating that U.S. small companies are “feeling the brunt of this global problem”).

⁷⁷ See U.S. DEP’T OF HOMELAND SEC., *supra* note 38, at 19.

Moreover, criminal organizations are notable perpetrators of selling counterfeit goods on online marketplaces.⁷⁸ These organizations may use the revenue from counterfeit sales for other criminal activities, such as drug trafficking, money laundering, and terrorism.⁷⁹ In distributing counterfeit products, these organizations rely on manipulating trade routes, usually passing through jurisdictions with little risk of intellectual property enforcement actions.⁸⁰ Additionally, counterfeiters infiltrate private supply chains of legitimate companies, aiding the unknowing sale of fraudulent products to consumers, industries, and governments.⁸¹ For example, an INTERPOL supported operation found fraudulent medicines in private supply chains donated to Ugandan and Kenyan governments for hospital use.⁸²

Counterfeit listings also pose serious reputational harm to legitimate businesses, especially on social media.⁸³ Social media algorithms may trick consumers into thinking a counterfeit item is genuine.⁸⁴ For example, a consumer may search for a certain product online. Later the user may see an advertisement on a social media site for the exact product they were seeking. However, instead of a legitimate brand, the item is a counterfeit and the consumer may then unknowingly purchase it. When consumers receive fake products and are disappointed in the quality, they will direct their frustrations to the authentic brand owner.⁸⁵ As a result, customers may spread bad word of mouth reviews or leave negative comments

⁷⁸ JOINT STRATEGIC PLAN ON INTELL. PROP., *supra* note 61, at 42.

⁷⁹ *Id.*

⁸⁰ *Id.* at 28.

⁸¹ *Id.* at 42.

⁸² *East African Countries Crack Down on Counterfeiters in INTERPOL/IMPACT-Supported Operation Mamba II*, INTERPOL (Oct. 2, 2009), <https://www.interpol.int/en/News-and-Events/News/2009/East-African-countries-crack-down-on-counterfeiters-in-INTERPOL-IMPACT-supported-Operation-Mamba-II> [<https://perma.cc/BH6G-9C3X>].

⁸³ WORLD INTELL. PROP. ORGANIZATION, *STUDY ON APPROACHES TO ONLINE TRADEMARK INFRINGEMENTS* 4–5 (2017), available at https://www.wipo.int/edocs/mdocs/enforcement/en/wipo_ace_12/wipo_ace_12_9_rev_2.pdf [<https://perma.cc/3SA3-YRRM>].

⁸⁴ *Id.* at 5.

⁸⁵ Peter S. Sloane et al., *Trademark Vigilance in the Twenty-First Century: An Update*, 30 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1197, 1206 (2020).

online,⁸⁶ similar to what happened with Brush Hero and Fuse Chicken.⁸⁷

B. Online Platform Liability for Counterfeits

The Lanham Act governs trademark protections in the U.S. and defines trademarks as “any word, name, symbol, or device, or any combination thereof.”⁸⁸ One of its original purposes was to prevent fraud and deception by use of reproductions, copies, or counterfeits of registered marks in commerce.⁸⁹ It also sought to provide rights and remedies respecting trademarks, trade names, and unfair competition.⁹⁰ The Lanham Act has defined counterfeit as, “a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.”⁹¹ To prove direct infringement for counterfeit trademarks under § 1114 of the Lanham Act, a plaintiff must show that the defendant used the mark in commerce without consent and that such use is likely to cause confusion.⁹² Courts will typically apply these elements in a two-prong test to see if the statute protects the mark and whether it causes confusion to a consumer.⁹³

Conversely, contributory trademark infringement derives from the common law of torts.⁹⁴ A contributory trademark infringement claim can reach beyond those who mislabel goods with the mark of another to hold additional parties accountable.⁹⁵ In other words, even if a party does not directly participate in the infringement, they may nevertheless be responsible for another party’s infringing activities.⁹⁶ In 1982, the Supreme Court laid out a two-part test for

⁸⁶ *Id.*

⁸⁷ *See supra* Introduction.

⁸⁸ 15 U.S.C. § 1127.

⁸⁹ H.R. 1654, 79th Cong. 427, 444 (1946). The full bill was titled “An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes.” *Id.*

⁹⁰ *Id.*

⁹¹ 15 U.S.C. § 1127.

⁹² 15 U.S.C. § 1114.

⁹³ *See Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 102 (2d Cir. 2010).

⁹⁴ *Id.* at 103–04 (2d Cir. 2010) (citing *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005)).

⁹⁵ *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 853–54 (1982).

⁹⁶ *Id.*

contributory trademark infringement,⁹⁷ commonly known as the *Inwood* test. To satisfy the test, the plaintiff must show that the defendant intentionally induced another to infringe on a trademark or that the defendant continued to supply products to one whom they know or has reason to know is engaging in trademark infringement.⁹⁸ Although this test originally applied to manufacturers or distributors for contributory liability, the Second Circuit extended the test to apply to cases involving online marketplaces.⁹⁹

For contributory trademark infringement claims, plaintiffs may argue that the defendant engaged in willful blindness to satisfy the knowledge requirement.¹⁰⁰ Willful blindness is when a defendant knew it may be selling infringing goods, but intentionally failed to investigate.¹⁰¹ However, courts reason that if an online marketplace intentionally shielded itself from discovering infringing sellers or listings, willful blindness may be sufficient to trigger *Inwood's* knowledge standard.¹⁰²

Some proponents suggest bringing counterfeit suits under copyright law, arguing the use of unauthorized photographs may provide rightsholders an alternative avenue.¹⁰³ However, this argument does not address the inherent injustice in using a legitimate brand's name to sell counterfeit goods. Alternatively, there may be an argument that injured parties should bring patent claims for counterfeit goods. However, "patent infringement does not cause the kind of unquantifiable harm to goodwill or reputation that the Lanham Act is intended to address."¹⁰⁴ Thus, if brands want to protect their name from counterfeiting, trademark law is a good option.

⁹⁷ *See id.* at 854.

⁹⁸ *Id.*

⁹⁹ *Tiffany (NJ) Inc.*, 600 F.3d at 104–106.

¹⁰⁰ *See id.* at 109.

¹⁰¹ *Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137, 164 (E.D.N.Y. 2016) (citing *Fendi Adele, S.R.L. v. Ashley Reed Trading, Inc.*, 507 Fed. App'x 26, 31 (2d Cir. 2013)).

¹⁰² *Tiffany (NJ) Inc.*, 600 F.3d at 109.

¹⁰³ Sloane, *supra* note 85, at 1229.

¹⁰⁴ *Hearing on Counterfeits and Cluttering: Emerging Threats to the Integrity of the Trademark System and the Impact on American Consumers and Businesses: Hearing Before the Subcomm. on Cts., Intell. Prop. and the Internet of the H. Comm. on the Judiciary*, 114th Cong. 6 (2019) (statement of Peter M. Brody, Partner, Ropes & Gray LLP).

C. *The Difficulty in Holding Online Marketplaces Liable Under Current Law*

1. *The Tiffany v. eBay Ruling*

In 2010, the Second Circuit changed the landscape regarding trademark liability of online marketplaces.¹⁰⁵ Tiffany, the plaintiff, put forth three main arguments for trademark infringement: eBay was directly liable, contributorily liable, and willfully blind.¹⁰⁶ The court decided that online marketplaces are not liable for direct trademark infringement, ruling that online marketplaces can use a brand's mark to describe authentic products.¹⁰⁷ The court also held that *Inwood's* knowledge requirement determines whether an online marketplace can be held liable for contributory trademark liability.¹⁰⁸ Lastly, the court addressed willful blindness. The court noted that if an online marketplace did not ignore information regarding counterfeit sales, they are not willfully blind and such "knowledge is insufficient to trigger liability under *Inwood*."¹⁰⁹

In *Tiffany*, the luxury jewelry maker Tiffany—commonly known as Tiffany & Co.—conducted two surveys known as "Buying Programs."¹¹⁰ As a part of these programs, Tiffany bought various items on eBay to determine how many were authentic and counterfeit.¹¹¹ In the first survey, Tiffany found 73.1 percent were counterfeit and in the second survey 75.5 percent were counterfeit.¹¹² At the time, eBay had its VeRO program which would remove listings of reported goods within twenty-four hours of receiving a "Notice Of Claimed Infringement form or NOCI form."¹¹³ If the auction was still in progress, eBay would remove the listing and inform the seller.¹¹⁴ If the auction already ended, eBay would cancel the

¹⁰⁵ See generally *Tiffany (NJ) Inc.*, 600 F.3d 93.

¹⁰⁶ *Id.* at 101, 103, 110; Brief for Defendant-Appellee at 49, *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010) (No. 08-3947-cv).

¹⁰⁷ *Tiffany (NJ) Inc.*, 600 F.3d at 103.

¹⁰⁸ See *id.* at 106.

¹⁰⁹ See *id.* at 110.

¹¹⁰ *Id.* at 97.

¹¹¹ *Id.*

¹¹² *Id.*

¹¹³ *Id.* at 99.

¹¹⁴ *Id.*

transaction or reimburse the buyer.¹¹⁵ For Tiffany, eBay removed “seventy to eighty percent of counterfeit listings within twelve hours of notification.”¹¹⁶ eBay also allowed Tiffany, and other rightsholders, to create buyer beware pages to inform users.¹¹⁷ By late 2006, eBay implemented more anti-counterfeit measures by delaying listings including brand names so rightsholders could review them.¹¹⁸

a) Direct Trademark Liability

While attempting to restrict counterfeit listings, eBay also sought to promote the sale of luxury goods by advertising the availability of Tiffany products on its website and by purchasing sponsored-link advertisements on various search engines.¹¹⁹ Tiffany argued eBay directly infringed its mark in two ways: by using the mark on eBay’s website and purchasing sponsored links using the mark on search engines.¹²⁰ Tiffany also argued eBay and its sellers were jointly and severally liable.¹²¹ On appeal, the Second Circuit applied the two-prong test to determine direct trademark liability: (1) “whether the plaintiff’s mark is entitled to protection”; and (2) “whether the defendant’s use of the mark is likely to cause consumers confusion as to the origin or sponsorship of the defendant’s goods.”¹²²

The Second Circuit agreed with the lower court that eBay’s use of Tiffany’s trademark was lawful because eBay used that mark to describe authentic Tiffany jewelry, citing the nominative fair use defense.¹²³ This defense provides that a defendant can use the plaintiff’s mark to identify the plaintiff’s goods as long as it does not create a likelihood of confusion about the source or sponsorship.¹²⁴ The court stated that reducing or eliminating the sale of second-hand Tiffany goods would diminish competition, thus benefitting

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ *Id.* at 99–100.

¹¹⁸ *Id.* at 100.

¹¹⁹ *Id.* at 100–01.

¹²⁰ *Id.* at 102.

¹²¹ *Id.*

¹²² *Id.*

¹²³ *Id.* at 102–03.

¹²⁴ *Id.* at 102.

