BALANCING THE INTERESTS OF TRADEMARK OWNERS AND E-COMMERCE PLATFORMS DURING THE INTERNET AGE

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† J.D., 2022, Wake Forest University School of Law. I want to thank my parents for their endless and unreserved love and support.
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I. INTRODUCTION

Trademark owners are in a constant battle with knockoffs and counterfeits that try to deceive consumers by imitating trademark owners’ authentic services or goods. During the internet age, “the greatest risk of importation of counterfeit and pirated goods, harming both United States content creators and United States consumers, is posed . . . by inadequate policies and inadequate action by e-commerce companies that market and sell foreign products to American consumers.”\(^1\) The rapid growth in online retail sales further exacerbate this risk.\(^2\) In the United States (“U.S.”), online retail sales grew by 13.3% for the second quarter of 2019, while total retail sales only increased by 3.2%.\(^3\) Consider some of the largest online retailer’s volume to further illustrate this growth: Amazon reported sales by third-party sellers grew from $0.1 billion in 1999 to $160 billion by 2018.\(^4\) Similarly, eBay reported that $95 billion worth of goods were sold in 2018, an increase of 7% on an as-reported basis.\(^5\) And Walmart had a 40% increase of online sales in 2018.\(^6\) Unfortunately, the prevalence of counterfeit and pirated goods has grown alongside e-commerce.\(^7\) The Organization for Economic Co-operation and Development reported that sales of counterfeit and pirated goods totaled $509 billion in 2016—a 32% increase from 2013.\(^8\) Because counterfeits cause significant financial losses for trademark owners and pose serious risks to

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\(^2\) See id.

\(^3\) U.S. Census Bureau, Quarterly Retail E-Commerce Sales 2nd Quarter 2019, U.S. CENSUS BUREAU NEWS (Aug. 19, 2019, 10:00 AM), https://www2.census.gov/retail/releases/historical/ecomm/19q2.pdf.


\(^8\) OECD & EUR. UNION INTELL. PROP. OFF., TRENDS IN TRADE IN COUNTERFEIT AND PIRATED GOODS 11 (2019), https://doi.org/10.1787/g2g9f533-en.
consumer health and safety,9 the Office of the United States Trade Representative has warned “[t]he significant and continued growth in the importation of counterfeit and pirated goods into the United States shows that e-commerce platforms, other intermediaries, right holders, and governments must significantly increase their efforts and collaboration to protect consumers, businesses, governments, and economies from the dangers of counterfeit and pirated goods.”10

Given the emergence of e-commerce platforms, trademark owners now face an unprecedented number of counterfeit products sold online, which makes it exceedingly difficult for owners to monitor and take down the counterfeit postings by sending cease and desist letters or reporting the counterfeit goods to the e-commerce platforms.11 These counterfeiting activities also displace legitimate economic activities by contributing to a “net job loss[,] of 4.2 to 5.4 million by 2022.”12 Furthermore, it is nearly impossible to hold anonymous online counterfeit sellers directly liable for trademark infringement.13 Therefore, instead of pursuing mysterious direct infringers on the Internet, trademark owners have increasingly tried to go after secondary infringers—i.e, the e-commerce platforms themselves.14 However, under the current secondary trademark liability theory in the U.S., e-commerce platforms are rarely held liable under federal trademark law because they are not required to actively monitor the authenticity of the goods sold on their websites.15 Thus, two key questions facing Congress and the courts are (1) how to protect trademark owners’ rights and (2) when to hold e-commerce platforms secondarily liable. This Comment will analyze these questions in greater detail including their history and the current standard and propose workable solutions to these two questions.

Section II briefly introduces the statutory definition of counterfeit goods and outlines secondary liability theory under federal trademark law. Section III reviews the creation and history of contributory trademark liability and explains the current legal standard of contributory trademark liability as applied to e-commerce platforms.

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9 Notorious Markets Report, supra note 7, at 1.
10 Id. at 4.
13 See Bartholomew, supra note 11, at 1364–65.
14 Id. at 1364.
15 Id. at 1393; see infra Section III.B.
Section IV analyzes the problems of the current contributory trademark liability when applied to e-commerce platforms. Section V proposes some workable solutions from both a legislative and judicial perspective. Finally, Section VI concludes this Comment by suggesting that Congress should adopt new provisions in the Lanham Act.

II. SECONDARY LIABILITY IN TRADEMARK INFRINGEMENT

A. What is a Counterfeit?

Section 1127 of the Lanham Act defines a counterfeit as “a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.”\(^\text{16}\) In addition to the Lanham Act, Congress further provided definitions for counterfeits—as well as criminal liability for trafficking counterfeits—in the Trademark Counterfeiting Act of 1984.\(^\text{17}\) For instance, 18 U.S.C. §2320(f)(1)(A) defines a counterfeit as:

> [A] spurious mark . . . that is used in connection with trafficking in any goods, services . . . that is identical with, or substantially indistinguishable from, a mark registered on the principal register . . . and in use, whether or not the defendant knew such mark was so registered . . . and the use of which is likely to cause confusion, to cause mistake, or to deceive . . . .\(^\text{18}\)

Counterfeit products were historically sold in brick-and-mortar stores;\(^\text{19}\) however, as consumers increasingly buy everything online, counterfeits have started to appear online as well.\(^\text{20}\) While federal courts have traditionally applied secondary liability to brick-and-mortar stores involving counterfeit sales bearing spurious trademarks,\(^\text{21}\) they faced unanticipated problems when attempting to apply secondary liability to e-commerce platforms in similar circumstances.\(^\text{22}\)

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\(^\text{18}\) Id.
\(^\text{19}\) See NOTORIOUS MARKETS REPORT, supra note 7, at 6.
\(^\text{20}\) Id. at 1.
\(^\text{22}\) See id. at 224–25.
B. Types of Secondary Liability in Trademark Law

The Lanham Act explicitly bars a person from directly infringing on a trademark owners’ rights.\(^{23}\) However, the Lanham Act is silent on whether a person can be held indirectly liable for another person’s direct trademark infringement.\(^{24}\) As a result, courts have recognized that a person can be held indirectly liable under the common law doctrine of secondary liability.\(^{25}\) Trademark law recognizes two separate types of secondary liability: vicarious liability and contributory liability.\(^{26}\)

