

# MICHIGAN STATE UNIVERSITY

January 25, 2021

United States Patent and Trademark Office, Department of Commerce

Re: USPTO Request for Comments on Secondary Trademark  
Infringement Liability in the E-Commerce Setting, PTO-T-2020-0035

To Whom It May Concern:

The Center for Anti-Counterfeiting and Product Protection (A-CAPP Center) at Michigan State University appreciates the opportunity to weigh in on the questions posed by the USPTO regarding secondary trademark infringement liability in the e-commerce setting.

The A-CAPP Center is an independent, interdisciplinary evidence-based hub, housed at Michigan State University, whose activities focus on research, education and outreach designed to assist in protecting brands and products of companies in all industries worldwide. Our primary mission is to conduct academic research in the areas of counterfeiting, anti-counterfeiting and brand protection that generates knowledge and practical outcomes to inform industry, government, and law enforcement. The following is a brief summary of our recommendations and responses to questions. We will focus on questions 1, 5 and 6.



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- 1. 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***

We believe it is not an effective tool. Much has changed since the doctrine of secondary trademark infringement liability was created and applied,<sup>1</sup> ending primarily with the *Tiffany v. eBay*<sup>2</sup> case. We believe that e-commerce is a “law disruptive technology”,<sup>3</sup> meaning that it has changed so rapidly that the existing law cannot be applied in the same way that it was conceptualized. While early

<sup>1</sup> *Inwood Labs. v. Ives Labs.*, 456 U.S. 844, 849-50 (1981).

<sup>2</sup> *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010).

<sup>3</sup> William Sowers, *How do you Solve a Problem like Law-Disruptive Technology?*, 82 L. & Contemp. Probs. 193, 196-200 (2019) (describing and coining the term law disruptive technology); Kari Kammel, *Examining Trademark Counterfeiting Legislation, Free Trade Zones, Corruption and Culture in the Context of Illicit Trade: The United States and United Arab Emirates*, 28 MICH. STATE INT’L L. REV. 210, 231-232 (2020) (applying the concept of law disruptive technology to e-commerce).



cases mention the ability for a flea market owner<sup>4</sup> or mini-mall owner<sup>5</sup> to be able to do a reasonable canvassing of brick and mortar spaces looking at pricing disparities, the courts viewed that concept as much more challenging in an online space.<sup>6</sup> The doctrine as applied to brick and mortar spaces can be clearly shown through the application of criminological theory, through the use of the crime triangle, as follows:

### GENERAL CRIME TRIANGLE



The crime triangle is a figure used to visually display the elements that need to come together in time and space in order for a criminal opportunity to develop. These elements are a motivated offender, a suitable target, and a place (physical or virtual) that allows the offender and target to interact. The more often these elements come together and the longer they co-exist the more stable the criminal scheme becomes. Removing one element of the triangle de-stabilizes the criminal scheme and substantially decreases the likelihood that the scheme will continue.

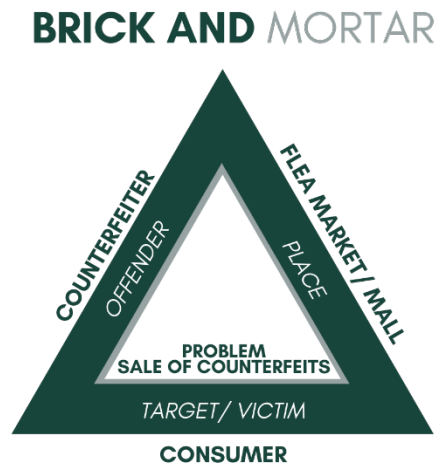
In brick and mortar spaces, the individuals/groups selling counterfeit items are the motivated offenders, while customers/patrons represent suitable targets. The physical space is the place that brings the offender and target into contact long enough to facilitate the sale of a counterfeit item. Disrupting this scheme can be done by leveraging the role of the marketplace owner/manager, who can control the tenants and sellers operating within the market, warn consumers about the potential for victimization, and assist with compliance with the law by providing information to law enforcement when a crime occurs.<sup>7</sup>

<sup>4</sup> *Hard Rock Cafe Licensing Corp. v. Concession Servs.*, 955 F.2d 1143 (7th Cir. 1992).

<sup>5</sup> *Luxottica Grp., S.p.A. v. Airport Mini Mall, LLC*, 932 F.3d 1303 (11th Cir. 2019).

<sup>6</sup> *Coach, Inc. v. Gata Corp.*, 2011 U.S. Dist. LEXIS 62317, at \*21.

<sup>7</sup> See Kari Kammel, Daniel Cermak, Minelli Manoukian & Jay Kennedy, *Responsibility for the sale of trademark counterfeits online: Striking a balance in*



However, the shift to not only sales on e-commerce, but the phenomenon of third-party sales of counterfeits has disrupted this typical guardianship concept, which is geared towards protection of consumers and the goodwill of a brand. Instead, the shift in sales without a coinciding shift of the law has created a gap in liability and guardianship of consumers and the goodwill and reputation of the brand.

Within the current e-commerce environment, the motivated offender and suitable target remain the same as in the physical environment. However, there is no necessity for these two elements to meet in the same physical space as the Internet provides the space for commercial transaction, so they meet in the same digital space. Yet, unlike in physical spaces where the motivated offender primarily interacts with the suitable target, online intermediaries engage with consumers. While a seller creates the content of the advertisement, sets the sale price, and fulfills the contractual agreements of a sale, the consumer is interacting with the entity that should be fulfilling the guardianship role.