Tiffany.¹²⁵ The court also noted that the result would be a loss of revenue to eBay.¹²⁶ Tiffany argued that even though eBay may have used the mark to describe genuine Tiffany products, eBay knew or should have known there was a notable counterfeit problem.¹²⁷ The Second Circuit decided this argument did not apply to direct trademark infringement but instead applied to whether eBay could be held liable for contributory trademark infringement.¹²⁸ The court also reasoned eBay could not guarantee the genuineness of all Tiffany products on its website.¹²⁹

b) Contributory Trademark Liability

On the issue of contributory trademark infringement, Tiffany argued again that eBay knew, or at least had reason to know, counterfeit Tiffany goods were sold on the platform because of the NOCI forms, the demand letters, and the buying programs' results Tiffany sent to eBay.¹³⁰ The Second Circuit applied *Inwood's* knowledge requirement for contributory trademark liability and agreed with the lower court's decision that this generalized knowledge was insufficient to satisfy the *Inwood* test.¹³¹ In applying *Inwood*, the court concluded there must be more than general knowledge or a reason to know counterfeit goods were sold to hold the online marketplace liable for contributory trademark infringement.¹³² Specifically, the Second Circuit agreed with the District Court that Tiffany would need to show "eBay knew or had reason to know of specific instances of actual infringement."¹³³ Therefore, the court ruled eBay was not contributorily liable for trademark infringement.¹³⁴

¹²⁵ *Id.* at 98.

¹²⁶ *Id.*

¹²⁷ *Id.*

¹²⁸ *Id.* at 103, 107.

¹²⁹ *Id.*

¹³⁰ *Id.* at 106.

¹³¹ *Id.* at 107.

¹³² *Id.*

¹³³ *Id.*

¹³⁴ *Id.* at 109.

c) Willful Blindness

On the willful blindness issue, the Second Circuit agreed with the District Court that if eBay knew of the counterfeits and intentionally shielded itself from discovering the listings and the sellers behind the listings, this inaction may have satisfied *Inwood*'s knowledge requirement.¹³⁵ However, despite eBay having general knowledge that counterfeit Tiffany products were sold, the court ruled this knowledge was insufficient to trigger *Inwood*.¹³⁶ The court reasoned eBay did not ignore the information about counterfeit products on its website as eBay removed many of the reported listings.¹³⁷

2. Life After *Tiffany*: How Courts Keep This Ruling Alive

Other courts agree that *Tiffany* is the standard for contributory trademark liability of online marketplaces, yet they often distinguish cases from *Tiffany*.¹³⁸ In the Eleventh Circuit, the court ruled in favor of the luxury brand retailer, Luxottica, by upholding the jury's verdict that defendant, Airport Mini Mall, was liable for contributory trademark infringement.¹³⁹ The court distinguished itself from *Tiffany* by ruling there was a landlord-tenant relationship.¹⁴⁰ While the defendant served as the Mall's landlord, law enforcement raided the shopping center and confiscated counterfeit Luxottica products three times.¹⁴¹ Reasoning that a landlord-tenant relationship is different from *Tiffany*'s relationship with eBay, the defendants did not need Luxottica's help in identifying the subtenants who were infringing on Luxottica's mark.¹⁴²

¹³⁵ *Id.*

¹³⁶ *Id.* at 110.

¹³⁷ *Id.* at 99, 110.

¹³⁸ Although this Note focuses on contributory trademark liability, online marketplaces have been held strictly liable for third party sellers in products liability cases. *See Bolger v. Amazon.com, LLC*, 53 Cal. App. 5th 431, 438 (Cal. Ct. App. 2020).

¹³⁹ *Luxottica Grp., v. Airport Mini Mall, LLC*, 932 F.3d 1303, 1311 (11th Cir. 2019).

¹⁴⁰ *Id.* at 1313, 1314–15.

¹⁴¹ *Id.* at 1309.

¹⁴² *Id.* at 1314–15.

Similarly, in a California case, *Tre Milano v. Amazon, Tiffany* still prevailed.¹⁴³ The court ruled that Tre Milano failed to demonstrate a likelihood of prevailing on direct and contributory infringement claims against Amazon because the online marketplace removed the infringing listings and was not willfully blind.¹⁴⁴ In another case, a Southern District of New York court ruled in favor of Chanel, a luxury retailer, by holding The RealReal, a luxury consignment, liable for direct trademark infringement of counterfeit Chanel items.¹⁴⁵ The court distinguished this case from *Tiffany* because unlike eBay, The RealReal has the sole responsibility of selling the goods.¹⁴⁶ In this case, the ruling suggests luxury consigners do not function as online marketplaces, thus, *Tiffany* and the counterfeit problem lives on.

II. MORE COUNTERFEITS, MORE PROBLEMS: THE PROBLEM WITH ANTI-COUNTERFEITING LEGISLATION

Owners of legitimate trademarks are plagued by the multitude of counterfeit goods available on the Internet,¹⁴⁷ and given that online counterfeiters can charge far less than their originals, brands have very little recourse available. While current law suggests a need for legislative intervention, proposed legislation does not alleviate the significant burdens on rightsholders.¹⁴⁸ Section II.A describes the problem with the *Tiffany* ruling and Section II.B details the inadequacy of online marketplaces' internal regulating systems. Although this Note discusses the distorted tango between contributory trademark infringement, online marketplaces, and counterfeits, similar negative impacts arise in copyright law. Thus, Section II.C examines the results and legal implications of copyright law as compared to trademark law. Section II.D introduces French and Italian law to highlight the deficiencies in holding online marketplaces liable in the U.S. Lastly, Section II.E introduces the SHOP SAFE Act.

¹⁴³ *Tre Milano, LLC v. Amazon.Com, Inc.*, No. B234753, 2012 WL 3594380, at *14 (Cal. Ct. App. Aug. 22, 2012).

¹⁴⁴ *Id.*

¹⁴⁵ *Chanel, Inc. v. RealReal, Inc.*, 449 F. Supp. 3d 422, 430, 441–42 (S.D.N.Y. 2020).

¹⁴⁶ *Id.* at 441.

¹⁴⁷ *United States v. Hon*, 904 F.2d 803, 806 (2d Cir. 1990).

¹⁴⁸ *See infra* Section II.A. and Section III.A.

A. *The Negative Impacts of Tiffany*

In *Tiffany*, there were concerns about who should be responsible for finding counterfeits.¹⁴⁹ Tiffany argued if eBay were not held liable, the ruling would require rightsholders to police online marketplaces “24 hours a day, and 365 days a year,” and many rightsholders would be unable to bear this burden.¹⁵⁰ Rightsholders have, in fact, encountered several hurdles after the *Tiffany* ruling. In holding online sellers accountable, existing laws tend to shield foreign counterfeiters from liability because they are often outside of U.S. jurisdiction.¹⁵¹ Thus, rightsholders often turn to either continuously taking down listings or suing for trademark infringement.¹⁵² Ultimately, the burden is on rightsholders to police and report infringement,¹⁵³ creating financial and time-consuming costs.

The time-consuming burdens on rightsholders are significant. The *Tiffany* decision, arguably, shifted the burden away from the e-commerce platform and placed it onto the rightsholder to find and police counterfeits,¹⁵⁴ engaging in a continuous game of whack-a-mole.¹⁵⁵ For example, Wish.com blocked infringement requests by legitimate owners against sellers, and Amazon, too, has denied legitimate infringement claims.¹⁵⁶ Additionally, when Mindy reached out to third-party sellers, she never received a response.¹⁵⁷ As a result, counterfeits destroy products’ quality, making it impossible for small businesses to address.¹⁵⁸

There are also incredible financial burdens as a result of current law. A common way to show specific instances of infringement is

¹⁴⁹ See generally *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 109 (2d Cir. 2010).

¹⁵⁰ *Id.*

¹⁵¹ See U.S. DEP’T OF HOMELAND SEC, *supra* note 38.

¹⁵² See Bercovici, *supra* note 7.

¹⁵³ See U.S. DEP’T OF HOMELAND SEC, *supra* note 38.

¹⁵⁴ See Andrew Lehrer, *Tiffany v. Ebay: Its Impact and Implications on the Doctrines of Secondary Trademark and Copyright Infringement*, 18 B.U. J. SCI. & TECH. L. 373, 398–99 (2012).

¹⁵⁵ See *Buyer Beware*, *supra* note 35 (statement of Lori Wallach, Director, Public Citizen’s Global Trade Watch).

¹⁵⁶ See Zavertailo, *supra* note 1.

¹⁵⁷ *Id.*

¹⁵⁸ See *Product Counterfeiting*, *supra* note 34, at 25.

through test buys, where a seller buys a product to test the quality.¹⁵⁹ However, this action can cost a significant amount of money if there are multiple listings and sellers, especially for small businesses.¹⁶⁰ Tiffany alone spent \$14 million in anti-counterfeiting efforts.¹⁶¹ As a result of these financial burdens, some brands are turning to block-chain technology to certify the authenticity of their products.¹⁶² Brands have even instituted intellectual property task forces in their fight against counterfeiters, involving collaboration between major online marketplaces and well-known brands.¹⁶³ Changes should be made as many of these efforts could prove to be difficult, or even impossible, for small businesses.

Online marketplaces are feeling the effects of the counterfeit problem. For instance, in 2019, Nike pulled its products from Amazon after its short stint as a wholesaler to combat Nike fakes on the platform.¹⁶⁴ The successful activewear company was unable to maintain control because when Amazon removed counterfeit listings, more would appear under a different name.¹⁶⁵ Brands, such as Nike, attempt these preventative measures due to the *Tiffany* ruling, taking an “if you can’t beat them, join them” approach.¹⁶⁶ As a

¹⁵⁹ See David Streitfeld, *What Happens After Amazon’s Domination Is Complete? Its Bookstore Offers Clues*, N.Y. TIMES (June 23, 2019), <https://www.nytimes.com/2019/06/23/technology/amazon-domination-bookstore-books.html> [<https://perma.cc/7AQN-CQUK>].

¹⁶⁰ See U.S. DEP’T OF HOMELAND SEC., *supra* note 38, at 19.

¹⁶¹ *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 484 (S.D.N.Y. 2008).

¹⁶² See Matteo Montecchi et al., *It’s Real, Trust Me! Establishing Supply Chain Provenance Using Blockchain*, 62 BUS. HORIZONS 283, 289, 291 (2019); see also Alice Newbold, *Louis Vuitton To Launch First Blockchain To Help Authenticate Luxury Goods*, VOGUE UK (May 17, 2019), www.vogue.co.uk/article/lvmh-blockchain [<https://perma.cc/Y3MQ-GNWX>] (describing how LVMH plans to use blockchain technology to prevent counterfeits).

¹⁶³ See Press Release, Kering, *Kering and Alibaba Group Agree to Cooperate in Protection of Intellectual Property and Joint Enforcement* (Aug. 3, 2017), available at <https://www.kering.com/en/news/alibaba-group-agree-cooperate-in-protection-intellectual-property-joint-enforcement> [<https://perma.cc/QX6R-WTHC>] (noting that Kering agreed to dismiss the lawsuit against Alibaba).