Courts usually impose vicarious trademark liability on a defendant when there is “a particular relationship between the defendant and the direct infringer as well as the defendant’s receipt of a financial benefit from the infringement.”\(^{27}\) To meet this particular relationship standard, courts require that “the defendant and the direct infringer have the authority to bind one another with third parties in transactions.”\(^{28}\) For the financial benefit standard, courts require that the defendant’s financial benefit is immediately tied to the infringement.\(^{29}\) Nevertheless, “recent vicarious trademark infringement cases have not even addressed the financial benefit standard,” because courts have “dispens[ed] with the plaintiffs claim strictly on the basis of the relationship criterion.”\(^{30}\) Currently, many plaintiffs find it nearly impossible to convince a court to find in their favor due to the “rigorous interpretation” of the particular relationship and financial benefit requirements.\(^{31}\) As a result, contributory trademark liability has been more commonly litigated than vicarious trademark liability since it does not require the relationship and financial benefit between the defendants and third-parties to be as stringent.\(^{32}\)

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\(^{24}\) See §§ 1114(1), 1125.

\(^{25}\) See AT&T Co. v. Winback & Conserve Program, Inc., 42 F.3d 1421, 1433 (3d Cir. 1994).


\(^{27}\) Id. at 447.

\(^{28}\) Id.

\(^{29}\) Id. at 452.

\(^{30}\) Id. (internal quotations omitted).

\(^{31}\) Id. at 453.

III. CONTRIBU TORY LIABILITY OF TRADEMARK INFRINGEMENT

As previously stated, the Lanham Act does not explicitly provide contributory trademark liability. Instead, contributory trademark liability is a judicially created doctrine that finds its roots in the common law of torts. Therefore, in order to evaluate the current standard of contributory trademark liability—and propose changes to it—it is important to understand its creation and history.

A. The Creation, History, and Development of Contributory Trademark Liability

In 1924, the Supreme Court first introduced the concept of contributory liability in *William R. Warner & Co. v. Eli Lilly & Co.* The Court held that “[o]ne who induces another to commit a fraud and furnishes the means of consummating it is equally guilty and liable for the injury.” In *William R. Warner & Co.*, defendant William R. Warner’s salesmen had attempted to convince third-party retailers to substitute their cheap drugs for Eli Lilly’s orders. Although the attempt failed, the Court found the defendant guilty of unfair competition because its salesman induced third-parties to commit a fraud. In other words, the Court concluded that a person would still be contributorily liable for inducing a directly infringing action even if they did not partake in the action itself.

Many years later, in 1982, the Supreme Court confirmed the existence of contributory liability for trademark infringement and set out arguably one of the most influential tests under federal trademark law in the landmark case of *Inwood Laboratories v. Ives Laboratories*. In *Inwood*, Ives Laboratories (“Ives”) owned a patent on the drug cyclandelate, which it marketed under the name “Cyclospasmol” and manufactured using blue and blue-red capsules. After Ives’ patent expired, Inwood Laboratories (“Inwood”) and many other generic manufacturers began making cyclandelate with Ives’ identical color scheme. Ives soon discovered that some pharmacists were

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33 See Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 103–104 (2d Cir. 2010).
35 Id. at 530–31.
36 Id. at 530.
37 Id. at 531.
38 See id.
40 Id. at 846.
41 Id. at 846–47.
42 Id. at 847.
mislabeling Inwood and other generic manufacturers’ cyclandelate under Ives’ Cyclospasmol name. Ives then sued Inwood and the other manufacturers, arguing that the competitors induced the pharmacists’ infringing substitutions by producing cyclandelate with identical appearances as Ives’. The Court held that “liability for trademark infringement can extend beyond those who actually mislabel good with the mark of another.” Additionally, the Court made its most valuable contribution to Trademark law by setting out the following test for finding contributory liability:

[I]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.

Although the Inwood test singled out manufacturers or distributors, courts have extended the doctrine of contributory trademark liability and the application of the Inwood test to many other contexts. One such example is Hard Rock Cafe Licensing Corp. v. Concession Services, which was decided by the Seventh Circuit in 1992. The court held that contributory trademark liability could be extended to flea market operators by treating trademark infringement as a tort. In this case, Hard Rock Cafe sued a flea market operator for third-parties’ counterfeit clothing sales. Reasoning that common law “imposes the same duty on landlords and licensors that the Supreme Court has imposed on manufacturers and distributors,” the court held that the Inwood test for contributory trademark liability applied. More importantly, the court clarified that contributory trademark liability applied to services, as opposed to just goods, which paved the way to extend contributory trademark liability to internet service providers such as e-commerce platforms. By holding that “willful blindness and

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43 Id. at 849.
44 Id. at 849–50.
45 Id. at 853.
46 Id. at 854.
47 See, e.g., Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143 (7th Cir. 1992).
48 See generally id.
49 Id. at 1149.
50 Id. at 1145.
51 Id.
52 Id.
53 Id.
actual knowledge are equivalent under the Lanham Act,” the court stated that to constitute willful blindness, “a person must suspect wrongdoing and deliberately fail to investigate.” Thus, the court remanded the case back to the district court to determine if the flea market operator was willfully blind and contributorily liable for third-parties’ direct trademark infringements by selling counterfeits.

Another important case that extended the Inwood test further from tangible goods and services to general online service providers is Lockheed Martin Corp. v. Network Solutions, Inc., decided by the Ninth Circuit in 1999. In Lockheed Martin Corp., Lockheed owned the service mark “Skunk Works,” an aerospace development and production facility. Network Solutions, Inc. (“NSI”), an online domain name registrar which translates websites’ unique IP addresses into readable domain names, allowed third parties to register domain names such as “skunkworks.net,” “skunkworks.com,” and “skunkworx.com.” Consequently, Lockheed sued NSI for contributory trademark infringement among other claims. The court began its analysis by stating that the Inwood test applies to service providers. It then reasoned that when the issue does not involve products, the “supply a product” requirement of the Inwood test hinges on “the extent of control exercised by the defendant over the third party’s means of infringement.” Interpreting Hard Rock Cafe, the court further reasoned that the extent of control exercised by the defendant over the third party should amount to “direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark.” Finally, the court held that NSI was not contributory liable because NSI only provided a translation service—which did not amount to “direct control and monitoring”—thus failing Inwood’s “supply its product” requirement.

