ABSTRACT

In 2008, jeweler Tiffany & Co. (“Tiffany”) commenced an action against eBay after discovering that a significant amount of counterfeit Tiffany jewelry was being sold on the online auction house. Tiffany had previously used eBay’s Verified Rights Owner program to report the infringement and pursued enforcement actions against individual sellers. Nevertheless, Tiffany sued eBay for various causes of action, including contributory trademark infringement. The Second Circuit held that online service providers like eBay are not liable for contributory trademark infringement unless they have specific knowledge of particular instances of infringement. Due to the ruling, Tiffany bears the burden for policing its marks online while eBay and other service providers may continue with present business models. This comment proposes subpoena legislation similar to the Digital Millennium Copyright Act to better balance the interests of trademark owners and service providers by providing a way for trademark owners to request infringers’ information while allowing online service providers to function.
INTRODUCTION ............................................................................................................................................................................. 218
I. BACKGROUND .............................................................................................................................................................................. 219
   A. eBay’s Business Model .................................................................................................................................................................. 221
      1. The eBay Auction Process .......................................................................................................................................................... 221
      2. The eBay Anti-Counterfeiting Mechanisms ............................................................................................................................. 222
   B. Tiffany v. eBay ............................................................................................................................................................................... 223
   C. Trademark Law .............................................................................................................................................................................. 224
   D. Direct Trademark Infringement .................................................................................................................................................. 225
   E. Contributory Trademark Infringement ....................................................................................................................................... 226
   F. The Digital Millennium Copyright Act ....................................................................................................................................... 228
II. ANALYSIS ..................................................................................................................................................................................... 229
   A. The Aftermath of Tiffany v. eBay: Consequences ........................................................................................................................... 229
      1. Economic and Other Burdens on Trademark Owners ................................................................................................................ 230
         a. The Costs of Trademark Policing ............................................................................................................................................ 230
         b. Trademark Owners’ Loss of Goodwill ...................................................................................................................................... 231
      2. Service Providers: Business as Usual ........................................................................................................................................... 233
         a. Preserving the Online Marketplace ......................................................................................................................................... 233
         b. VeRO-Style Reporting Systems ............................................................................................................................................ 234
   B. Solutions in Other Intellectual Property Fields .......................................................................................................................... 235
III. PROPOSAL .................................................................................................................................................................................. 235
   A. Enacting Subpoena Legislation ....................................................................................................................................................... 236
      1. Reasons for Legislation .................................................................................................................................................................... 236
      2. Text of the Legislation .................................................................................................................................................................. 237
   B. Amending eBay’s Privacy Policy .................................................................................................................................................... 239
IV. CONCLUSION ................................................................................................................................................................................... 239
INTRODUCTION

Tiffany & Co., famous jewelry maker and proprietor of the “coveted blue boxes,”\(^2\) found a nasty surprise after conducting research into the online resale of its luxury items. On eBay, the online marketplace where millions of Internet users congregate to buy and sell goods, seventy-three percent of the items listed as Tiffany jewelry were counterfeits.\(^3\) eBay derived substantial benefit from the sale of counterfeit and real Tiffany items.\(^4\) In a five-year period eBay saw sales of over 450,000 pieces of Tiffany jewelry.\(^5\) While Tiffany scrambled to eliminate counterfeit items online\(^6\), eBay took in an estimated $4.1 million in four years alone from purported “Tiffany” goods.\(^7\)

When Tiffany learned that counterfeit items bearing its distinct Tiffany trademarks were appearing on eBay, it began to request removal of the items according to eBay’s anti-fraud policies.\(^8\) Though eBay identified and shut down as many counterfeit jewelry auctions as possible, fake Tiffany goods remained for sale.