¹⁶⁴ See Eben Novy-Williams & Spencer Soper, *Nike Pulling Its Products from Amazon in E-Commerce Pivot*, BLOOMBERG (Nov. 12, 2019), <https://www.bloomberg.com/news/articles/2019-11-13/nike-will-end-its-pilot-project-selling-products-on-amazon-site> [<https://perma.cc/HK2L-SWRA>].

¹⁶⁵ See *id.*

¹⁶⁶ See Lehrer, *supra* note 154, at 395.

result, some online marketplaces are increasing their anti-counterfeiting efforts.¹⁶⁷

B. Internal Regulating Systems Failure to Mitigate the Counterfeit Problem

The counterfeit problem is akin to a tale of David and Goliath. Online marketplaces claim because they are not selling the counterfeit goods and are merely providing consumers access to the goods, they are not responsible for false representations on their platforms.¹⁶⁸ However, they continue to facilitate the distribution of counterfeit products. For example, after Amazon heavily recruited Chinese sellers, its China team reported concerns of an increase in counterfeits, fraud, and unsafe products on its platform.¹⁶⁹ Listing on well-known online marketplaces, such as Amazon, could deceive consumers as it gives these goods a presumption of legitimacy.¹⁷⁰ Amazon also provides low cost means for counterfeiters to avoid research and development costs, and takes care of shipping logistics for third-party sellers.¹⁷¹ Additionally, counterfeiters may upload pictures of the real product, use fake reviews, and include other misleading information intended to deceive consumers.¹⁷² In Brush Hero's case,¹⁷³ Kevin opted for his products to be commingled in Amazon's fulfillment centers.¹⁷⁴ Comingling means if an item is listed as the same product but is a counterfeit from a different seller located in a warehouse closer to the customer, Amazon may unknowingly send the counterfeit item so the consumer can receive the product faster.¹⁷⁵

¹⁶⁷ See *infra* Section II.B.

¹⁶⁸ See *supra* note 35.

¹⁶⁹ See Jon Emont, *Amazon's Heavy Recruitment of Chinese Sellers Puts Consumers at Risk*, WALL ST. J. (Nov. 11, 2019), <https://www.wsj.com/articles/amazons-heavy-recruitment-of-chinese-sellers-puts-consumers-at-risk-11573489075> [<https://perma.cc/7DJP-9Q69>].

¹⁷⁰ See Sloane et al., *supra* note 85, at 1210.

¹⁷¹ See *id.* at 1211.

¹⁷² See U.S. DEP'T OF HOMELAND SEC, *supra* note 38, at 22.

¹⁷³ See *supra* Introduction.

¹⁷⁴ See Bercovici, *supra* note 7.

¹⁷⁵ See *id.*

To combat the counterfeit problem, Amazon launched programs, such as Project Zero and its brand registry. Project Zero is an anti-counterfeiting system providing three tools: automated protections, self-service counterfeit removal, and product serialization.¹⁷⁶ Its brand registry is an enrollment program used to help rightsholders protect their brand.¹⁷⁷ The downfall of these programs is that none of their efforts seem to be stopping the sale of counterfeits, leaving the burden to find the dupes on the rightsholder.¹⁷⁸ Amazon even engaged in joint lawsuits with brands against its users who are selling fake items.¹⁷⁹ As a response to increasing pressure to resolve its counterfeit problem, the platform established a Counterfeit Crimes Unit to pursue civil litigation and criminal prosecution against counterfeiters, collaborate with brands in investigations, and help law enforcement.¹⁸⁰ Although Amazon's anti-counterfeiting effort is a significant improvement, the effort does not completely solve the problem; it fails to require sellers to use accurate and

¹⁷⁶ See Dharmesh M. Mehta, *Amazon Project Zero*, AMAZON (Feb. 28, 2019), <https://www.aboutamazon.com/news/company-news/amazon-project-zero> [<https://perma.cc/A97P-3QVJ>].

¹⁷⁷ See *Build and Protect Your Brand*, AMAZON, <https://brandservices.amazon.com> [<https://perma.cc/67QC-SP9G>].

¹⁷⁸ See Angela He et al., *Amazon's Anti-Counterfeit Efforts Fall Short*, LAW 360 (Sept. 11, 2020), <https://www.law360.com/articles/1307710/amazon-s-anti-counterfeit-efforts-fall-short> [<https://perma.cc/CDK7-UUFU>].

¹⁷⁹ Since legislation aimed at online marketplaces put e-commerce giants on notice, Amazon has pursued litigation against its third-party sellers, teaming up with brands such as Valentino, Ferragamo, and YETI. See, e.g., Hannah Albarazi, *Amazon Launches TM Blitz Against Card Game Counterfeiters*, LAW 360 (Feb. 10, 2021), <https://www.law360.com/articles/1354155/amazon-launches-tm-blitz-against-card-game-counterfeiters> [<https://perma.cc/N39A-VMSU>]; see, e.g., Craig Clough, *Amazon, Ferragamo Squeeze Alleged Belt Counterfeiters*, LAW 360 (Feb. 12, 2021), <https://www.law360.com/articles/1354795/amazon-ferragamo-squeeze-alleged-belt-counterfeiters> [<https://perma.cc/9V48-8RB6>]; see, e.g., Isabella Jibilian, *Amazon and YETI Sue Third-Party Sellers, Alleging They Sold Counterfeit Tumblers, as the Retail Giant Cracks Down on Fake Goods*, BUS. INSIDER (Dec. 7, 2020), <https://www.businessinsider.com/amazon-yeti-lawsuit-allege-counterfeit-fake-tumblers-sue-mugs-2020-12> [<https://perma.cc/9VE5-SYWW>].

¹⁸⁰ See Press Release, Bus. Wire, Amazon Establishes Counterfeit Crimes Unit to Bring Counterfeiters to Justice (June 24, 2020), available at <https://press.aboutamazon.com/news-releases/news-release-details/amazon-establishes-counterfeit-crimes-unit-bring-counterfeiters> [<https://perma.cc/3FDH-T74K>] [hereinafter Amazon Counterfeit Crimes Unit].

authorized images, transparent processes to prevent repeat offenders, and comprehensive takedown policies.¹⁸¹

In addition to Amazon's efforts, anti-counterfeiting programs on online marketplaces have been inadequate for small businesses. Most marketplaces have not taken the same measures as Amazon, as the majority only provide policies against counterfeits on their websites.¹⁸² Although eBay has its VeRO program, which allows rightsholders to report eBay listings for infringement,¹⁸³ the platform nevertheless maintains a self-policing model.¹⁸⁴ On other marketplaces such as Walmart, brand owners must separately request information from the seller after submitting their infringement report.¹⁸⁵ Further, small businesses do not have access to some of the anti-counterfeiting measures offered by online marketplaces. For instance, eBay launched its Authenticity Guarantee program in 2020, which only provided post-sale authentication for watches valued over \$2,000 and sneakers valued over \$100.¹⁸⁶ Small businesses, such as MinMac, Brush Hero, and Fuse Chicken,¹⁸⁷ would be unable

¹⁸¹ See He et al., *supra* note 178.

¹⁸² See, e.g., *Counterfeit Item Policy*, EBAY, <https://www.ebay.com/help/policies/prohibited-restricted-items/counterfeit-item-policy?> [<https://perma.cc/WWX8-9SEM>]; *Prohibited Items Policy*, ETSY, <https://www.etsy.com/legal/prohibited/> [<https://perma.cc/8XGQ-ALZC>]; *Marketplace Prohibited Product Policy*, WALMART, <https://www.walmart.com/help/article/marketplace-prohibited-products-policy/94d99d15c54049e19c5c0192facafadb> [<https://perma.cc/A24B-9GFF>]; *Intell. Prop. and Brand Protection Policy*, WISH.COM, <https://merchant.wish.com/intellectual-property#ip-counterfeit> [<https://perma.cc/SR9C-VPZA>].

¹⁸³ *Verified Rights Owner Program*, EBAY, <https://pages.ebay.com/seller-center/listing-and-marketing/verified-rights-owner-program.html> [<https://perma.cc/2SKJ-TZL9>].

¹⁸⁴ Scott Pilutik, *eBay's Secondary Trademark Liability Problem and Its VeRO Program*, 16 NYSBA BRIGHT IDEAS 1, 7 (Spring/Summer 2007), available at <https://nysba.org/NYSBA/Publications/Section%20Publications/Intellectual/PastIssues/SpringSummer2007Vol16No1/SpringSummer2007Vol16No1Assets/IPNewsSprSum07.pdf> [<https://perma.cc/9JXV-5RLM>].

¹⁸⁵ See He et al., *supra* note 178.

¹⁸⁶ See eBay News Team, *eBay To Authenticate Sneakers \$100+ in U.S.*, EBAY (Oct. 12, 2020), <https://www.ebayinc.com/stories/news/ebay-to-authenticate-sneakers-100-in-u-s> [<https://perma.cc/4AUL-9LZ8>]; see also Press Release, eBay, eBay Launches Authentication On All Watches Sold for \$2,000 or More in the US with New Service, "Authenticity Guarantee" (Sept. 8, 2020), <https://www.ebayinc.com/stories/news/ebay-launches-authentication-on-all-watches-sold-for-2-000-or-more-in-the-us-with-new-service-authenticity-guarantee/> [<https://perma.cc/7EAV-Y3Q6>].

¹⁸⁷ *Supra* Introduction.

to apply not only because they do not sell sneakers or watches, but also because their products do not meet the price threshold.¹⁸⁸ Therefore, although these programs provide some aid, many businesses remain out of luck.

C. *Similar Conflicts in Copyright Law*

Some proponents believe trademark law should mirror the Digital Millennium Copyright Act (“DMCA”).¹⁸⁹ Trademark legislation to address the counterfeit problem has been an important point of discussion.¹⁹⁰ Even though there are similarities between copyright and trademark law, this Note rejects the proposal that contributory trademark liability should mirror the DMCA. However, in highlighting the similarities in copyright legislation, this Section will demonstrate why copyright law should merely inspire trademark law instead of implementing a parallel imitation.

In the Committee Report for the DMCA, Senator Patrick Leahy remarked that there must be “copyright laws [to] protect the intellectual property rights of creative works available online in ways that promote the use of the Internet, both by content providers and users.”¹⁹¹ Thus the DMCA’s purpose was to facilitate development in the digital age¹⁹² and tackle the controversial issue of secondary liability, such as contributory infringement.¹⁹³ Section 512 of the

¹⁸⁸ See generally *MinMac Printable Wall Decor*, ETSY, <https://www.etsy.com/shop/MinMac> [<https://perma.cc/W2JH-QWRL>]; see also generally *Shop*, BRUSH HERO, <https://brushhero.com/collections/all> [<https://perma.cc/N88D-BEZB>]; FUSE CHICKEN, <https://www.fusechicken.com> [<https://perma.cc/27CM-2EKM>]. Mindy sold her necklaces for approximately \$15 to \$18. Fuse Chicken products cost approximately \$20 to \$40. Brush Hero’s detailing brush costs approximately \$50.