Inwood, Hard Rock Cafe, and Lockheed Martin played an important role in the development of the contributory trademark liability standard for e-commerce platforms. Specifically, utilizing Inwood’s test, Hard

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54 Id. (citing Louis Vuitton S.A. v. Lee, 875 F.2d 584, 590 (7th Cir. 1989)).
55 Id.
56 Id. at 1150.
57 See generally Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980 (9th Cir. 1999).
58 Id. at 982.
59 Id. at 984.
60 Id. at 983.
61 Id.
62 Id. at 984.
63 Id.
64 Id.
65 Id. at 985.
Rock Cafe and Lockheed Martin extended contributory liability to general online service providers. These cases laid the groundwork for the further expansion of contributory liability to e-commerce platforms, culminating in Tiffany (NJ) Inc. v. eBay, Inc.: the seminal case on the issue.

**B. Expanding Contributory Trademark Liability to E-commerce Platforms**

The advent of the internet brought many changes to the world, including the gradual replacement of brick-and-mortar stores with online platforms. While courts have applied the contributory trademark liability test to brick-and-mortar stores and general online service providers with relative ease, they have encountered unforeseeable challenges when applying the same standards to e-commerce platforms. To illustrate this point, consider the Second Circuit’s Tiffany case.

In 2003, Tiffany complained to eBay—one of the largest e-commerce platforms—about postings on its platform that marketed counterfeits as authentic Tiffany products, and later demanded that eBay ban sellers from simultaneously listing more than five Tiffany products. eBay refused the demand in light of its existing Verified Rights Owner (“VeRO”) program. VeRO allows trademark owners to report any infringing postings to eBay, who then determines the claim’s validity. However, the sheer number of infringing posts proved insurmountable for VeRO to effectively handle, and Tiffany eventually sued eBay for direct trademark infringement, contributory trademark infringement, trademark dilution, and false advertising.

The district court, relying on Lockheed Martin, concluded that the Inwood test applied to eBay because it exercised “significant control” over the transactions and listings facilitated by and conducted through

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66 See generally Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93 (2d Cir. 2010).
68 See Tiffany, 600 F.3d at 105.
69 See generally id.
70 Id. at 101, 109 n.13.
71 Id. at 99.
72 Id.
73 Id. at 97; Tiffany was the second highest reporter in the VeRO program, and it reported 284,149 listings through the VeRO program between August 2003 and September 2007. Tiffany (NJ) Inc. v. eBay, Inc., 576 F.Supp.2d 463, 483–84 (S.D.N.Y.).
74 Id. at 96.
its website. However, the district court did not find eBay liable under the Inwood test because it only had a “generalized knowledge that counterfeit goods might be sold on its website.” On appeal to the Second Circuit, eBay did not oppose the district court’s reasoning and the application of the Inwood test. The crux of the Second Circuit’s opinion focused on whether eBay is liable for contributory trademark infringement. The court noted that contributory trademark infringement was “ill-defined” because the case law was limited and this was the first case to consider contributory trademark infringement to an e-commerce platform. The court further recounted the district court’s reasoning for applying the Inwood test, and assumed that Inwood applied because eBay did not oppose its application. However, the court ultimately decided that eBay was not contributorily liable under the Inwood test.

In assessing Tiffany’s claim for contributory negligence, the court focused on whether eBay “continued to supply its services to the sellers of counterfeit Tiffany goods while knowing or having reason to know that such sellers were infringing Tiffany’s mark.” However, Inwood did not set out “the contours of the ‘knows or has reason to know’ prong” because it only applied the inducement prong of the test. Instead, the court looked to other cases and found the Supreme Court’s discussion of Inwood’s knowledge standard in Sony Corp. of America v. Universal City Studios, Inc. as instructive. In Sony, the Supreme Court held that:

‘If Inwood’s narrow standard for contributory trademark infringement governed here, [the plaintiffs’] claim of contributory infringement would merit little discussion. Sony certainly does not intentionally induce[] its customers to make infringing uses of [the plaintiffs’] copyrights, nor does it supply its products to identified individuals known by it to be engaging in continuing

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76 Id. at 470.
77 See Tiffany, 600 F.3d at 105.
78 See id. at 103–10.
79 Id. at 105.
80 See id. at 105.
81 Id. at 10–06.
82 Id. at 110.
83 Id. at 106.
84 Id. at 108.
85 See id.
infringement of [the plaintiffs’] copyrights.'

Relying on this holding, the Second Circuit reasoned that Inwood’s narrow standard “would have required knowledge by Sony of ‘identified individuals’ engaging in infringing conduct.” In other words, the court held that in order to find contributory trademark infringement liability, a service provider must have more than general knowledge or reason to know that its service is being used to sell counterfeit goods. In other words, “[s]ome contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.” Consequently, the court determined that eBay was not contributorily liable because eBay only had general knowledge or reason to know—that rather than the requisite contemporary knowledge of particular infringing or soon-to-be infringing listings—that sellers were using eBay to sell counterfeit Tiffany products.

