

**Submission of the  
International AntiCounterfeiting Coalition  
to the  
United States Patent and Trademark Office**

**Secondary Trademark Infringement Liability  
in the E-Commerce Setting**

**Request for Public Comment  
85 Fed. Reg. 72635 - 37 (November 13, 2020)**

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**January 25, 2021**

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January 25, 2021

Holly Lance  
USPTO  
Office of Policy & International Affairs  
Via Regulations.gov

Dear Ms. Lance:

The International AntiCounterfeiting Coalition, Inc. (“IACC”), is pleased to submit these comments to the United States Patent and Trademark Office (“USPTO”), pursuant to the request published in the Federal Register on November 13, 2020 (and subsequently extended on January 11, 2021), seeking written comments from the public concerning the agency’s implementation of “Action 9,” set forth in the Department of Homeland Security’s Report to the President of the United States, titled “Combating Trafficking in Counterfeit and Pirated Goods.” We welcome the opportunity to share our thoughts on this important matter, and look forward to working with the USPTO and its partner agencies throughout the government.

The IACC is the world’s oldest and largest organization dedicated exclusively to combating trademark counterfeiting and copyright piracy. Founded in 1979, and based in Washington, D.C., the IACC represents more than 200 corporations, trade associations, and professional firms, spanning a broad cross-section of industries, including thousands of the world’s best-known brands in the apparel, automotive, electronics, entertainment, luxury goods, pharmaceutical, personal care, software, and other consumer product sectors.

Central to the IACC’s mission is the education of both the general public and policy makers regarding the severity and scope of the harms caused by the illicit trafficking of counterfeit and pirated goods. The IACC seeks to address these threats by promoting the adoption of legislative and regulatory regimes, as well as industry best practices, to effectively protect intellectual property rights, and to encourage the application of resources sufficient to enforce those rights. The IACC works with U.S. and foreign government partners and private sector stakeholders throughout the world to identify, and to seek remedies to, legislative deficiencies and practical impediments to IP enforcement. The IACC has also led the development of voluntary collaborative programs on a global scale to address key priorities in the online space, including its RogueBlock and IACC MarketSafe programs.

Whether measured in terms of sales lost by legitimate manufacturers and retailers to illicit

competitors, tax revenues and duties that go unpaid to governments, decreased employment, or diminished investment in capital improvements and research and development; counterfeiting is a significant drain on the U.S. and global economy. Further, the production and distribution of goods manufactured in an entirely unregulated supply chain, where the makers have every incentive to cut corners by using cheap, substandard components, and no incentive to abide by accepted standards of consumer health and safety, presents a clear threat to the health and well-being of consumers, and to the integrity of our national security infrastructure. We look forward to working with you to ensure the safety of consumers and the vitality of legitimate manufacturers and retailers impacted by the global trade in counterfeit and pirated goods.

At the outset, I'd like to commend the USPTO for its work on this important issue. While the topic of secondary liability is undoubtedly a contentious one, we firmly believe that this is a conversation worth having. Too frequently, such discussions tend to devolve into finger-pointing and assigning blame; so, we welcome the USPTO's evidence-based approach and its encouragement of constructive engagement among all of the relevant stakeholders. To be clear, we do not view the imposition of liability as an end in itself. Rather, it is a mechanism for ensuring the protection of intellectual property rights, which is in turn essential to establishing and maintaining a safe and trusted e-commerce market. At present, the trafficking of counterfeit goods online is, by all estimates, a massive problem – and one that continues to grow despite the efforts of rights-holders and responsible actors throughout the e-commerce ecosystem.

As noted above, the IACC has led the development of a variety of voluntary collaborative efforts in the online space. We've worked closely with e-commerce platforms, financial networks, search engines, social media platforms, advertisers, internet registrars and registries, shipping and transportation intermediaries, consumer groups, law enforcement and others to address the intractable problems faced by the range of legitimate businesses comprising the e-commerce market. We have had a front-row seat from which to observe how the market is, and is not, working as it should be. To that point, we think it's important to recognize the steps that many in the e-commerce space have taken already, and the extent to which those efforts have gone above and beyond the minimum standards imposed by the current legal framework. This development and implementation of new policies, procedures, and technological tools to address online trafficking has been necessitated by responsible stakeholders' recognition that there were significant flaws in the system that required innovative solutions. A major concern however is that many others have failed to take such steps, and seem to have little interest in doing so. Absent a mandate from the government, and consequences for failing to comply with such a mandate, there is little reason to expect the type of holistic improvement needed to effectively deter the trafficking of counterfeit goods in the online market. Revisiting the role that the imposition of secondary liability – under appropriate circumstances – can play in providing such deterrence, is justified in light of the size and scope of online trafficking, and the failure of other relevant legal tools to effectively rein in such illicit activity.