\(^1\) BREAKFAST AT TIFFANY'S (Jurow-Shepherd Productions 1961).
\(^3\) Id. at 482 (noting that Tiffany itself conducted the study that determined this figure). In the same survey, Tiffany also concluded that only five percent of the Tiffany listings were genuine Tiffany jewelry. Id.
\(^4\) See id. at 481 (stating that eBay generated a substantial amount of revenue from Tiffany products in the Jewelry and Watches category of eBay’s website).
\(^5\) Id.
\(^6\) Id. Tiffany brought over 600 domestic and international “enforcement actions” against individual counterfeiters, performed custom seizures, and issued cease and desist actions. Id. At this time, eBay buyers were complaining to Tiffany about fake Tiffany jewelry that they had purchased from supposedly authentic listings on eBay. Id. at 487. Between April 2003 and October 2007, Tiffany received over 3900 complaints from dissatisfied buyers alleging that sellers were listing counterfeit “Tiffany” items. Id. Four of these complaints involved eBay sellers that had previously been reported to eBay as alleged infringers selling counterfeit goods. Id.
\(^7\) Id. at 481.
\(^8\) Id. at 483 (noting that in August 2003, Tiffany was the second-highest reporter in eBay’s main counterfeit reporting system).
on the website because eBay refused to ban the general sale of Tiffany merchandise.\textsuperscript{9} Burdened with the duty of policing its marks, Tiffany brought lawsuits against individual sellers on eBay and then finally against eBay directly.\textsuperscript{10} The jeweler filed suit in district court in the Southern District of New York and sought to hold eBay liable for direct and contributory trademark infringement, false advertising, unfair competition, and direct and contributory trademark dilution.\textsuperscript{11} eBay found the contributory infringement claims particularly troubling because if eBay was found liable for trademark infringement of its users, its business model would be in jeopardy.

Part I of this comment illustrates the mechanisms eBay has in place to stop the sale of non-authentic goods like the fake Tiffany jewelry. This section further discusses the requirements of trademark infringement, both direct and contributory, and concludes by noting attempts to address infringement in trademark and copyright fields. Part II analyzes the legal and economic implications of the United States Court of Appeals for the Second Circuit’s (“Second Circuit”) holding that eBay was not secondarily liable for trademark infringement. Finally, Part III proposes enacting legislation similar to the Digital Millennium Copyright Act, 17 U.S.C. § 512, to allow trademark owners to subpoena information of known infringers.

I. BACKGROUND

As a famous maker of luxury goods for more than 170 years, Tiffany has invested extensive time and effort into policing the sale of its goods so it may continue offering high-quality items.\textsuperscript{12} The distinct Tiffany trademarks (“TIFFANY Marks”), found on various jewelry designs and packaging, identify the high-quality jewelry maker as the source of the jewelry.\textsuperscript{13} Third-party sellers on eBay take advantage of the demand for Tiffany goods by offering counterfeit items while using a TIFFANY Mark as a descriptor.\textsuperscript{14} Under the Lanham (Trademark) Act (“Lanham Act”), trademarks used in commerce can be registered in return for protection.\textsuperscript{15} Trademarks are “any word, name, symbol, or device . . . used by a person . . . to identify and distinguish his or her goods” in commerce, where use in commerce is “the bona fide use of a mark in the ordinary course of trade.”\textsuperscript{16} As the owner of all TIFFANY Marks, Tiffany is entitled to nearly exclusive use of those marks in commerce.\textsuperscript{17}

\textsuperscript{9} See id. at 482–83 (noting that although eBay reported that it removed suspected counterfeit listings, the company refused to target listings with five or more items as automatically triggering a take-down order, as per Tiffany’s request, without further information indicating that the listings contained counterfeit goods).
\textsuperscript{10} Id. at 481.
\textsuperscript{11} Id. at 469.
\textsuperscript{12} See id. at 471–72 (describing Tiffany’s extensive quality control measures, including individual inspections of each product’s composition, quality, and shape, the polish of the metal, and the quality of the TIFFANY Marks).
\textsuperscript{13} TIFFANY, Registration No. 1,228,409; TIFFANY & CO., Registration No. 1,228,189.
\textsuperscript{14} Tiffany, 576 F. Supp. 2d at 487.
\textsuperscript{16} Id. § 1127.
\textsuperscript{17} Id. § 1115(a).
Exclusive use of trademarks is extremely important in today's global marketplace where an infringer using trademarks on counterfeit items may steal business from legitimate companies. Worldwide counterfeiting is estimated to bring in $600 billion a year, and commercial losses due to counterfeiting are estimated at $500 billion. Interpol, the world's largest international police organization, claims that the trade of counterfeit goods has grown eight times faster than legitimate trade in the years since the early 1990s. In addition, Internet auction fraud is the most common offense reported on the Internet, constituting nearly sixty-three percent of all complaints.