¹⁸⁹ Lehrer, *supra* note 154, at 399; Fara S. Sunderji, *Protecting Online Auction Sites from the Contributory Trademark Liability Storm: A Legislative Solution to the Tiffany Inc. v. Ebay Inc. Problem*, 74 *FORDHAM L. REV.* 909, 940 (2005).

¹⁹⁰ See Sunderji, *supra* note 189, at 940; see also generally *INTA Steps Up Efforts to Combat Counterfeits, New Laws Under Consideration*, INTA (Sept. 16, 2020), <https://www.inta.org/inta-steps-up-efforts-to-combat-counterfeits-new-laws-under-consideration/> [<https://perma.cc/VL4L-792R>]; AAFA, *supra* note 22.

¹⁹¹ S. REP. NO. 105–190, at 65 (1998), available at <https://www.congress.gov/105/crpt/srpt190/CRPT-105srpt190.pdf> [<https://perma.cc/6GPC-5X8V>].

¹⁹² *Id.* at 1–2.

¹⁹³ *Id.* at 40; U.S. COPYRIGHT OFFICE, SECTION 512 OF TITLE 17 21–22 (2020), available at <https://www.copyright.gov/policy/section512/section-512-full-report.pdf> [<https://perma.cc/9N4P-U99N>] [hereinafter SECTION 512 OF TITLE 17] (stating that

DMCA provides online service providers (“OSPs”)¹⁹⁴ four safe harbors when they work with copyright owners to take down infringing content.¹⁹⁵ OSPs must “adopt and reasonably implement” a policy for the termination of “subscribers and account holders . . . who are repeat infringers.”¹⁹⁶ However, as currently interpreted, an unwritten policy is in compliance with this requirement.¹⁹⁷ OSPs must also “maintain a ‘notice-and-takedown’ process whereby the OSP responds expeditiously to remove or disable access” to the infringing material.¹⁹⁸ In creating this process, Congress intended to provide incentives for OSPs and copyright owners to “address online infringement cooperatively and efficiently” while encouraging the Internet’s development.¹⁹⁹

In 2020, the Copyright Office reported its concerns about the Section 512 safe harbors and concluded the balance intended by Congress was askew.²⁰⁰ The Copyright Office also concluded significant problems remain despite technological advancements, millions of takedown notices, the ineffectiveness of these notices, and the scope of online copyright infringement.²⁰¹ At the Senate Judiciary Subcommittee on Intellectual Property on Section 512 of the DMCA, Chairman Tillis remarked the notice-and-takedown system allowed piracy to run rampant and has been ineffective, calling for a new system.²⁰²

because OSPs provide the means rather than the content, OSPs are more likely to have secondary liability claims against them).

¹⁹⁴ S. REP. NO. 105–190, at 40. The Copyright Office recognizes that online service providers and internet service providers are used interchangeably, but in their report differentiates. *Id.* The Office refers to ISPs as mere conduit service providers under section 512(a) and uses OSPs to refer to all online service providers, including mere conduits. *Id.* Essentially, an ISP provides web access whereas an OSP can be a website, email services, or network services. *Id.*

¹⁹⁵ *Id.* at 8.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.* at 3.

¹⁹⁸ *Id.* at 9.

¹⁹⁹ *Id.*

²⁰⁰ See SECTION 512 OF TITLE 17, *supra* note 193, at 197.

²⁰¹ *Id.*

²⁰² Committee on the Judiciary, *Is the DMCA’s Notice-and-Takedown System Working in the 21st Century?: Hearing Before the Subcomm. on Intell. Prop. of the S. Comm. on the Judiciary*, 116th Cong. 29:38, 30:48–32:15 (June 2, 2020) (statement of Thom Tillis, Chairman, Subcomm. on Intell. Prop. of the S. Comm. on the Judiciary), available at

Proponents suggest Congress enact legislation parallel to the DMCA safe harbor provision because there are similar justifications, such as encouraging the Internet's development, creating incentives for cooperation between rightsholders and online entities, and offering guidance for infringement liability.²⁰³ However, although Section 512 has fairly specific eligibility requirements,²⁰⁴ it is still ineffective in its takedown process, repeat infringer policy, and its knowledge requirements highlighted below.²⁰⁵ Thus, legislation addressing contributory liability of online marketplaces should be inspired by the DMCA but should also go farther.

1. The DMCA's Takedown Process

The DMCA mandates a copyright owner include the following in their takedown notice: the signature of the complaining party, the identification of the copyrighted work and infringing material, the complaining party's contact information, and statements that the complaining party is acting in good faith, the notice's information is accurate, and the party has authorization to act.²⁰⁶ The Copyright Office suggested a regulatory process regarding the minimum notice standards for takedown notices to protect the statute against changing communication methods.²⁰⁷ The Copyright Office also stated rightsholders found the notice-and-takedown system burdensome, highlighting the financial and time-consuming demands.²⁰⁸ As there is no exact timeframe for notice-and-takedowns,²⁰⁹ the Copyright Office noted it supports either a flexible statutory standard or a regulatory framework to complement existing judicial time ranges.²¹⁰ Similar to the conclusion the Copyright Office draws, the lack of a regulatory framework—or even specific requirements for its takedown notice—presents a significant challenge for rightsholders

<https://www.judiciary.senate.gov/meetings/is-the-dmcas-notice-and-takedown-system-working-in-the-21st-century> [<https://perma.cc/6NAF-J6ML>].

²⁰³ See Sunderji, *supra* note 189, at 940–41.

²⁰⁴ See SECTION 512 OF TITLE 17, *supra* note 193, at 8 (citing 17 U.S.C. §§ 512(a)–(d)).

²⁰⁵ See *infra* Section II.C.1, Section II.C.2, Section II.C.3.

²⁰⁶ See SECTION 512 OF TITLE 17, *supra* note 193, at 25–26.

²⁰⁷ See *id.* at 5.

²⁰⁸ *Id.* at 137.

²⁰⁹ See *id.* at 160.

²¹⁰ *Id.* at 162.

to have counterfeit goods removed by online marketplaces. However, legislation needs to go beyond what the DMCA provides to ensure a more efficient process.

2. The DMCA's Repeat Infringer Policy

Additionally, the Copyright Office stated having a clear, documented, and public repeat infringer policy is an appropriate minimum requirement and deterrent to infringement than unwritten policies.²¹¹ Current legislation does not specify a clear repeat infringer policy, nor does it require online platforms to make termination procedures publicly available.²¹² Comparatively to the suggestions in the DMCA report, online marketplaces may employ unwritten policies to meet minimum requirements. This possibility would create even more burdens for rightsholders. However, there must be more than minimum requirements and deterrence, such as what the Copyright Office suggests, to address rightsholders' concerns.

3. The DMCA and *Tiffany*'s Knowledge Requirements

Lastly, the Copyright Office looked into the tension between actual knowledge and red flag knowledge.²¹³ Respectively, Section 512 of the DMCA requires OSPs lack actual knowledge of infringing material and lack awareness of facts or circumstances where infringing material is apparent.²¹⁴ The Copyright Office suggested Congress clarify these two requirements, where such knowledge requirements would benefit from a reasonableness standard.²¹⁵ The report also suggested Congress clarify the intended scope of willful blindness.²¹⁶ Similar to willful blindness in *Tiffany*, OSPs that intentionally blind itself from knowledge of infringing activity satisfy the actual knowledge requirement and loses its safe harbor.²¹⁷

²¹¹ *Id.* at 3.

²¹² The SHOP SAFE Act only specifies that the platform must terminate sellers that have sold counterfeits on more than three instances. *See* H.R. 6058, 116th Cong. (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

²¹³ *See* SECTION 512 OF TITLE 17, *supra* note 193, at 3.

²¹⁴ *Id.*

²¹⁵ *Id.*

²¹⁶ *Id.* at 4.

²¹⁷ *Id.*

Legislation regarding contributory liability for online marketplaces should address *Tiffany*'s knowledge requirement. Courts are not new to interpreting existing law and adding heightened standards into statutes when they are not explicitly addressed. For example, Congress codified the willful infringement standard in 35 U.S.C. § 298 when it enacted the 2012 American Invents Act ("AIA").²¹⁸ Courts have changed this standard over the years by first applying a two-prong "objectively reckless" standard,²¹⁹ to declining an imposition of an affirmative obligation to obtain outside counsel,²²⁰ only later to agree the opinion of counsel may be relevant.²²¹ The latest discussion from courts for determining willfulness is changing the standard from a question of law to de novo review.²²² If new legislation does not address the *Tiffany* knowledge standard, there is a chance courts may react similarly for contributory trademark liability by determining a knowledge requirement is necessary. As a result, rightsholders would be unable to meet the heightened standards.

4. Copyright Reform in 2021

Although anti-counterfeiting reform is of significant importance, it should not track some future copyright reform proposals. The pandemic relief and government spending bill (the "Omnibus Bill")²²³ established a quasi-judicial tribunal with three "Copyright Claims Officers."²²⁴ The law empowers the Board to hear copyright infringement claims, misrepresentation of takedown notices, and related counterclaims and defenses for cases not

²¹⁸ Bryan J. Cannon, *The Travesty of Patent Opinion Use: Advancing the AIA to Fix the Misguided Patent Infringement Enhanced Damages Framework*, 22 GEO. MASON L. REV. 439, 445, 454 n.129 (2015) ("This was not only a holding of *In re Seagate*, it was recently codified in the America Invents Act.").

²¹⁹ *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007), *abrogated by* *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016).

²²⁰ *Finisar Corp. v. DirecTV Grp., Inc.*, 523 F.3d 1323, 1339 (Fed. Cir. 2008).

²²¹ *Aspex Eyewear Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1313 (Fed. Cir. 2010).

²²² *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 776 F.3d 837, 841 (Fed. Cir. 2015), *abrogated by* *Halo Elecs., Inc.*, 136 S. Ct. 1923.

²²³ Consolidated Appropriations Act of 2021, H.R. 113, 116th Cong. (2020), available at <https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-116HR133SA-RCP-116-68.pdf> [https://perma.cc/3Z2L-3HXQ].

²²⁴ *Id.* at Div. Q § 212, 78–79, 88. Also known as the CASE Act. *Id.*

exceeding \$30,000 in the aggregate.²²⁵ Critics are concerned this new law will provide larger companies the opportunity to pursue damages against Internet users.²²⁶ There is also a concern the law facilitates abuse by “copyright trolls,” may silence free speech, and may be ineffective because of the opt-out option.²²⁷

Copyright law is also experiencing reform on the DMCA front. U.S. Senator Thom Tillis released a discussion draft for modernizing copyright law, also known as the Digital Copyright Act of 2021.²²⁸ The draft includes revisions to the safe harbor provisions, such as establishing best practices for OSPs, lowering the specificity of the knowledge requirements, and replacing the notice and takedown system with a notice-and-stay-down system.²²⁹

Responding to arguments calling for trademark reform to mimic copyright reform, the results may be alarming. The concern the Omnibus Bill may facilitate abuse by “copyright trolls”²³⁰ is already present on online marketplaces. By taking advantage of online marketplaces’ anti-counterfeiting systems, counterfeiters report legitimate listings and take over the market share once the online marketplace deactivates the legitimate account.²³¹ Therefore, to address such concerns, a parallel amendment to trademark liability would not resolve the problem.