The comments provided herein represent a range of feedback provided by rights-holders both in recent consultations spurred by the USPTO's Request for Comments, and from input on the subject gathered from brands both large and small over many years. For the sake of clarity, our comments are organized to address in turn each of the specific questions highlighted in the USPTO's original RFC.

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

In consultations related to the USPTO's present Request for Comments, a significant majority of respondent IACC members expressed the view that the doctrine of secondary infringement liability, as currently applied by the courts, is not an effective tool for addressing the illicit sale of counterfeit goods online.

Much of the discussion surrounding the current application of secondary liability noted the incredibly high bar for liability set by courts in *Tiffany v. eBay* and similar cases. The practical impact of the *Tiffany* case was that, absent a showing of actual knowledge of the relevant direct infringement, a claim of contributory infringement was untenable. While the operators of many e-commerce platforms hosting third-party sellers have, to their credit, implemented additional policies targeting illicit sales by those third parties; such voluntary measures have been inconsistently implemented. The end result has been a wide disparity in the level of IP protection across the online space, characterized by a patchwork set of rules, procedures, and evidence requirements that rights-holders must navigate to seek assistance in protecting their brands.

IP owners further noted that while the e-commerce landscape has changed dramatically in recent years, the legal framework related to secondary liability has remained largely stagnant in the decade since the *Tiffany* case was decided. This can likely be attributed, in part, to the high threshold for imposing liability established in that case; IP owners have largely eschewed bringing claims for secondary liability in the e-commerce context because, as a practical matter, the likelihood of prevailing in such cases is miniscule. So long as the relevant platform responds expeditiously to a rights-holder's notification of an infringement, liability will not attach. This would seem to be the case even in egregious circumstances, such as where a third-party seller has been found repeatedly to be violating a brand's intellectual property rights. *Tiffany*, and other cases that have followed its rationale, have effectively enshrined a notice and takedown procedure that both rights-holders and e-commerce platforms have acknowledged as inefficient and incredibly resource intensive.

It is well-established that a significant proportion of the counterfeit goods on offer to U.S.-based consumers on e-commerce platforms are sold by individuals or entities beyond the reach of the American courts, and therefore well-insulated from the consequences of their illegal activity. Taken together with courts' standards for applying secondary liability, rights-holders frequently find themselves unable to seek remuneration for either direct or indirect violations of their trademark rights. Thus, as a practical matter, IP owners often have no available remedy

in cases of online trafficking.

As a final consideration, I note that the feedback we've received during this process has drawn from the full spectrum of the IACC's membership. Respondents covered a broad range of industries and product sectors including apparel and footwear, luxury goods, personal care products and cosmetics, electronics, toys, and others. Indeed, as the IACC has focused a great deal of our efforts in recent years on helping rights-holders combat online trafficking; we can confirm that counterfeit sales in e-commerce are a top priority for trademark owners across the board, and the practical constraints on enforcement are experienced broadly regardless of the types of products involved.

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

Not a single IACC member brand who participated in our consultations related to the present inquiry affirmatively responded to the second question posed in the USPTO's Request For Comments.

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

As noted above, intellectual property owners widely view the pursuit of secondary liability claims under the existing framework to be a fool's errand. Given the exceedingly high costs associated with litigation, and the miniscule chance of obtaining a favorable ruling on a secondary infringement theory in all but the most limited circumstances; most rights-holders have chosen not to pursue such cases in the wake of *Tiffany*.

It is worth noting that the current framework is also seen by some as having a disproportionately negative impact on SMEs, who typically lack the financial wherewithal to pursue direct infringers abroad. Such smaller businesses are likewise often insufficiently resourced to undertake the type of large-scale notice-and-takedown actions against third-party sellers on e-commerce platforms necessitated by the courts' application of the doctrine of secondary liability in the online context.