The Second Circuit could have stopped after holding that eBay was not contributory liable, but it did not. Instead, the court went further and addressed Tiffany’s concern that if eBay were not held liable unless specific counterfeit listings were brought to its attention, eBay would not have an incentive to discover and remove such listings from its website. Tiffany argued that this would effectively require trademark owners to police eBay and other online platforms every minute, and that most trademark owners cannot afford to bear this burden. The court recognized the strength of this argument in footnote fourteen of its decision, admitting that “insofar as eBay receives revenue from undetected counterfeit listings and sales through the fees it charges, it has an incentive to permit such listings and sales to continue.” However, it also sidestepped this convincing argument by saying that “we are interpreting the law and applying it to the facts of this case. We could not, even if we thought it wise, revise the existing law in order to better serve one party’s interests at the expense of the other’s.” This evasive response was further weakened by the courts explicit statement that the law regarding contributory liability was “ill-defined,” and that

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86 Id. (quoting Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 439 (1984)).
87 Id.
88 Id. at 107.
89 Id.
90 Id. at 109.
91 Id. at 109–10.
92 Id. at 109.
93 Id.
94 Id. at 109 n.14.
95 Id. at 109.
96 Id. at 105.
the Supreme Court did not explain the contours of the second prong of the Inwood test.\textsuperscript{97} The court did provide Tiffany—and mark holders at large—some redress by emphasizing that willful blindness constitutes knowledge and thus satisfies the Inwood test’s “knows or has reason to know” prong.\textsuperscript{98} In applying this test, however, the court determined that eBay only had general knowledge and did not ignore the information it was given about counterfeit sales on its website.\textsuperscript{99} Thus, eBay was neither willfully blind nor contributorily liable.\textsuperscript{100}

In sum, Tiffany held that contributory trademark liability and the Inwood test applies to online service providers and e-commerce platforms.\textsuperscript{101} It further implied that e-commerce platforms retain significant control over sellers, satisfying Lockheed Martin’s “direct control and monitoring” standard and thus meeting Inwood’s “supply its product” requirement.\textsuperscript{102} Most importantly, the Second Circuit interpreted the Inwood test’s “knows or has reason to know” standard to require an e-commerce platform to have more than a general knowledge of direct infringements.\textsuperscript{103} Specifically, an e-commerce platform must have “some contemporary knowledge of which particular listings are infringing or will infringe in the future.”\textsuperscript{104} Tiffany might be the first case to consider contributory liability for e-commerce platforms,\textsuperscript{105} but it will not be the last to do so as the internet age advances.

IV. PROBLEMS WITH THE CURRENT CONTRIBUTORY TRADEMARK LIABILITY STANDARD AS APPLIED TO E-COMMERCE PLATFORMS

Despite the Second Circuit’s laborious efforts in Tiffany, the problem of applying contributory trademark liability to e-commerce platforms persists. Recent growth amongst internet and e-commerce platforms has exacerbated the issue and garnered increased attention from Congress and federal agencies.\textsuperscript{106} In light of this rapid growth, the

\textsuperscript{97} Id. at 108.
\textsuperscript{98} Id. at 109.
\textsuperscript{99} Id. at 110.
\textsuperscript{100} Id.
\textsuperscript{101} Id. at 106.
\textsuperscript{102} See id. at 105.
\textsuperscript{103} Id. at 107.
\textsuperscript{104} Id.
\textsuperscript{105} See id. at 105.
current contributory trademark liability standard established by Tiffany more than a decade ago is insufficient to protect trademark owners. As it stands, Tiffany’s contributory trademark liability standard is inefficient for all parties involved in the trademark field. Trademark owners suffer numerous online infringements and struggle to enforce their rights, while e-commerce platforms are left to guess the scope of their rights and liabilities. For instance, due to the growth of online trademark infringements, 74% of respondents in a survey experienced trademark infringement in 2017, with 22% of them experiencing up to thirty infringements in a year. Without new judicial decisions to provide clear legal guidance or new legislation to outline clear legal duties, trademark owners and e-commerce platforms do not have sufficient information regarding the scope of their rights and obligations.

Without clear Supreme Court or Congressional guidance, many cases have zeroed in on which party should bear the burden of monitoring online infringements and at what point the e-commerce platforms’ mediating nature is no longer neutral but instead conducive to—or constitutes knowledge of—such infringements. Legal scholars have responded to this problem by advocating that “[contributory] liability rules must defend rights holders’ interests in better protecting their brands from online trademark infringements.” However, these same scholars also contend that the rules must not deter legitimate and productive activities in the internet marketplace. This “equilibrium conundrum” has engendered various judicial decisions and academic views, all of which are necessary to achieve a balanced approach to contributory trademark liability that would effectively limit trademark infringement on the internet without hurting innocent

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108 Id.
110 Lev-Aretz, supra note 109 at 641–42.
111 Id. at 640; see Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 658 F.3d 936 (9th Cir. 2011); Chloe SAS v. Sawabeh Information Serv. Co., No. 2:11-cv-04147-GAF-MAN (C.D. Cal. 2013); 1-800 Contacts, Inc. v. Lens.com, Inc., 722 F.3d 1229 (10th Cir. 2013).
112 Lev-Aretz, supra note 109 at 640.
113 Id.
websites or impeding the free market.\textsuperscript{115}

Indeed, decreasing the incentive for e-commerce platforms to actively remove counterfeit postings benefits the platforms and economy, while imposing a significant burden on trademark owners and consumers.\textsuperscript{116} On the other hand, increasing e-commerce platforms’ incentive to actively remove postings places an unreasonable restriction on platforms since they are not direct infringers.\textsuperscript{117} Additionally, imposing a greater burden on platforms increases their operating costs, which will ultimately pass through to trademark owners and sellers.\textsuperscript{118} Finally, putting greater burden on platforms would also disrupt the view that trademark owners have been historically responsible for policing the marketplace for infringing products.\textsuperscript{119}

Yet, giving trademark owners a greater obligation to prove infringement would result in greater costs since it is often impossible to prove infringement absent direct evidence.\textsuperscript{120} Under this framework, trademark owners would likely need to buy the product first and prove that it is a counterfeit that infringes on their mark.\textsuperscript{121} They would then pass this extra cost on to the consumers in the form of higher prices.\textsuperscript{122} However, apart from trademark owners, no one has the same expertise in determining the authenticity of a product.\textsuperscript{123} Given this expertise, trademark owners need to bear at least some responsibility in spotting or proving infringement.

With this difficult balancing conundrum in mind, a workable solution must balance both the trademark owners and e-commerce platforms’ interests. This Comment will propose two possible solutions to this balancing issue in the following section.