Additionally, anti-counterfeiting reform should not track copyright reform, specifically Senator Tillis’ discussion draft requiring

²²⁵ *Id.* at 84–85, 93–94. With respect to registered works, parties may receive up to \$15,000 in damages. *See id.* at 93. With respect to unregistered works, parties may receive up to \$15,000 in damages. *See id.* at 94.

²²⁶ Jaci L. Overmann & Emily O. Douglass, *Intell. Property Measures Included in Spending and Coronavirus Relief Omnibus Bill*, THE NAT’L L. REV. (Dec. 30, 2020), <https://www.natlawreview.com/article/intellectual-property-measures-included-spending-and-coronavirus-relief-omnibus-bill> [<https://perma.cc/294T-KMQ8>].

²²⁷ *Id.*

²²⁸ *See generally* Digital Copyright Act of 2021 (Discussion Draft Dec. 18, 2020), available at <https://www.tillis.senate.gov/services/files/97A73ED6-EBDF-4206-ADEB-6A745015C14B> [<https://perma.cc/7UDC-6K77>].

²²⁹ Press Release, Thom Tillis, Tillis Releases Landmark Discussion Draft to Reform the Digital Millennium Copyright Act (Dec. 22, 2020), <https://www.tillis.senate.gov/2020/12/tillis-releases-landmark-discussion-draft-to-reform-the-digital-millennium-copyright-act> [<https://perma.cc/XQ5B-GUMN>].

²³⁰ Overmann & Douglass, *supra* note 226, at 2.

²³¹ *See* Bercovici, *supra* note 7, at 17–18.

users who upload content to hold the copyright to the content.²³² If anti-counterfeiting legislation proposes users hold the trademark, this requirement may not stop counterfeiters from claiming they are reselling legitimate items.²³³ Although mimicking copyright reform is not a step in the right direction, copyright reform should inspire anti-counterfeiting legislation to address *Tiffany* and its impact on rightsholders.

D. Foreign Law: How France and Italy Tackle the Counterfeit Problem

Liability for online marketplaces in foreign law should serve as inspiration for future legislation. The French Intellectual Property Code defines counterfeit broadly: any counterfeit is an offense.²³⁴ By defining counterfeit broadly, French law suggests there is far-reaching liability for online marketplaces. French law also criminalizes defendants if convicted of buying counterfeit goods, facing up to three years in prison.²³⁵ Although this Note does not suggest criminalizing counterfeit buyers, it does propose more robust suggestions to hold online marketplaces contributorily liable because of the counterfeit problem and *Tiffany*'s effect.²³⁶

French courts are not afraid to hold online marketplaces liable. In France, LVMH Moët Hennessy Louis Vuitton (“LVMH”) and eBay had a long-standing legal battle over counterfeits and

²³² See Digital Copyright Act of 2021 (Discussion Draft Dec. 18, 2020), at 3.

²³³ Currently, users can resell items but there has been recent litigation surrounding whether there is trademark dilution for the resale of legitimate products on online marketplaces. See *Williams-Sonoma, Inc. v. Amazon.com, Inc.*, No. 18-CV-07548-EDL, 2019 WL 7810815, at *1 (N.D. Cal. May 2, 2019) (ruling that Amazon's motion to dismiss is denied).

²³⁴ CODE DE LA PROPRIÉTÉ INTELLECTUELLE, art. 335-2 (Fr.) (“Any edition of writings, musical composition, drawing, painting or any other production, printed or engraved in whole or in part, in defiance of the laws and regulations relating to the property of authors, is an infringement; and any counterfeit is an offense.”); Dianna Michelle Martínez, *Fashionably Late: Why the United States Should Copy France and Italy to Reduce Counterfeiting*, 32 B.U. INT'L L.J. 509, 524 (2014).

²³⁵ See Sam Cocks, Note, *The Hoods Who Move the Goods: An Examination of the Booming International Trade in Counterfeit Luxury Goods and an Assessment of the American Efforts to Curtail its Proliferation*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 501, 507 (2007).

²³⁶ See *infra* Part III.

infringement.²³⁷ In 2008, a French Court ruled in favor of LVMH and ordered eBay to pay 38.5 million euros, which is approximately \$52.1 million, to compensate LVMH for selling counterfeit and infringing products.²³⁸ A French appeals court affirmed the judgment, but reduced the sum to 5.7 million euros.²³⁹ Even though LVMH employs investigators to find counterfeit products, the court went in the opposite direction of *Tiffany* by agreeing with the luxury brand that responsibility for policing their platforms should fall on eBay.²⁴⁰ The court noted eBay could not merely operate as an internet service provider or a computer program where buyers act independently, comparing the responsibility of an online marketplace to the responsibility of an auction house for the goods it sells.²⁴¹

In contrast to *Tiffany*, the French court went further by adding restrictions for the online marketplace. These restrictions included requiring resellers to register with the commerce and trade ministry, provide receipts of purchase or certificates of authenticity upon request, and be subject to monitoring to ensure the sale of only legitimate goods.²⁴² The court also suggested eBay notify consumers whenever a listing appeared suspicious.²⁴³ The ruling confirmed the importance of ensuring authentication and quality of products for consumers and clarified the rules to prevent illicit selling practices,²⁴⁴ which the *Tiffany* ruling failed to do. The decision also

²³⁷ See Martinne Geller, *LVMH and eBay Settle Litigation over Fake Goods*, REUTERS (July 17, 2017), <https://www.reuters.com/article/us-lvmh-ebay-settlement/lvmh-and-ebay-settle-litigation-over-fake-goods-idUSKBN0FM15G20140717> [<https://perma.cc/P48G-P457>].

²³⁸ See *id.*

²³⁹ *Id.*

²⁴⁰ See Doreen Carvajal, *Court Sides with LVMH over eBay*, N.Y. TIMES (June 30, 2008), <https://www.nytimes.com/2008/06/30/technology/30iht-lvmh.4.14109529.html> [<https://perma.cc/44N5-58F8>] (“eBay bears responsibility for filtering the system and demanding assurances of authenticity.”).

²⁴¹ See Angelo Bufalino and Christopher Moreno, *Internet Merchants Owe a Greater Duty of Care to Their European Clients - Louis Vuitton v. eBay [France] in Contrast See Tiffany v. eBay [NY, US]*, THE NAT’L L. REV. (Sept. 5, 2010), <https://www.natlawreview.com/article/internet-merchants-owe-greater-duty-care-to-their-european-clients-louis-vuitton-v-ebay-fran> [<https://perma.cc/2UVX-RAXE>].

²⁴² See *id.*

²⁴³ See *id.*

²⁴⁴ See Press Release, LVMH, LVMH/eBay—The Paris Court of Appeal Confirms eBay’s Liability (Sept. 3, 2010), available at <https://www.lvmh.com/news->

prohibited eBay from engaging in future direct or indirect violations of selective distribution²⁴⁵ and forbade the online marketplace from selling LVMH brand perfumes in the future.²⁴⁶ In 2012, an appeals court affirmed the judgment but limited the application to French and British courts.²⁴⁷ Both companies have settled their case by implementing cooperative measures.²⁴⁸

In a different case, a French court also held eBay liable for infringement in the sale of counterfeit Hermès bags, echoing a decision which eliminated a copyright infringement liability defense for e-commerce companies.²⁴⁹ Contrary to the U.S. and the *Tiffany* ruling, the main takeaway is that France is more supportive of rightsholders; it cracks down on counterfeiting and pushes to hold online marketplaces accountable for facilitating counterfeiting.²⁵⁰

Italian law is also tough on preventing and penalizing counterfeit activity. Italy is one country most affected by global counterfeiting, directly after the United States and France.²⁵¹ Intellectual property is a significant part of Italy's economy, and almost every industry either produces or uses it.²⁵² Trademark industries alone contribute 36.1 percent to Italy's gross domestic product ("GDP") and 21.5

documents/press-releases/lvmh-ebay-the-paris-court-of-appeal-confirms-ebays-liability/ [https://perma.cc/Q4QN-XPJ9].

²⁴⁵ See *id.*

²⁴⁶ See Jonathan Thrope, *French Court Orders eBay to Pay Luxury Goods Giant \$63 Million*, AM. L. DAILY (July 1, 2008), <https://amlawdaily.typepad.com/amlawdaily/2008/06/french-court-or.html> [https://perma.cc/5F4R-VYDH].

²⁴⁷ See Geller, *supra* note 237.

²⁴⁸ See *id.*

²⁴⁹ See Rick Mitchell, *French Court Rules eBay Liable for Sales of Counterfeit Hermès Bags*, BLOOMBERG L. (July 27, 2010), <https://news.bloomberglaw.com/ip-law/french-court-rules-ebay-liable-for-sales-of-counterfeit-hermes-bags> [https://perma.cc/QY7H-YTF2].

²⁵⁰ See, e.g., Romain Dillet, *French Administration Suspects Wish of Selling Counterfeit Products*, TECHCRUNCH (Nov. 30, 2020), <https://techcrunch.com/2020/11/30/french-administration-suspects-wish-of-selling-counterfeit-products> [https://perma.cc/M8FW-6324].

²⁵¹ See ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT, TRADE IN COUNTERFEIT GOODS AND THE ITALIAN ECONOMY 16 (2018), <https://www.oecd.org/gov/risk/trade-in-counterfeit-goods-and-the-italian-economy-updated-december-2018-en.pdf> [https://perma.cc/TEX7-TY6P].

²⁵² See *id.*

percent of total employment.²⁵³ Comparatively to the response towards *Tiffany*, Italy responded to counterfeits increasing presence with robust anti-counterfeiting measures. For example, the Istituto di Centromarca per lotta alla contraffazione (“INDICAM”) acts as a middleman between the law and different industries, presenting itself as an expert body on counterfeits.²⁵⁴ Italy also has an antitrust authority, which previously shut down websites selling counterfeit items.²⁵⁵

Italy’s code penalizes both consumers and sellers of counterfeit goods.²⁵⁶ In enacting Decree-Law No. 80 of 14 May 2005, Italy has implemented a fine up to 10,000 euro to anyone who purchases or receives an item without vetting its origin, when the price or other factors leads the customer to believe there has been intellectual property infringement.²⁵⁷ After this decree, Italy’s Supreme Criminal Court ruled—under Articles 473 and 474 of the Criminal Code—trademark infringement includes post-sale confusion.²⁵⁸ Italian courts have also held internet service providers liable if they

²⁵³ *Id.*

²⁵⁴ See INDICAM, http://www.indicam.it/wp-content/uploads/2018_INDICAM_Company-Profile_ENG-2.pdf [<https://perma.cc/TYZ4-ABDH>] (“INDICAM works as a connection point between industry and law, presenting itself in front of institutions, enforcement, companies or consumers as a privileged observatory on all the topics concerning brands.”).