- IV. To the extent you have identified shortcomings in the current application of the doctrine of secondary infringement in your answers, please explain how you would recommend resolving those shortcomings.**
- a. For all types of recommendations, please identify their scope, including the type of goods or e-commerce affected. Where appropriate, please prioritize your recommendations.**
  - b. If your recommendation includes implementation in steps and/or over time, please identify each step and the contemplated timeframe for implementation.**

In our discussions with rights-holders related to the present Request For Comments, IACC members stressed two major points on which the USPTO should focus its inquiry and any subsequent recommendations related to the application of secondary infringement in the context of e-commerce. The first of these considerations involves ensuring the clarity and certainty of the duties of relevant actors under the legal framework for secondary liability; while the second involves the consistent and uniform application of any such obligations imposed. With regard to the former issue, this appears to be the underlying approach to legislation introduced during the 116<sup>th</sup> Congress, including the SHOP SAFE Act, the INFORM Consumers Act, and the SANTA Act. While historically, courts have evaluated secondary infringement claims by considering factors such as: whether an individual induced the direct infringement, or facilitated the direct infringement with sufficient knowledge of that infringement, or alternatively, whether the relevant party exercised sufficient control or had sufficient involvement in the activity constituting direct infringement; the proposed legislation sets forth a variety of best practices which, if adopted, would effectively shield an entity from the imposition of liability in connection with the direct infringement of a third-party seller.

The best practices described in the SHOP SAFE Act, were cited by numerous respondents as an appropriate means to shifting the burden of IP enforcement to one borne more evenly between e-commerce intermediaries and the rights-holders negatively impacted by counterfeit sales online. As highlighted in our comments filed in support of the DHS Report, “Combating Trafficking in Counterfeit and Pirated Goods,” many of these items have already been adopted in some form or another by many e-commerce platforms. Formalizing those duties, and requiring their consistent adoption by actors in the online space by enshrining them in the Lanham Act is viewed by many brands as an essential step towards establishing a bright-line minimum standard of what should be considered “reasonable” efforts to combat illicit activity in the e-commerce context, analogous to the duties that have been imposed on landlords, for example, in the brick-and-mortar context. Providing a statutory framework for the imposition of secondary liability (and clearly-defined criteria to establish a shield to such liability) is also seen as a means to ensuring a level playing field, in contrast to the current patchwork approach. While some platforms have taken seriously their responsibility to ensure a vibrant and trusted online marketplace, others have relied on the court-formulated rules to justify doing the bare minimum. The law should reward responsible actors rather than encourage a race to the bottom.

Respondents characterized many of the practices for e-commerce providers mandated by SHOP SAFE and other such proposals as “commonsense,” practical requirements that parallel regulations that have been imposed upon similarly situated parties in the physical world. The requirement that e-commerce platforms take necessary steps to verify the identity of third-party sellers making use of the platform, for example, mirrors landlords’ customary

business practice of requiring relevant documentation from an individual who seeks to lease a retail storefront. Imposing such a duty also ensures the ability of both rights-holders and consumers to pursue third-party sellers for harms they've inflicted – whether IP related, or those involving fraud, products liability, etc. The establishment of policies to permanently remove bad actors who repeatedly flout the law (and platforms' own terms and conditions for sellers), is likewise viewed as an alternative approach to tenuous determinations of whether an e-commerce entity “knew or should have known” about a third-party seller's illegal activity.

Overwhelmingly, respondents during this process have supported the idea that a proactive approach to protecting IP rights online – i.e., keeping counterfeit goods off of e-commerce sites in the first place – is essential. The current, reactive approach characterized by rights-holders' (and e-commerce platforms') never-ending review of sellers' listings, followed by the submission of notice and takedown requests is seen as untenable in the long-term. The adoption of clear and reasonable criteria for the application of secondary liability, however, may provide further incentive to e-commerce platforms to invest in holistic improvements to their current approaches.

- V. Please provide any studies or other information in your possession that demonstrate whether or not a change in the law of secondary liability for trademark counterfeiting with respect to e-commerce platforms, online third-party marketplaces, and other online third-party intermediaries would be effective in reducing online sales of counterfeit goods, or whether it would pose any risks.**

N/A

- VI. Are there any other areas of law or legal doctrines that could help inform or supplement the standard for secondary trademark infringement to reduce online sales of counterfeit goods?**

N/A

We applaud the USPTO and all of our public-sector partners for their efforts on this important issue, and we look forward to working with you in advancing this initiative.

Respectfully submitted,

/tdj/

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