With widespread Internet fraud, trademark owners have difficulty combating the spread of counterfeits online. The Council of Fashion Designers of America ("CFDA"), for example, notes that the vast majority of its members cannot afford to hire extra employees to monitor for possible counterfeit goods on websites like eBay, or even to buy software to perform this function. Even large companies like Tiffany may find it difficult to police online counterfeits. Between the years of 2003 and 2007, Tiffany spent $14 million on efforts to police counterfeit Tiffany jewelry and devoted between 172 and 240 hours per month monitoring the eBay website. To combat the rise of Tiffany counterfeits on eBay, Tiffany used eBay's anti-fraud mechanisms, including a fraud engine that identified suspect auctions and a Verified Rights Owner ("VeRO") program that allowed Tiffany to request removal of the notices. eBay polices third-party auctions on its website for possible trademark infringement, and also allows rights holders to submit claims requesting the takedown of allegedly infringing notices.

---

21 Brief of the Council of Fashion Designers of Am., supra note 19, at *4 n.3.
23 See Brief of the Council of Fashion Designers of Am., supra note 19, at *6-7. Counterfeit items can be posted on eBay at any time of the day, 365 days of the year. Id. at *6.
24 Id. at *6-7, 10-11.
25 Id. at *8-9 (noting that Tiffany spent the equivalent of 1.15 to 1.6 full-time employees per month on monitoring the eBay marketplace alone).
27 Id. at 483, 491. From June 2003 to May 2004, Tiffany reported 46,252 eBay listings that it believed in good faith to be infringing on TIFFANY Marks. Id. at 483. In total, Tiffany submitted 284,149 reports of alleged infringement on eBay before the at-issue case proceeded. Id. at 484.
28 See id. at 477-78 (noting that while eBay maintains an internal system for policing counterfeit items in its listings, eBay also rested the responsibility on trademark owners policing their own marks and reporting possible trademark infringement).
This section first discusses how Tiffany actively engaged in the VeRO program, but chose to file claims directly against eBay when the VeRO program was ineffective. A discussion follows on the exclusive rights that trademark owners are granted and how they alone are responsible for protecting those rights. After discussing the legal doctrines of direct and contributory trademark infringement, this section concludes by noting similar situations in the realm of copyright law, and how advances in copyright law may prove applicable to trademark use on online service providers.

A. eBay's Business Model

1. The eBay Auction Process

eBay's online marketplace allows buyers and sellers to interact directly, with more than 100 million product listings at any given time. Third-party users who want to sell on eBay register their personal information with the website and sign a user agreement before they are allowed to buy or sell items on the website. For illustrative purposes, the following is a hypothetical situation involving a third-party user who seeks to sell her watch on eBay. After signing the user agreement, the user will create an account and go through an auction process. A user may potentially create multiple different accounts. Regardless of different account names, however, if a user operates multiple accounts from the same computer, their computer-identifying Internet protocol address ("IP address") will remain the same.

After creating an account, the seller begins the auction process by choosing a category for her item, such as "Jewelry and Watches." Using titles and descriptors known as keywords, the seller then creates a listing that describes her watch. A buyer interested in purchasing a watch on eBay can find the seller's item in a variety of ways. The buyer can: (1) search for items by viewing general eBay categories;
(2) search for items by typing in a keyword search; or (3) immediately view listings on eBay’s homepage containing the descriptive words chosen by the seller.37

After a buyer has successfully bid on and purchased an item, the buyer and seller contact each other directly to arrange for completion of the sale.38 eBay primarily receives revenue from the sale by charging the seller an initial insertion fee (typically twenty cents to four dollars and eighty cents) each time she lists an item and a final value fee (typically five and a quarter percent to twenty percent of the final sale price) on each one of the seller’s successful sales.39 In fact, thirty-three percent of the revenue produced by the American division of eBay results from insertion fees while forty-five percent results from final value fees.40 Additional revenue is generated from fees charged by Paypal, an eBay-owned company that processes the sales transactions.41 Despite eBay’s profit from the sales, however, it does not directly sell or keep any of the items listed on its website at any time.42

2. The eBay Anti-Counterfeiting Mechanisms

As described, eBay merely provides an online marketplace for buyers and sellers to interact.43 eBay does not hold itself accountable to inspect and insure that the items are genuine products.44 Although eBay cannot inspect goods, it has invested heavily in anti-counterfeiting measures in an attempt to counteract the potential harms to users and trademark owners.45 eBay maintains a fraud engine, which is a technological measure that searches for keywords in listings to determine if the listings are potentially advertising counterfeit goods.46