²⁵⁵ Press Release, AGCM, Made in Italy: The Antitrust Authority, in Collaboration With the Special Market Protection Unit of the Guardia di Finanza (Italian Tax Police) Shuts Down 15 Websites Selling Counterfeit Products Branded Tod’s and Roger Vivier (June 17, 2013), https://en.agcm.it/en/media/press-releases/2013/6/alias-2069_ [<https://perma.cc/F7GX-RN66>]; see also Reuters Staff, *Italian Police Block 410 Websites Selling High-Fashion Fakes*, REUTERS (June 19, 2015), <https://www.reuters.com/article/us-italy-counterfeit-idUSKBN0OZ14E20150619> [<https://perma.cc/5LR9-7HRM>].

²⁵⁶ Codice Penale [C.p.] [Penal Code] art. 474 (It.), available at <http://www.altalex.com/index.php?idnot=36768> [<https://perma.cc/U9ZY-2E7L>]; Martínez, *supra* note 234 (“Article 474 of the Italian Criminal Code provides that anyone who introduces counterfeit goods into Italy shall be punished with imprisonment for one to four years, and face a fine ranging from 3,500 to 35,000 euro.”).

²⁵⁷ Martínez, *supra* note 234, at 528 (citing Decreto legge 14 maggio 2005, n. 80/05, art. 1(7), G.U. 2005, n. 111 (It.), available at <http://www.camera.it/parlam/leggi/050801.htm> [<https://perma.cc/MDC4-Y7WW>]).

²⁵⁸ Cesare Galli, *Procedures and Strategies for Anti-Counterfeiting: Italy*, WORLD TRADEMARK REV. (May 14, 2019), <https://www.worldtrademarkreview.com/anti-counterfeiting/procedures-and-strategies-anti-counterfeiting-italy-1> [<https://perma.cc/7TFH-2KYX>].

were “aware of the presence of suspicious material” and did not take measures to remove it,²⁵⁹ but it is unclear if there is an exception to online marketplaces. However, in cracking down on the counterfeit industry, Italian law suggests there is little burden on the rightsholder, which has not been the case in *Tiffany*. Additionally, Italian law has teeth in its targeted approach to both the supply and demand of counterfeiting.²⁶⁰

Although France and Italy appear to be rightsholder-friendly, their laws could become even more favorable to brands due to Europe’s Digital Markets Act (the “DMA”) and Digital Services Act (the “DSA”), proposed in December 2020.²⁶¹ The DMA establishes criteria for determining whether an online platform is a gatekeeper and provides obligations for the gatekeepers.²⁶² The DSA also imposes obligations for entities, such as intermediary services, hosting services, and online platforms,²⁶³ including online marketplaces.²⁶⁴ One of its missions is to provide greater democratic control and oversight of platforms for society at large.²⁶⁵ Contrary to *Tiffany*, both Acts aim to boost digital competition and protect individuals from harm, and ensure other players are not prevented from competing.²⁶⁶ The Acts also solidify France and Italy’s anti-counterfeiting measures by imposing fines for large online platforms that fail to

²⁵⁹ *Id.*

²⁶⁰ See Martínez, *supra* note 234, at 529–30.

²⁶¹ See generally *EU Digital Services Act Set to Bring in New Rules for Tech Giants*, BBC (Dec. 15, 2020), <https://www.bbc.com/news/technology-55307115> [<https://perma.cc/26PA-P9PQ>].

²⁶² *The Digital Markets Act: Ensuring Fair and Open Digital Markets*, EUROPEAN COMM’N, https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/digital-markets-act-ensuring-fair-and-open-digital-markets_en [<https://perma.cc/K3UF-9NMR>].

²⁶³ *The Digital Services Act: Ensuring a Safe and Accountable Online Environment*, EUROPEAN COMM’N, https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/digital-services-act-ensuring-safe-and-accountable-online-environment_en [<https://perma.cc/4K3C-3J83>].

²⁶⁴ *The Digital Services Act Package*, EUROPEAN COMM’N, <https://ec.europa.eu/digital-single-market/en/digital-services-act-package> [<https://perma.cc/GVH2-77FZ>].

²⁶⁵ See *The Digital Services Act*, *supra* note 263.

²⁶⁶ Laura Kayali & Thibault Larger, *5 Challenges to the New EU Digital Rulebook*, POLITICO (Dec. 16, 2020), <https://www.politico.eu/article/5-challenges-to-the-new-eu-digital-rulebook> [<https://perma.cc/GG6U-33WJ>]. Both Acts have not passed at the time of writing this Note. *Id.*

limit illegal material, including counterfeit goods.²⁶⁷ As a result, online marketplaces will have to appoint independent auditors to ensure compliance with the new rules,²⁶⁸ suggesting responsibility will not fall on rightsholders.

E. The SHOP SAFE Act

Recognizing the counterfeit problem, a bipartisan group proposed the “Stopping Harmful Offers on Platforms by Screening Against Fakes in E-Commerce Act of 2020,” better known as the SHOP SAFE Act.²⁶⁹ With the change in elected officials, Congress archived the SHOP SAFE Act.²⁷⁰ However, given two of the bill’s representatives remain in the House²⁷¹ and that legislators recognize the significant counterfeit problem, Congress members may introduce similar legislation. Because the SHOP SAFE Act presented a significant milestone in proposed anti-counterfeiting legislation, this Note aims to improve upon its legacy for future legislation.

The SHOP SAFE Act amended the Lanham Act to provide contributory liability for e-commerce platforms for the use of counterfeit marks by a third-party seller on their platforms.²⁷² The House Committee on the Judiciary recognized consumers should trust what they see—namely what they purchase online is what they will receive.²⁷³ Therefore, the Act aimed to tackle the gaps in e-commerce

²⁶⁷ Mark Scott et al., *Tech Giants to Face Large Fines Under Europe’s New Content Rules*, POLITICO (Dec. 10, 2020), <https://www.politico.eu/article/tech-giants-to-face-large-fines-under-europes-new-content-rules> [<https://perma.cc/VC2W-URFH>].

²⁶⁸ *Id.*

²⁶⁹ See H.R. 6058, 116th Cong. 1 (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

²⁷⁰ See H.R. 6058 (116th): SHOP SAFE Act of 2020, GOVTRACK, <https://www.govtrack.us/congress/bills/116/hr6058> [<https://perma.cc/7BJC-RRD4>].

²⁷¹ See *Directory of Representatives*, U.S. HOUSE OF REPRESENTATIVES, <https://www.house.gov/representatives> [<https://perma.cc/ZNJ3-RCB3>]. Representatives Nadler and Johnson of Georgia remain in the House of Representatives. *Id.*

²⁷² H.R. 6058, 116th Cong. 1 (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

²⁷³ Press Release, House Committee on the Judiciary, Nadler, Collins, Johnson & Roby Introduce Bipartisan SHOP SAFE Act to Protect Consumers and Businesses from the Sale of Dangerous Counterfeit Products Online (Mar. 2, 2020),

systems to stop counterfeit sales.²⁷⁴ However, the SHOP SAFE Act did not seek to alter *Tiffany's* stance on direct liability for trademark infringement on online platforms.²⁷⁵

The Act was intended to impose liability for online marketplaces if a third-party sells counterfeit products which pose a risk to consumer health and safety.²⁷⁶ It defined “goods that implicate health and safety” as “goods the use of which can lead to illness, disease, injury, serious adverse event, allergic reaction, or death if produced without compliance with all applicable Federal, State, and local health and safety regulations and industry-designated testing, safety, quality, certification, manufacturing, packaging, and labeling standards.”²⁷⁷

Further, the Act imposed contributory liability for infringing online platforms, unless they take actions to satisfy ten best practices,²⁷⁸ forming a safe harbor. The safe harbor requirements require the seller (1) verify the seller’s identity, location, and contact information;²⁷⁹ (2) verify and attest the goods are not counterfeit;²⁸⁰ (3) agree to not sell counterfeits and consent to being sued in the United States court system;²⁸¹ (4) display the seller’s identity, location, and contact information, as well as where the goods are made and where the goods will be shipped from;²⁸² (5) use images that accurately depict the goods and ensure the seller “owns or has permission to use” such depictions;²⁸³ (6) use technology to screen for counterfeits;²⁸⁴ (7) implement a timely takedown process;²⁸⁵ (8) terminate

<https://judiciary.house.gov/news/documentsingle.aspx?DocumentID=2838>
[<https://perma.cc/HJ3D-2FXX>].

²⁷⁴ *Id.*

²⁷⁵ See H.R. 6058, 116th Cong. 6 (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

²⁷⁶ *Id.* at 2.

²⁷⁷ *Id.* at 6.

²⁷⁸ *Id.* at 2.

²⁷⁹ *Id.* at 2–3.

²⁸⁰ *Id.* at 3.

²⁸¹ *Id.*

²⁸² *Id.* at 3–4.

²⁸³ *Id.* at 4.

²⁸⁴ *Id.*

²⁸⁵ *Id.*

sellers who have listed or sold counterfeit goods three times;²⁸⁶ (9) screen sellers to prevent terminated sellers from creating new accounts on the platform,²⁸⁷ and (10) share an infringing seller's information with law-enforcement and, upon request, the owner of the registered trademark.²⁸⁸

III. BETTER AND STRONGER: ARGUMENTS FOR MORE ROBUST ANTI-COUNTERFEITING MEASURES

It is virtually impossible for small businesses to protect themselves from counterfeiting; thus, government intervention is necessary.²⁸⁹ Online marketplaces have further exacerbated the issue.²⁹⁰ This Part argues the proposed anti-counterfeiting legislation, the SHOP SAFE Act, should be revised based on the lessons from the DMCA report and foreign law. Section III.A highlights the problems with the SHOP SAFE Act by examining its limitations on the availability of recourse and how it amplifies the inefficiencies of *Tiffany*. Section III.B proposes three areas where legislators should focus on improving the SHOP SAFE Act.²⁹¹ Finally, Section III.C discusses how courts should broadly interpret limiting language in legislation.

A. A Brand's Perspective: The SHOP SAFE Act's Impact on Rightsholders

Activists have called on Congress to address liability of online marketplaces for counterfeit sales.²⁹² Significant anti-counterfeiting initiatives taken by Amazon, for example, attempt to get ahead of anti-counterfeiting legislation.²⁹³ However, these efforts ignore

²⁸⁶ *Id.* at 4–5.

²⁸⁷ *Id.* at 5.

²⁸⁸ *Id.*

²⁸⁹ See *Product Counterfeiting*, *supra* note 34, at 25.

²⁹⁰ See *supra* Section II.I.B.

²⁹¹ Although this Section argues for amendment on these three areas, future bills addressing contributory liability for online marketplaces should consider these suggestions in their text.

²⁹² See generally AAFA, *supra* note 22.

²⁹³ See He et al., *supra* note 178. “Amazon’s rollout of new initiatives is likely a calculated effort to control the narrative ahead of the potential legislative mandates.” *Id.*

more demanding measures, such as preventing repeat infringers.²⁹⁴ Despite online marketplaces' attempts at mitigating counterfeit goods on their platforms, more needs to be done. Thus, this Section illustrates how the SHOP SAFE Act limits the availability of recourse and is inefficient for rightsholders by adding a safe harbor.