V. WORKABLE SOLUTIONS FOR CONGRESS AND THE SUPREME COURT OF THE UNITED STATES

To better protect trademark owners’ rights from online infringements and to avoid placing undue duties or liabilities on e-commerce platforms, this Comment offers both a legislative and a judicial solution. Specifically, Congress could achieve the balance

\textsuperscript{115} Lev-Aretz, supra note 109 at 640–41.
\textsuperscript{117} Id.
\textsuperscript{118} Id.
\textsuperscript{119} Id.; see also id. at n.200.
\textsuperscript{120} Id.
\textsuperscript{121} Id.
\textsuperscript{122} Id.
\textsuperscript{123} Id.
between trademark owner’s rights and e-commerce platforms’ liabilities by amending the Lanham Act to mirror the Digital Millennium Copyright Act. Alternatively, the Supreme Court could achieve the balance by adopting a relaxed approach to the Inwood test that deviates from Tiffany’s approach.

A. Congressional Action: Creating a DMCA-type Amendment to the Lanham Act

The most expedient and effective solution would be a Congressional amendment to the Lanham Act. Congress can find inspiration in amending the Lanham Act by looking at another area of intellectual property law: copyright. Courts can enforce secondary liability for direct copyright infringement through common law. Yet, courts have also faced similar challenges when they tried to apply the doctrine of secondary liability for copyright infringement in the online world. Fortunately for trademark owners, Congress provided some statutory guidance in 1998 when it enacted the Digital Millennium Copyright Act (“DMCA”).

1. The Digital Millennium Copyright Act

The DMCA amended the Copyright Act to address the relationship between copyright and the internet. Congress implemented the DMCA to “facilitate the robust development and world-wide expansion of electronic commerce, communications, research, development, and education in the digital age.” Title II of the DMCA creates a strong incentive for service providers to work with copyright owners to find and resolve copyright infringements that take place online. It also provides greater certainty to service providers about their potential liability for infringements that may occur on their platforms. Specifically, the DMCA created section 512 of the Copyright Act (“section 512”) and provided limitations on the secondary liability of and safe harbors for online service providers (“OSP”) for their users’ direct copyright infringement.

In order to qualify for section 512’s safe harbor provisions, OSPs

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124 Bartholomew, supra note 28, at 445.
125 Id.
130 See id.
must meet two threshold requirements. First, the OSP must qualify as a “service provider.” Second, the OSP must adopt, reasonably implement, and inform users of the service provider policy that provides for the termination, in appropriate circumstances, of users who are repeat infringers. Section 512(c) generally provides that a service provider shall not be liable for monetary, injunctive, or other equitable relief for users’ infringement if it has no actual knowledge or is not aware of facts or circumstances from which infringing activity is apparent. However, if it has such knowledge or awareness, it must expeditiously remove—or disable access to—the infringing material. Additionally, the service provider cannot receive financial benefit from the directly infringing activity if it has the right and ability to control such activity.

Finally, the service provider must also expeditiously remove, or disable access to, any potentially infringing material alleged by users pursuant to section 512(c)(3). It is important to note that section 512 does not impose any affirmative duty on service providers to police or track users for evidence of repeat infringement. The service provider falls outside of section 512 safe harbor if it fails to respond when it had knowledge of the infringing activity. By clearly delineating the responsibilities for both service providers and users, section 512 creates a balance between protecting copyright owners’ rights and promoting online technology developments.

2. Proposing a DMCA-Type Safe Harbor in the Lanham Act

Emulating the DMCA, Congress should adopt a safe harbor provision in the Lanham Act similar to section 512 of the Copyright Act. The proposed statute would facilitate the development of trademarks in the internet age, incentivize service providers and trademark owners to cooperate in detecting and dealing with online trademark infringements, and provide clear guidelines for service providers to limit their liability.

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131 Id. § 512(i)(1).
132 Id. § 512(k)(1).
133 Id. § 512(i)(1)(A).
134 Id. § 512(c).
135 Id. § 512(c)(1)(A)(iii).
136 Id. § 512(c)(1)(B).
137 Id. § 512(c)(1)(C).
138 See Perfect 10, Inc. v. CCBill LLC, 488 F.3d 1102, 1111 (9th Cir. 2007).
139 Id. at 1113.
141 See id.
Similar to section 512, the proposed statute would impose certain threshold requirements for e-commerce platforms to qualify for the safe harbor exemptions. First, like section 512, the proposed statute would define e-commerce broadly. For example, it could define an “e-commerce platform” as “a website where third-party sellers and consumers can exchange goods and services.” This broad definition would include a wide variety of websites such as eBay, Amazon, Walmart, and others—and it would anticipate future websites as well. Second, same as section 512, it would require the e-commerce platform to adopt, reasonably implement, and inform users of a policy that provides for the termination of users who are repeat infringers.

After establishing threshold requirements, the proposed statute should provide that if an e-commerce platform has no actual knowledge or is not aware of facts and circumstances from which infringing activity is apparent, then it is not liable for monetary, injunctive, or other equitable relief for users’ direct trademark infringements. However, if the e-commerce has such knowledge or awareness, the proposed statute should require the platform to expeditiously remove, or disable access to, the infringing material. These requirements are similar to those in section 512. In contrast to section 512, the proposed statute would modify both the financial benefit requirement and the notice and takedown procedures outlined in section 512, and tailor them based on the purposes of trademark law.

To understand why the proposed statute should modify the financial benefit requirement, consider section 512’s relevant provision. Specifically, section 512 requires that if service providers have the right and ability to control direct infringing activities, then they cannot receive financial benefit from such activities. This requirement alone would disqualify most e-commerce platforms because they can control their users and generate revenue from each transaction that takes place on their platforms. It would also defeat the safe harbor provision’s purpose, rendering it ineffective. To understand why section 512’s financial benefit requirement would not work for e-commerce platforms, recall that an e-commerce platforms’ right and ability to control direct trademark infringement on its website is indisputable. Courts have found that financial benefit can be established even in the absence of any revenue, where the infringing acts enhance the draw of a venue. Courts have also acknowledged that e-commerce platforms

143 Id. § 512(c)(1)(B).
144 See Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 105 (2d Cir. 2010).
145 See Levin, supra note 142, at 522; see Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996) and A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001).
receive revenue from every transaction, including those that involve infringing activities. Thus, the proposed statute would bridge this gap between the disqualifying nature of section 512’s financial benefit requirement and the reality of e-commerce platforms by either eliminating or relaxing the financial benefit requirement. For example, the proposed statute could relax this requirement by disqualifying e-commerce platforms only if they receive more financial benefit from directly infringing activities. As a result, the relaxation avoids putting undue burden on e-commerce platforms by taking into account that they profit from every single transaction.