In addition to the fraud engine, eBay has instituted a set of procedures known as the VeRO program so that manufacturers, such as Tiffany, can work with eBay to

37 Id. at 474–75. TIFFANY Marks, used as keywords, were listed on the eBay homepage and when clicked would lead to listings containing the “Tiffany” keyword. Id. at 495. eBay also purchased “sponsored links” on Google and Yahoo! to advertise that eBay users had Tiffany items for sale on its website. Id. at 498.
38 Id. at 475.
39 Id.
40 Id.
42 Tiffany, 576 F. Supp. 2d at 475 (inferring that because it never has possession of the goods, eBay also does not usually know if the goods are received by the buyers after each successful sale).
44 Tiffany, 576 F. Supp. 2d at 476 (noting that eBay spends around twenty million dollars each year in promoting security and trust measures on its website, and has over 200 employees dedicated to combating infringement and seventy employees working with law enforcement to bring charges against counterfeiters).
45 Id. at 477 (noting that the fraud engine monitors listings that include words such as “counterfeit,” “knock-off,” “replica,” and “pirated,” as well as items with descriptions where the seller admits he or she “cannot guarantee the authenticity” of the items, however it cannot conclusively determine its authenticity).
stop trademark infringement.\textsuperscript{47} Under the VeRO program, a trademark owner can report a potentially infringing item to eBay by filing a Notice of Claimed Infringement Form ("NOCI").\textsuperscript{48} This form essentially states that the submitter has a "good-faith belief" that an item infringes its trademark.\textsuperscript{49} After verifying that the NOCI contains all required information, eBay removes the challenged listing, which usually takes place within twenty-four hours of eBay's receipt of the trademark owner's NOCI form.\textsuperscript{50} The user, however, is able to immediately re-post the items under a new listing until the trademark owner submits another NOCI.\textsuperscript{51} This means that NOCIs are effective in the short term but may leave open chances for repeat or future infringement.\textsuperscript{52} To combat abuse of anti-counterfeit systems like the VeRO program, legislation should be passed to allow trademark owners to request the personal information of infringers so owners may target repeat offenders.

\textbf{B. Tiffany v. eBay}

Tiffany sued eBay after research showed that seventy-three percent of sterling silver Tiffany items sold on eBay were counterfeit.\textsuperscript{53} Tiffany demanded that eBay ban the sale of silver Tiffany jewelry, remove advertising and sponsored links\textsuperscript{54} and ban any eBay seller from listing five or more Tiffany jewelry products at one time.\textsuperscript{55} Tiffany's in-store and online policy of prohibiting the sale of more than five items is a result of Tiffany's belief that multiple listings indicate counterfeit sales.\textsuperscript{56} When eBay refused to concede to Tiffany's requests regarding the sale of jewelry, Tiffany filed claims of direct and contributory trademark infringement, false advertising, unfair competition, and direct and contributory trademark dilution.\textsuperscript{57} Prior to filing a complaint, Tiffany had utilized the VeRO Program, and eBay had never refused a NOCI request to take down allegedly infringing Tiffany items.\textsuperscript{58}

\textsuperscript{47}Id. at 478 (stating that as of 2008, "more than 14,000 rights owners participat[ed] in the VeRO program.").
\textsuperscript{48}Id.
\textsuperscript{50}Tiffany, 576 F. Supp. 2d at 478 (explaining that eBay Customer Service Representatives ("CSRs") review each NOCI for all relevant information before deciding to issue a takedown order).
\textsuperscript{51}See id. at 477-78 (describing how a NOCI would affect the takedown of an identified listing containing infringement, but not any future possibilities of infringing listings).
\textsuperscript{52}See id.
\textsuperscript{53}Id. at 482.
\textsuperscript{54}Id. at 480.
\textsuperscript{55}Id. at 481.
\textsuperscript{56}See id. at 481; but see id. at 482-83 (stating that: (1) the Court contrastingly finds that Tiffany's assertion that more than five items in a listing indicates infringement is factually untrue; (2) that Tiffany's CEO admitted that the five item rule was a shorthand solution; and (3) that the reasons behind the rule have been determined to prevent the formation of a secondary market for Tiffany goods, which is allowed under law, rather than a tool for preventing counterfeiting).
\textsuperscript{57}Id. at 469.
\textsuperscript{58}Id. at 488 (noting that Tiffany itself has praised the VeRO program as a success that allowed Tiffany to reduce the number of counterfeit goods on eBay).
The United States District Court for the Southern District of New York ("District Court") held in favor of eBay on all counts. According to the District Court, the heart of the dispute was determining which party should bear the burden of policing trademarks online; ultimately it found that the burden rested with Tiffany. The Second Circuit affirmed the District Court's ruling, finding that eBay was not liable for direct or contributory trademark infringement. The Second Circuit, however, remanded the false advertising claim because it was unclear whether a consumer would be confused as to the goods' source when genuine Tiffany jewelry was being correctly advertised. The issue of false advertising, however, is beyond the scope of this comment. The following sections will further expand upon the District Court's finding of trademark infringement by providing an explanation of trademark law.