1. The SHOP SAFE Act Limits the Availability of Recourse for Rightsholders

The SHOP SAFE Act limits itself to goods that implicate health and safety.²⁹⁵ Accordingly, the Act's language suggests online marketplaces can avoid liability if the goods do not involve health and safety. For small business owners, like Mindy,²⁹⁶ this limitation means seeing their hard work counterfeited on the virtual shelves of virtual stores and not having viable options of recourse. A savvy investigator may be able to find and police counterfeits online, but not always. Often, rightsholders are unaware counterfeiters use their name, similar to Brush Hero and Fuse Chicken's case.²⁹⁷ Only recently have online marketplaces increased their pursuit of removing counterfeit listings on their platforms. However, these marketplaces do not have an incentive to do better because current domestic law weighs in their favor,²⁹⁸ and courts will most likely apply *Tiffany* if a rightsholder brings a lawsuit.²⁹⁹ Thus, it is an injustice for the SHOP SAFE Act to have such limiting language, leaving rightsholders with very little recourse available.

In the plight of brands and retailers against online marketplaces and their third-party sellers, *Tiffany's* knowledge requirement proves to be an obstacle. However, it is unclear if courts will implement a knowledge requirement because the SHOP SAFE Act does not explicitly address it.³⁰⁰ If courts implement a knowledge

²⁹⁴ *Id.*

²⁹⁵ See H.R. 6058, 116th Cong. (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

²⁹⁶ See *supra* Introduction.

²⁹⁷ *Id.*

²⁹⁸ See *supra* Section II.A and Section II.B.

²⁹⁹ See generally *Tre Milano, LLC v. Amazon.Com, Inc.*, No. B234753, 2012 WL 3594380, at *12 (Cal. Ct. App. Aug. 22, 2012).

³⁰⁰ See *supra* Section II.C.3.

requirement, rightsholders would be unable to alleviate the costs of monitoring and performing test buys. In light of these considerations, the availability of recourse for rightsholders remains limited.

2. The SHOP SAFE Act is Inefficient for Rightsholders

The takedown and termination requirements in the SHOP SAFE Act are highly inefficient for rightsholders because there is not enough legislative guidance adequately shifting the burden to online marketplaces. First, the Act requires online marketplaces to implement a timely takedown program of counterfeit listings.³⁰¹ However, the Act does not provide a regulatory framework for doing so and does not explicitly speak to the time range for the takedown. Although the SHOP SAFE Act provides contributory liability to online marketplaces selling counterfeit goods that implicate health and safety, its takedown provision is completely lacking in any efficiency to alleviate the burden on brands. For example, if numerous storefronts sell counterfeit versions of the legitimate goods across various online marketplaces, test buys become costly and time-consuming. Additionally, sellers on online marketplaces often use pictures of the legitimate product for marketing,³⁰² which causes problems for rightsholders to prove the item is a counterfeit. Even though there is litigation surrounding reselling on online marketplaces,³⁰³ the process for removing counterfeit goods is frustrating.

For small businesses, online marketplaces are not quick to jump to their aid.³⁰⁴ They may remove some listings, but many online marketplaces simply ignore these rightsholders.³⁰⁵ Even for major brands such as Tiffany, the burden is still on the brand to police counterfeits. By not providing a regulatory process or framework in

³⁰¹ See H.R. 6058, 116th Cong. 4 (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

³⁰² U.S. DEP'T OF HOMELAND SEC., COMBATING TRAFFICKING IN COUNTERFEIT AND PIRATED GOODS 13 (2020), https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf [<https://perma.cc/L2XX-XZB8>].

³⁰³ See *Williams-Sonoma, Inc. v. Amazon.com, Inc.*, No. 18-CV-07548-EDL, 2019 WL 7810815, at *1 (N.D. Cal. May 2, 2019) (ruling that Amazon's motion to dismiss is denied).

³⁰⁴ See Zaverailo, *supra* note 1.

³⁰⁵ See *id.*

the SHOP SAFE Act, online marketplaces may institute bare minimum changes to the systems they have in place now.

The SHOP SAFE Act also poorly addresses repeat infringers. In its termination requirement, the Act requires online marketplaces to terminate sellers who engage in more than three instances of using a counterfeit mark.³⁰⁶ Although “more than three instances” is a specific threshold, there remains a high potential for confusion. For example, “three instances” could indicate the number of times a seller engages in counterfeit activity or the number of listings using a counterfeit mark.

The termination requirement is also vague as it does not address whether “seller” refers to criminal networks or the storefronts themselves. The lack of clarification can alter the liability for online marketplaces. As a result, a vague definition of “seller” may allow these online platforms to avoid liability as the SHOP SAFE Act may not apply to third-party sellers engaging in sophisticated counterfeit operations. When looking at other legislation relating to online marketplaces, ‘seller’ is defined more precisely.³⁰⁷ Thus, the absence of an explicit definition presents an issue of inefficiency for rightsholders.

Although the SHOP SAFE Act requires sellers to be verified and subject to U.S. jurisdiction,³⁰⁸ this requirement will not stop the sellers if the termination requirement is not clarified. As discussed, counterfeit sellers are often outside of U.S. jurisdiction,³⁰⁹ and

³⁰⁶ See H.R. 6058, 116th Cong. 4–5 (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

³⁰⁷ S. 3431, 116th Cong. 7 (2020), available at <https://www.congress.gov/116/bills/s3431/BILLS-116s3431is.pdf> [<https://perma.cc/Z3NH-UW5M>]. The INFORM Consumers Act defines a high-volume third-party seller as, “a user of an online marketplace who is a third-party seller and who, in any continuous 12-month period during the previous 24 months, has entered into 200 or more discrete sales or transactions of new or unused consumer products resulting in the accumulation of an aggregate total of \$5,000 or more in gross revenues.” *Id.*

³⁰⁸ See H.R. 6058, 116th Cong. 2–3 (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

³⁰⁹ See Ballard & Sinatra, *supra* note 16.

foreign markets frequently make counterfeit goods.³¹⁰ An online marketplace may satisfy the verification requirement by including a little check box, but this check box provides no strong deterrent. Further, in cases where the counterfeit seller operates outside of the U.S., the courts may likely dismiss these cases for lack of jurisdiction. However, if online marketplaces attempt to exclude foreign sellers, there could be a significant controversy of discrimination. Lastly, counterfeit sellers can circumvent termination using a virtual private network (“VPN”) to set their location to the U.S., even if they do not do business or reside there. Once terminated, counterfeit sellers may repeatedly create new virtual storefronts³¹¹ with new names or VPNs. Considering these concerns, the lack of guidance for how online marketplaces satisfy the termination requirement presents a problem.

B. Amending Anti-Counterfeiting Legislation

Regulations imposed on online marketplaces in combating counterfeit goods should improve rather than limit the options and efficiencies for rightsholders. Consumers purchasing goods they believe are legitimate should not be subject to the ongoing tensions between online marketplaces and rightsholders. On the other hand, rightsholders are limited in their capacity to ensure consumers are purchasing their legitimate goods. This Section presents several areas where Congress should bear in mind when crafting anti-counterfeiting legislation.

1. Widen the Scope of Liability for Online Marketplaces to Cover More than “Goods That Implicate Health and Safety”

Congress should remove language limiting liability to goods that implicate health and safety as the Act—as currently written—does not address *Tiffany*. Although it may impose liability for the most dangerous counterfeit items, online marketplaces can still avoid liability. The benefit of removing such language broadens liability,

³¹⁰ U.S. DEP’T OF HOMELAND SEC., *supra* note 38, at 12.

³¹¹ See Ballard & Sinatra, *supra* note 16.

allowing small businesses, such as MinMac, Fuse Chicken, or Brush Hero,³¹² to pursue legal accountability of online platforms.

In addition to removing the limiting language, the SHOP SAFE Act should consider clarifying the general knowledge standard courts apply through the *Inwood* test. The clarification should read, “online marketplaces shall be contributorily liable if they were aware of the infringing counterfeits and failed to remove it.” This clarification aligns with Italian law as it relates to the country’s stance on service providers.³¹³ A potential drawback would be an unsavory judicial interpretation of “awareness,” seemingly bringing us back to square one, along with the potential for courts to heighten this standard. However, the SHOP SAFE Act should specify the goal is to lower the general knowledge standard established by *Tiffany*. In this situation, courts are put on notice when determining whether there is contributory trademark liability. This proposal is also in line with the Copyright Office’s suggestion of clarifying the DMCA’s actual knowledge and red flag knowledge requirement and Senator Tillis’ discussion draft for modernizing copyright law in lowering the knowledge standard.³¹⁴ When the SHOP SAFE Act includes a clear knowledge standard, the explicit clarification puts parties on notice and aids efficiency for rightsholders and the judicial system. Here, courts and parties will know the applicable standard.

Drawing from the Copyright Office’s suggestion of clarifying the DMCA’s willful blindness standard, Congress should specify where willful blindness is enough to meet the knowledge requirement. The clarification should read, “willful blindness applies where the online marketplace intentionally shielded itself from finding counterfeit activity even where the platform was generally aware of such activity.” *Tiffany* reasoned that willful blindness may trigger *Inwood*, but generally knowing counterfeit activity is on the platform is not enough for legal liability.³¹⁵ Without explicit clarification, courts may look to *Tiffany* and rule in favor of a higher bar for willful blindness. This revision shifts the burden to the online

³¹² *Supra* Introduction.

³¹³ *See supra* Section II.D.

³¹⁴ *See supra* Section II.C.3 and Section II.C.4.

³¹⁵ *See Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 110 (2d Cir. 2010).

marketplace to actively police for counterfeits by removing the shield of general awareness. Thus, if these online platforms do not want to be liable for contributory trademark infringement, such clarification encourages online marketplaces to ensure counterfeit goods are not sold on their platforms.

In widening the scope of the SHOP SAFE Act, Congress should include a provision, “any online marketplace that introduces counterfeit goods into the United States shall be liable for contributory trademark infringement.” Drawing on the French eBay cases,³¹⁶ such provision will be a victory for rightsholders and consumer protections in online shopping, as the change in language reaches outside the scope of “goods that implicate health and safety.” However, the provision may employ more stringent implications on importing goods into the country, which means there is a potential for imported goods to be heavily searched for counterfeits, creating inefficiency in the trade importation process.³¹⁷ If Congress specifies it is the online marketplaces’ responsibility to ensure goods sold on the platform are legitimate goods before the goods are sold and shipped, this provision’s legislative purpose could remedy the trade efficiency concern. Therefore, this proposal may alleviate the burden on the rightsholder.

In widening liability, the SHOP SAFE Act should also forbid online marketplaces from selling the prevailing party’s products if found contributorily liable. This proposal aligns with French law restricting eBay from selling LVMH perfumes³¹⁸ and gives online marketplaces an incentive to be more diligent in removing counterfeit sellers and listings.

2. Implement a Regulatory Process for Takedowns

New anti-counterfeiting legislation should include a regulatory process for takedowns. Although the DMCA imposes requirements for its notice-and-takedown system,³¹⁹ an effective list for Congress

³¹⁶ See *supra* Section II.D.