Additionally, to understand why the proposed statute should modify the notice and takedown procedures, first consider section 512’s relevant provision. In particular, section 512 outlines a detailed notice and takedown procedure which would also be implemented by the proposed statute. This provision allows users to file notifications to

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146 See Tiffany, 600 F.3d at 98 (acknowledging that eBay received revenue from each transaction).

147 See 17 U.S.C. § 512(c)(3). The relevant portion is:

(3) Elements of Notification.

(A) To be effective under this subsection, a notification of claimed infringement must be a written communication provided to the designated agent of a service provider that includes substantially the following:

(i) A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

(ii) Identification of the copyrighted work claimed to have been infringed . . .

(iii) Identification of the material that is claimed to be infringing . . . and information reasonably sufficient to permit the service provider to locate the material.

(iv) Information reasonably sufficient to permit the service provider to contact the complaining party . . .

(v) A statement that the complaining party has a good faith belief that use of the material . . . is not authorized by the copyright owner, its agent, or the law.

(vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.

(B)(i) Subject to clause (ii), a notification from a copyright owner [or an authorized agent] . . . that fails to comply substantially with the provisions of subparagraph (A) shall not be considered . . . in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent.

(ii) In a case in which the notification . . . fails to comply substantially with . . . subparagraph (A) but substantially complies with clause (ii), (iii), and (iv) of subparagraph (A),
allege potential infringing materials\textsuperscript{148} and requires service providers to take down those materials if user notifications comply with certain requirements.\textsuperscript{149} These provisions provide a uniform notice and takedown procedure for all copyright owners and internet service providers, promoting efficiency since both copyright owners and service providers know their relative rights and responsibilities. Additionally, to prevent wrongful takedowns, section 512 also provides a counter notification system, which requires the service provider to restore any suspended materials if the user’s counter notification complies with certain requirements.\textsuperscript{150} The proposed statute would

\textsuperscript{148} Id.

\textsuperscript{149} See 17 U.S.C. § 512(c)(1)(C) (“[U]pon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.”).

\textsuperscript{150} See 17 U.S.C. § 512(g). The relevant portion is:

(g) Replacement of removed or disabled material and limitation on other liability.

(1) No liability for taking down generally. Subject to paragraph (2), a service provider shall not be liable . . . for any claim based on the service provider’s good faith disabling of access to, or removal of, material or activity claimed to be infringing or based on facts or circumstances from which infringing activity is apparent, regardless of whether the material or activity is ultimately determined to be infringing.

(2) Exception. Paragraph (1) shall not apply with respect to material residing at the direction of a subscriber of the service provider on a system or network controlled or operated by or for the service provider that is removed, or to which access is disabled by the service provider, pursuant to a notice provided under subsection (c)(1)(C), unless the service provider—

(A) takes reasonable steps promptly to notify the subscriber that it has removed or disabled access to the material; (B) upon receipt of a counter notification described in paragraph (3), promptly provides the person who provided the notification . . . with a copy of the counter notification, and informs that person that it will replace the removed material or cease disabling access to it in 10 business days; and (C) replaces the removed material . . . not less than 10, nor more than 14, business days following receipt of the counter notice, unless its designated agent first receives notice from the person who submitted the notification . . . that such person has filed an action seeking a court order to restrain the subscriber from engaging in infringing activity relating to the material . . . .

(3) Contents of counter notification. To be effective under this subsection, a counter notification must be a written communication
imitate section 512’s procedures and requirements for trademark owners to file notifications. This process should proceed as follows: (1) e-commerce platforms must timely takedown the alleged infringing posts following a trademark owner’s notification filing, and (2) e-commerce platforms must also implement a counter notification system to prevent wrongful takedowns. For the first step, the requirements for trademark owners to file a notification could stay the same as section 512 because the purpose is to simply notify the e-commerce platforms. For the second step, like section 512, the proposed statute would require that if e-commerce platforms receive a valid counter notification accompanied by a statement under the penalty of perjury from a seller on their platforms stating that a post on an e-commerce platform was wrongfully removed, then the e-commerce platform must revive the post unless the trademark owner files an infringement action seeking a restraining court order against the posts.

Referring back to section 512 once more, after receiving a counter notification, section 512 allows up to fourteen business days for copyright users to decide whether to file an action.\(^{151}\) Section 512 also requires the posts to remain taken down provided there is an ongoing court action.\(^{152}\) In other words, potentially innocent posts that do not infringe others’ copyright remain offline for at least fourteen business days following any notification made pursuant to section 512(c)(3).\(^{153}\) In contrast to section 512, this time period is too long in the context of trademarks and e-commerce because unlike copyrighted materials, the sale of goods or services is usually time-sensitive. Online consumers often purchase goods or services within a short period of time,\(^{154}\) and if innocent posts bearing legitimate trademarks are taken down for fourteen business days, consumers will likely purchase the goods or

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\(^{151}\) Id. § 1512(g)(2)(C).

\(^{152}\) Id. § 1512(g)(1).

\(^{153}\) Id. § 1512(g).

\(^{154}\) See id.
services from another seller. Therefore, even if the posts were eventually replaced on the e-commerce platform, the seller would likely have already incurred substantial economic harm.

Unlike section 512, the proposed statute would require trademark owners to decide whether to file an action within a shorter period of time after receiving a proper counter notification and require an e-commerce platform to revive the posts if a trademark owner does not pursue an action. Requiring reposting within five business days or less is ideal since it will not impose a great burden on e-commerce platforms after they receive a proper counter-notification. Also, five business days would be plenty of time for trademark owners to decide whether to pursue action because they would know whether their trademarks are being used illegally without their approval. The shorter period of response time will minimize the harm to innocent posts by incentivizing the e-commerce platforms and trademark owners to act quickly and responsibly.