Motivated offenders are able to hide behind the veil of legitimacy that is being held up by the legitimate e-commerce platform through which the illegitimate transaction takes place. As such, juxtaposing interests exist for the platform as a potential guardian that is thrust into the position of threatening its own profitability by stopping or slowing down sales and sellers from completing transactions. At the same time, the platform is acting as an agent for the sellers of

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*secondary liability while protecting consumers*, A-CAPP Working Paper Series 2021, available at <https://a-capp.msu.edu/article/responsibility-for-the-sale-of-trademark-counterfeits-online-striking-a-balance-in-secondary-liability-while-protecting-consumers/>



illegitimate goods and as a guardian that has the responsibility to protect the consumer from victimization.<sup>8</sup>

We recommend closing this gap of guardianship in a balanced way through secondary liability for trademark infringement. Consideration should be taken to create a balanced approach that adds some proactive responsibility to 1) e-commerce providers, 2) brand, or mark, owners, and 3) consumers.

Importantly, closing the guardianship gap can be done by creating a duty for e-commerce platforms to engage in behaviors that mitigate the risks of counterfeiting on their platform. This is done by viewing e-commerce platforms as crime controllers – entities with a responsibility to control the development of criminal schemes through their direct intervention.



As a crime controller, the e-commerce platform could serve as (1) a handler of motivated offenders, (2) a guardian of suitable targets, or (3) a place manager that controls the places where targets and offenders would meet depending on what might more effective and efficient in order to disrupt the criminal opportunity. As a handler, e-commerce platforms can help to de-motivate offenders by reducing the incentives for crime, while continuing to provide an avenue for the individual/entity to earn revenue. As a guardian the platform can help to ensure the legitimacy of the products advertised and sold to consumers, thereby protecting them from offenders. As a place manager, e-commerce platforms can create disincentives to counterfeiting activities, hold up the processing of

<sup>8</sup> Kammel, Cermak, Manoukian & Kennedy, *supra* note 7.



payments to illegal actors, and facilitate information sharing that helps to bring criminal actions against counterfeiters.<sup>9</sup>

We suggest that e-commerce providers proactively vet sellers in advance, beyond a cursory requirement of identification. That vetting process will most likely shift and change depending on criminal behavior, technology and other trends throughout time, so the requirements should reflect that possible shift. This will most likely have the effect of slowing down platforms' ability to get sellers up on the platform, slow down revenue and have a cost impact. We believe it is necessary and similar to other points in history and development of the law where additional measures had to be put into place for safety, such as strict liability law that added responsibility on the manufacturer. Additionally, brands should participate in a recordation-type system that is set up by the e-commerce platforms that would allow them to provide what their marks look like, or what counterfeits can look like to the platforms. We suggest perhaps the USPTO or other agency might be best positioned to create a portal that houses all registered marks that e-commerce platforms could access to compare to their postings in a streamlined way. Additionally, consumers should be able to verify the source origin of the products sold, as well as the status of a seller as an authorized reseller in situations where such designations are appropriate.

***5. 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***

We, as an academic center, have been researching this problem for several years now, first noting this concept of a law disruptive technology as it applies to e-commerce and the sale of counterfeit goods.<sup>10</sup> We are publishing a review of existing proposed e-commerce legislation.<sup>11</sup> Additionally, we have researched on the historical development of case law in this area and posits that onto the

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<sup>9</sup> *Id.*

<sup>10</sup> William Sowers, *How do you Solve a Problem like Law-Disruptive Technology?*, 82 L. & Contemp. Probs. 193, 196-200 (2019) (describing and coining the term law disruptive technology); Kari Kammel, *Examining Trademark Counterfeiting Legislation, Free Trade Zones, Corruption and Culture in the Context of Illicit Trade: The United States and United Arab Emirates*, 28 MICH. STATE INT'L L. REV. 210, 231-232 (2020) (applying the concept of law disruptive technology to e-commerce).

<sup>11</sup> John H. Zacharia & Kari Kammel, *Congress's Proposed E-Commerce Legislation for Regulation of Third-Party Sellers: Why It's Needed and How Congress Should Make It Better*, 21 U.C. DAVIS BUS. L.J. 91 (2020).



framework of crime prevention theory.<sup>12</sup> Other work has explored the need for collaborative approaches to the grown problem of counterfeits online, specifically highlighting the need for e-commerce platforms to become more engaged.<sup>13</sup> Our research has also investigated the role of consumers as victims and accomplices in counterfeiting schemes, highlighting the need for increased guardianship online.<sup>14</sup>

***6. 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 sale of counterfeit goods?***

We have seen the doctrine of strict liability theory being brought at the state court level all over the country in the past two years from consumers who have been injured or killed from defective or counterfeit products, but have been unable to locate the seller because they were a third-party seller on an e-commerce platform. While this concept is at the state level, cases are being decided on what role the e-commerce provider played in the supply chain of the defective or counterfeit product to the point of sale to the consumer—more specifically whether the platform was a seller.<sup>15</sup> This concept if expanded either judicially or by statute might help further secure the e-commerce supply chain or to incentivize the vetting of sellers on e-commerce platforms to avoid strict liability in cases where the third party seller cannot be found.

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<sup>12</sup>Kammel, Cermak, Manoukian & Kennedy, *supra* note 7.

<sup>13</sup> JAY P. KENNEDY, COUNTERFEIT PRODUCTS ONLINE, THE PALGRAVE HANDBOOK OF CYBERCRIME AND CYBERDEVIANCE 1001-24 (Springer International Publishing 2020).

<sup>14</sup> Jay P. Kennedy & Jeremy M. Wilson, *Clicking into harm's way: The decision to purchase regulated goods online*, 61:11 AMERICAN BEHAVIORAL SCIENTIST 1358, 1358-86 (2017).

<sup>15</sup> See Zacharia & Kammel, *supra* note 11 at 97-102; see also Kammel, Cermak, Manoukian & Kennedy, *supra* note 7.