³¹⁷ Seizures of counterfeit goods have increased in past years. See U.S. DEP’T OF HOMELAND SEC., *supra* note 38, at 8.

³¹⁸ Thrope, *supra* note 246.

³¹⁹ See *supra* Section II.C.1.

to require of online marketplaces would be to obtain the (1) identification of the legitimate trademark, (2) the identification of the infringing listing, (3) the shipping address of the infringing listing, (4) a statement the complaining party is acting in good faith, and (5) a statement the notice is accurate. Although these obligations are similar to the obligations found in the SHOP SAFE Act, as the Act is currently written, online marketplaces may shove these similar requirements onto rightsholders. In fact, online marketplaces already shift this burden to rightsholders.³²⁰ Therefore, these requirements must be taken by the online platforms themselves, especially since they can obtain the information easily than the legitimate owner.

The benefit of including the identification of the legitimate trademark and infringing listing provisions is to facilitate simple comparisons. Although some counterfeit sellers use pictures of the legitimate product in their listings,³²¹ some may not. In the latter scenario, the online marketplace can obtain identification of the legitimate trademark and the infringing listing to show the listing potentially engages in counterfeit activity. Obtaining identification allows for an expedited process to remove the counterfeit listings. A potential drawback would be in determining if a listing is using legitimate images. The SHOP SAFE Act compels online marketplaces to require sellers to use images that accurately depict the actual goods.³²² This requirement is not only vague, but it is not attached to the takedown process and does not address sellers who may be disguising themselves as a reseller. If the images are the same, the shipping address of the infringing listing may indicate whether the item is likely to be a counterfeit item. As discussed, if an item is shipped from China, there may be a higher likelihood the item is a counterfeit.³²³ However, there is the question of whether relying on the shipping address excludes legitimate goods coming from foreign countries. As a response, Congress should specify this provision

³²⁰ See *supra* Section II.B.

³²¹ U.S. DEP'T OF HOMELAND SEC., COMBATING TRAFFICKING IN COUNTERFEIT AND PIRATED GOODS 13 (2020), https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf [<https://perma.cc/L2XX-XZB8>].

³²² See H.R. 6058, 116th Cong. 23 (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

³²³ See Rapoport, *supra* note 32.

merely acts as a layer of security to conclude whether the items are likely counterfeit.

Lastly, obtaining a statement of good faith and a statement the notice is accurate acts as a deterrent for bad actors who may want to take a listing down with no legitimate belief the listing is of their counterfeit item. It is not likely an issue for Congress to include such provisions since the French courts suggest online marketplaces have a civil responsibility for the goods sold on its platform.³²⁴ By including such provisions in legislation, Congress can adequately resolve the inefficiencies of the takedown requirement.

The SHOP SAFE Act should also reject the imposition of test buys on the complaining party. Including such a provision—that explicitly states this rejection—benefits the rightsholder by alleviating financial burdens. However, there should be some verification the item is a counterfeit. Therefore, the SHOP SAFE Act should encourage online marketplaces to provide a buyback program targeting disgruntled customers who believe they have received a counterfeit item. When the online marketplace receives the alleged counterfeit item, they can compare it to the authentic item and remove the listing and seller under an explicit and reasonable statutory period, such as forty-eight hours.

3. Clarify the Termination Requirement

The SHOP SAFE Act includes a termination requirement that the online marketplace must terminate sellers who have listed or sold counterfeit goods three times.³²⁵ Similar to the DMCA report on repeat infringer policies,³²⁶ anti-counterfeiting laws would benefit from legislative guidance on compliance with this requirement. As discussed, three times is ambiguous, and it is simply too many instances. Suppose a counterfeit seller sells multiple counterfeit items from one listing, has numerous counterfeit listings in its store, or has multiple storefronts with counterfeit items. In this case, the damage is done by the time the online marketplace finds three instances of counterfeit selling. Therefore, legislation, such as the

³²⁴ See Bufalino & Moreno, *supra* note 241.

³²⁵ H.R. 6058, *supra* note 23, 4–5.

³²⁶ See *supra* Section II.C.2.

SHOP SAFE Act, should require a strict one-time infringement policy applying to the onset of the first counterfeit sale by a storefront. Legislation should also require online marketplaces to implement a tracking system to flag suspicious activity in detecting the first counterfeit sale. A one-time infringement policy signals to counterfeit sellers that the online marketplace will not tolerate the sale of counterfeit goods. It also safeguards rightsholders from constantly sending notices to the online marketplace to terminate the seller or the listing.

Though there is an issue of how online marketplaces would know when counterfeit selling is occurring and thus when to stop the sales after the first instance, the SHOP SAFE Act should require online marketplaces to implement tracking systems. These tracking systems will ensure new sellers are not repeat infringers by using current technologies to flag when suspicious activity is afoot. This flag should trigger human review and further investigation by the online marketplace. By including this provision in the termination requirement, the burden on rightsholders likely decreases and ensures counterfeit goods are not sold on the platform multiple times by the same users. Requiring an online marketplace to implement a tracking system further encourages efficiency for rightsholders. It also complements the SHOP SAFE Act's requirement to use technology to screen for counterfeits before the goods appear on the platform.³²⁷

A potential drawback concerns individuals' right to privacy: a balancing act between data collection and consent. However, if a seller wants to sell products on an online marketplace, legislation should require marketplaces obtain consent from the seller. In obtaining consent, the SHOP SAFE Act should require platforms include a provision in their terms of service and give notice to third-party sellers when they set up their virtual storefronts. Legislation should also require online marketplaces to notify sellers that the platform employs tracking technology to ensure sellers are not engaging in counterfeit operations.

³²⁷ See H.R. 6058 H.R. 6058, 116th Cong. 4 (2d Sess. 2020), available at <https://www.congress.gov/116/bills/hr6058/BILLS-116hr6058ih.pdf> [<https://perma.cc/9E8U-UQNK>].

On the other hand, online marketplaces may argue anti-counterfeiting legislation will cause them to lose their business to foreign online marketplaces with more lenient rules. However, legislation, such as the SHOP SAFE Act, should explicitly state these measures apply to any and all e-commerce websites with third-party sellers who sell to U.S. consumers. Therefore, it will be unlikely online marketplaces, such as Amazon and eBay, will lose their market share to foreign online platforms.

The SHOP SAFE Act should also expand the definition of “sellers” who are subject to removal. General requirements, such as the SHOP SAFE Act’s termination requirement, leave room for online marketplaces to implement their processes, which has been inefficient for rightsholders.³²⁸ Thus, the SHOP SAFE Act should change its language surrounding third-party sellers and expand it to include persons or organizations engaging in counterfeit sales. The termination requirement will then be more robust and will also address criminal networks. Additionally, Congress should require online marketplaces terminate sellers operating multiple storefronts if found to be selling counterfeit goods. This expansion takes the pressure from rightsholders to find and police third-party sellers and places pressure on marketplaces to ensure counterfeit goods do not plague their platforms.

Lastly, the SHOP SAFE Act’s termination requirement needs a strong deterrent. In France, the court ruled against eBay, forbidding the online marketplace from selling LVMH perfumes,³²⁹ arguably acting as a deterrent. Mimicking this ruling, the SHOP SAFE Act should include a provision in the termination requirement requiring online marketplaces to implement arbitration agreements. These arbitration agreements would apply to third-party sellers found selling counterfeit goods. Drawing on Europe’s proposals in the DMA and the DSA,³³⁰ the Act should require online marketplaces to impose fines if third-party sellers are found liable through arbitration. Further, inspired by the French LVMH case, the SHOP SAFE Act should require if the third-party is liable, they will no longer be able

³²⁸ See *supra* Section II.B.

³²⁹ Thrope, *supra* note 246.

³³⁰ See *supra* Section II.D.

to sell through the online platform. Although this proposal may not deter all counterfeit sellers, it should deter a significant portion of them.

C. Court Interpretation of Goods that Implicate Health and Safety

If Congress passes anti-counterfeiting legislation limited to goods that implicate health and safety, the last Hail Mary is how a court interprets which goods implicate health and safety. Some products may fall under goods implicating health and safety if they have indirect adverse effects on individuals, such as workplace hazards or hazardous chemicals on the items. Counterfeit goods are made in unsafe and unsanitary conditions, have ties to criminal organizations, and damage the economy,³³¹ indirectly impacting health and safety.

In determining if a counterfeit implicates health and safety, courts should look towards the conditions of the good's source. For example, because counterfeit items are not usually made in safe conditions,³³² workers are put at significant risk when making counterfeit products. Additionally, because counterfeit items are manufactured in toxic conditions, those toxins can find themselves into or onto the counterfeit product in some form.³³³ Thus, there are implications of health and safety simply due to the factories or locations of these operations.

Courts may also consider the individuals behind the counterfeit goods in determining whether they implicate health and safety. For criminal organizations, the money these networks make from selling counterfeit goods goes to illicit activities such as drug trafficking and terrorism.³³⁴ These illicit activities could impact health and safety, especially if criminal organizations' networks extend into the U.S. Lastly, courts should take into consideration the damage to the economy. Because the sale of counterfeit goods is partially responsible for unemployment,³³⁵ the economy's health is also affected.

³³¹ See *supra* Section I.A.2.

³³² *Counterfeits and Their Impact on Consumer Health And Safety*, *supra* note 63.

³³³ See U.S. DEP'T OF HOMELAND SEC., *supra* note 38, at 16–18.

³³⁴ See JOINT STRATEGIC PLAN ON INTELL. PROP., *supra* note 61, at 42.

³³⁵ See *supra* Section I.A.2; see also FRONTIER ECONOMICS, *supra* note 69, at 5.

This proposal may be an overextension of the judicial system, but it is worth arguing because many rightsholders do not have other options to hold online marketplaces contributorily liable. Looking at indirect impacts on health and safety presents some hope, albeit in an extremely narrow way. If anti-counterfeiting laws do not address the full scope of problems associated with *Tiffany*, rightsholders who want to pursue legal action should consider this avenue.

CONCLUSION

The United States' attempt at fighting the battle of counterfeiting on online marketplaces has been lackluster, but there is hope for anti-counterfeiting legislation. Although understandably health and safety come first for American lives, there remain serious financial and reputational harms Congress should address. In regard to online marketplaces, safe harbors are inefficient, and Congress should consider new legislation that holds online marketplaces contributorily liable and mitigates harms in addition to those implicating health and safety. With the Internet continuously growing, more forms of online marketplaces are becoming available, such as on social media platforms like Facebook and Instagram. As mentioned, social media becomes a hotbed for counterfeiters to target consumers,³³⁶ which further increases the agency for anti-counterfeiting legislation.

Until legislation can mitigate most—if not all—negative impacts, rightsholders may need to look towards other technologies. Such measures include the use of blockchain technology or specialized codes on products to ensure resale items are authentic. What is clear is the proposal detailed in this Note regarding the prevalent dupes on online marketplaces is reasonable to protect rightsholders and consumers from the harms of the counterfeit industry.

³³⁶ See *supra* Section I.A.2.