3. Additional Safe Harbor Provisions Beyond the DMCA

Adopting similar elements as those in section 512 would create a functional safe harbor for e-commerce platforms. Most of the burden would still fall on trademark owners to constantly inspect various e-commerce platforms. To alleviate this heavy burden and to better protect trademark owners’ rights, this Comment also proposes adding a limited duty to police for e-commerce platforms in the new safe harbor provisions.

This proposed limited duty would require e-commerce platforms to monitor their websites for counterfeits and could be implemented by an automated screening of each post before its publication.\footnote{See Jillian de Chavez, \textit{Building a Trademark Safe Harbor for Contributory Counterfeiting Liability After Tiffany v. eBay}, 86 \textit{St. John’s L. Rev.} 249, 274 (2012) (arguing for additional preventative measures); \textit{See Amazon, Brand Protection Report} (May 2021), https://brandservices.amazon.com/progressreport (Amazon’s proactive brand protection uses a combination of machine learning and expert review, and it has stopped over six million bad actor accounts before they posted any sale listing).} If the automated monitoring system detects a suspicious post, then the platform would need to flag or temporarily freeze the post. Then, the platform would have to determine whether the post is indeed selling counterfeits or infringing others’ trademarks,\footnote{A platform could compare the listing price with the average price for that good or service with respect to a certain brand; platforms could also rely on user reviews to determine the likelihood of infringement.} and, if it is, the platform
must delete the post and investigate the seller.\footnote{This investigation requirement should be easy to satisfy rather than a thorough investigation. For example, the investigation could be satisfied by simply looking at past listings of the seller.} Repeated infringers’ accounts should be suspended or deleted; however, the sellers should be allowed to challenge the platform’s decision by filing an appeal with the platform. Additionally, the proposed statute should provide platforms with immunity if they conduct a bona fide determination accompanied by proper documentation. Granting immunity would serve as an incentive for platforms to carry out their limited duty to police and establishes a clear limit on the platforms’ liability.

Finally, the proposed statute should require the rigorousness and complexity of the automated system to be proportionate to the size or revenue of each e-commerce platform. In other words, e-commerce platforms with more transactions or revenue should implement a more rigorous automated monitoring system. To determine whether the e-commerce platform complies with its limited duty to police potential listings that constitute trademark infringements, the proposed statute would instruct the courts to decide on a case-by-case basis. While the proposed statute could provide some factors for the courts to consider based on the technological details of automated monitoring systems, though these considerations are beyond the scope of this Comment.\footnote{However, some factors could include: the number of dedicated employees to the system that a platform retains; number of hours those employees need to be available at work; and certain number of or percent of total posts per hour the platform needs to screen.}

As explained above, the proposed statute would provide both preventative and reactive components in combating counterfeits sold through e-commerce platforms. Although no automated monitoring system could detect all infringing posts, together with the trademark version of the DMCA, the proposed statute would provide an effective standard for e-commerce platforms to avoid contributory trademark infringement. Additionally, the proposed statute would advance the development of trademarks during the internet age and promote cooperation between e-commerce platforms and trademark owners in detecting and dealing with online trademark infringements.

B. Updating the Inwood Knowledge Standard

1. Adopt the Second Circuit’s Narrow Approach in Tiffany v. eBay

The Supreme Court has yet to provide precedent instructing trademark owners and service providers how to conduct business
To provide service providers with greater clarity as to their responsibilities, the Supreme Court should provide a clearer definition of the type of knowledge that imputes contributory liability on them. More specifically, the Court should clarify the “have reason to know” standard in the Inwood test in a future case involving secondary liability.

One approach the Supreme Court could adopt is that of the Second Circuit in Tiffany. This narrow interpretation would only hold e-commerce platforms contributorily liable if they receive legitimate reports about specific infringing postings and ignore that information or refuse to act. As mentioned above, this narrow approach of the knowledge standard places too large of a burden on the trademark owners and does not serve any of the parties in the trademark field optimally. However, there would be at least two benefits if the Supreme Court were to adopt this approach. First, it would provide a uniform standard across all federal jurisdictions, thus providing certainty and consistency for e-commerce platforms and trademark owners. Second, the limited nature of this remedy may fully reveal to Congress the pressing need for legislative action.


Alternatively, the Supreme Court could adopt a broader but also clearer interpretation of the “reason to know” standard found in Inwood. The Court could hold that without specific notices of infringing posts, e-commerce platforms could satisfy the “reason to know” standard if they are aware that a significant amount of infringing activity is happening on their websites. However, the Supreme Court should only hold platforms contributorily liable if they fail to at least do an investigation. This approach is similar to the Eleventh Circuit’s holding in Luxottica.

In Luxottica, Oakley and its parent company, Luxottica, sued

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159 Lev-Aretz, supra note 109, at 641.
160 Lehrer, supra note 118, at 400.
161 Id.
162 See Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93 (2d Cir. 2010).
163 See id. at 99.
164 See supra Section IV.
165 What constitutes an investigation depends on various factors such as the scale of the platform or nature of the goods and services being sold. For example, comparing prices and looking at sellers’ past listing or IP address could be an investigation.
166 See generally Luxottica Grp., S.p.A v. Airport Mini Mall, LLC, 932 F.3d 1303 (11th Cir. 2019).
Airport Mini Mall ("AMM") in Georgia for contributory trademark infringement. Luxottica makes and sells high-end sunglasses using the Ray-Ban and Oakley trademarks. AMM owned and operated an indoor mall where it subleased venues to different third-party sellers. When police raided those sellers in three separate instances, they found certain vendors in the mall were selling counterfeit Luxottica sunglasses. Luxottica also sent two letters to AMM informing them that there were certain sellers in the mall selling counterfeit sunglasses. However, AMM did not inspect its sellers nor did it take action to stop its subtenants’ from selling counterfeit sunglasses. At the district court, the jury found that AMM was contributorily liable for its subtenants’ direct trademark infringement. The was a case of first impression for the Eleventh Circuit, and it affirmed.

The Eleventh Circuit held that "actual or constructive knowledge of the direct infringers’ identities could arise from many sources," such as when the defendants could have investigated alleged direct infringement after being put on notice by the Plaintiff that unnamed subtenants’ of AMM may have been selling counterfeits. The court reasoned that although Inwood did not create an "affirmative duty to take precautions against the sale of counterfeits," a reasonable jury could find that Luxottica’s notice letters would prompt a landlord to inspect the Mall’s booths. It further explained that the defendants had a responsibility to investigate because “a cursory visual inspection” of 130 booths was not so burdensome. It also reiterated that, “evidence of ‘serious and widespread’ infringement makes it more likely that a defendant knew about the infringement.” Finally, the court held that AMM was contributorily liable because the evidence showed that the defendants had at least constructive knowledge because there existed serious and widespread violations that indicated their subtenants were selling counterfeit goods.

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167 Id. at 1308.
168 Id. at 1309.
169 Id.
170 Id.
171 Id.
172 Id. at 1310.
173 Id.
174 Id. at 1321.
175 Id.
176 Id. at 1314–15 (citing Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (7th Cir. 1992)).
177 Id. at 1315.
178 Id. (citing Mini Maid Servs. Co. v. Maid Brigade Sys., Inc., 967 F.2d 1516, 1522 (11th Cir. 1992)).
179 Id.
Although *Luxottica* did not involve the internet or online service providers, it is easy to extend the *Luxottica* approach to e-commerce platforms. To provide trademark owners and e-commerce platforms clearer guidance on their respective rights and liabilities, the Supreme Court could adopt and extend the Eleventh Circuit’s broader approach to e-commerce platforms when clarifying the *Inwood* test. The Court could explain that actual or constructive knowledge of the direct trademark infringements could arise from many sources, such as when trademark owners put e-commerce platforms on notice that sellers using their platforms have been selling counterfeit products.\(^{180}\) Furthermore, the Court could establish that e-commerce platforms have a reasonable duty to conduct at least a cursory automated inspection of their website if they receive allegations of direct trademark infringements from trademark owners. Like in *Luxottica*, this duty is reasonable because a rudimentary automated inspection of e-commerce platforms’ own websites would not be too burdensome.\(^{181}\)

The *Luxottica* approach is less burdensome than the Second Circuit’s approach in *Tiffany* since it does not require trademark owners to inform the e-commerce platform of every infringing post.\(^{182}\) Additionally, this approach alleviates a reasonable amount of monitoring duty from the trademark owners and place it on e-commerce platforms. Thus, compared to the *Tiffany* approach, the *Luxottica* approach would be better suited to solve the balancing conundrum.

Despite the opportunity for judicial action, trademark owners and e-commerce platforms’ interests would ultimately be better served by Congressional actions. Additionally, Congressional actions would fall in line with the purposes of trademark law to provide a national system that protects the owner of a federally registered mark.\(^{183}\) This is true for multiple reasons. First, it is unlikely that the Supreme Court will adopt any standard or test that would be clearer and more instructive than specific legislation because of the inherent limitation of a judicial ruling that it will only entertain the scope and facts for the specific issues presented by a particular case. Moreover, as with most common law doctrines not rooted in specific legislation, even if the Supreme Court clarifies the *Inwood* test, different standards or interpretations would

\(^{180}\) This should also include steps that e-commerce platforms could have taken to investigate alleged direct infringement on their websites after being put on notice by trademark owners that a large number of unidentified sellers may be selling counterfeit products.

\(^{181}\) See *Luxottica*, 932 F.3d at 1315; see AMAZON, BRAND PROTECTION REPORT, supra note 157 (example of Amazon’s automated inspection of its listings).

\(^{182}\) See *Luxottica*, 932 F.3d at 1312.

\(^{183}\) LEGAL INFORMATION INSTITUTE, LANHAM ACT (last visited Apr. 18, 2022), https://www.law.cornell.edu/wex/lanham_act.
still likely appear in the district and circuit courts across the country. Therefore, out of all the possible solutions proposed above, amending the Lanham Act with a safe harbor provision similar to section 512 of the Copyright Act would likely serve the interests of trademark owners and e-commerce platforms most effectively.

VI. CONCLUSION

The advent of the internet and proliferation of e-commerce platforms transformed how goods and services are exchanged. Unfortunately, this revolution allowed for counterfeits to “flood our borders and penetrate our communities.”\(^\text{184}\) Counterfeits, in addition to threatening public health and national security,\(^\text{185}\) also illegally infringe the rights of trademark owners. However, the internet made online counterfeiters who directly infringe trademark owners’ rights nearly impossible to identify. Consequently, trademark owners have been unsuccessful in trying to hold e-commerce platforms liable under the common law doctrine of secondary liability. Although courts have extended secondary liability—specifically, contributory trademark liability—to online service providers and marketing platforms, the current legal standard serves neither party optimally. A fundamental barrier in enacting any change to this standard lies in the balancing conundrum that contributory trademark liability rules must defend trademark owners’ interests in better protecting their brands from online trademark infringements while refraining from implementing restrictive rules that deter legitimate and productive activities in the Internet marketplace.

While both legislative and judicial actions could remedy this problem, an especially effective solution would be for Congress to amend the Lanham Act to emulate the DMCA and create a similar safe harbor provision that clearly delineates the duties of e-commerce platforms and trademark owners. To better serve the purposes of trademark law, however, any amendment should also include a limited duty to police—something that is absent from the DMCA provisions for e-commerce platforms. In the absence of Congressional action, the Supreme Court could also solve the problem by clarifying the Inwood test’s knowledge standard. Although this Comment proposes two separate solutions that the Supreme Court could adopt, the Luxottica approach would likely be most effective. Under that approach, the


\(^{185}\) Id.
Court would clarify that actual or constructive knowledge of direct infringements could arise from various sources. Additionally, the Court could impose a reasonable duty to perform at least a cursory investigation of their platforms after receiving valid allegations of direct infringements from trademark owners. Despite having both legislative and judicial options for solving the contributory trademark infringement problem as it relates to e-commerce, Congress is best equipped to formalize a uniform standard efficiently and expeditiously by amending the Lanham Act. The sooner Congress acts, the sooner that tens of millions of brand owners and e-commerce platforms could cooperate more effectively to curb online trademark infringements and stimulate healthy economic growth during the internet age.