C. Trademark Law

During its case-in-chief, Tiffany relied upon the Lanham Act and the protection it affords trademark owners. While trademark owners have nearly exclusive use of their marks under the Lanham Act, the Act does not allow owners to prevent a third-party from trading branded products, such as Tiffany jewelry. This means that the third-party can label a product according to its brand name, so long as it is clear that the third-party is not implying an affiliation with the trademark owner. Further, the use of a trademark in keyword descriptions, when used in internal affairs of a business, is considered fair use of a trademark. To illustrate these concepts,

---

50 See id. at 526-27 (stating that Tiffany failed to carry its burden on all of the counts and that it had a clear burden, as enumerated in trademark law, to police its own marks).
51 Id. (noting that the Court makes no finding as to Tiffany's probability of success in bringing action against individual infringers using the eBay online marketplace).
60 Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 114 (2d Cir. 2010).
52 15 U.S.C. § 1125(a)(1)(B) (2006) (stating sellers are prohibited from misrepresenting the "nature, characteristics . . . [or] qualities of his or her or another person's . . . ."); Tiffany, 600 F.3d at 114; Time Warner Cable, Inc. v. DIRECTV, Inc., 497 F.3d 144, 153 (2d Cir. 2007) (stating that false advertising can occur under two theories: if the advertisement is false on its face or if the advertisement, while not actually false, is likely to confuse or mislead consumers about the content of the advertisement).
53 Tiffany, 576 F. Supp. 2d at 493-94. See also Joseph R. Dreitler, The Tiger Woods Case – Has The Sixth Circuit Abandoned Trademark Law?, ETW Corp. v. Jireh Publishing, Inc., 38 AKRON L. REV. 337, 340 (2005) (explaining that the Lanham Act, passed in 1946, was intended to "eliminate deceptive practices in interstate commerce involving the use of trademarks," though the Lanham Act also addressed other kinds of misrepresentations in commerce that did not necessarily deal with trademarks); Jason Allen Cody, One Cyberswamp Predator Pops Up and Slides into Dangerous IP Waters, 14 ALB. L.J. SCI. & TECH. 81, 108 (2003) (noting that the main spirit of the Lanham Act was therefore to "[p]rotect the public against deception," which was certainly more probable with the misuse of trademarks and trademark infringement).
54 Dow Jones & Co. v. Int'l Sec. Exch., Inc., 451 F.3d 295, 308 (2d Cir. 2006); see Golden Nugget, Inc. v. Am. Stock Exch., Inc., 828 F.2d 586, 591 (9th Cir. 1987) (stating that a non-deceptive description of a product using its brand name "has never been a violation" of a trademark).
55 See Golden Nugget, 828 F.2d at 591.
56 15 U.S.C. § 1115(b)(4) (stating that fair use is established where the use of the trademark "is a use, otherwise than as a mark . . . which is descriptive of and used fairly and in good faith only to
Tiffany jewelry sellers on eBay are permitted to buy and sell the jewelry while calling it “Tiffany ring” or “Tiffany necklace.” Thus eBay, as a third-party trader, is acting within the bounds of the Lanham Act when it permits its users to display the name “Tiffany” when describing Tiffany products.

D. Direct Trademark Infringement

The Second Circuit first addressed Tiffany’s claims of direct trademark infringement. Direct trademark infringement occurs when an alleged infringer uses a valid trademark in commerce without the trademark owner’s permission. The trademark owner must also show that the alleged infringer’s use of the mark is likely to cause consumer confusion as to the source of the product. Therefore, to prevail on a direct infringement claim, a trademark owner must prove: (1) that it owns a valid trademark; and (2) that the defendant’s use of the mark is likely to cause consumer confusion. The specific allegations of direct infringement of the TIFFANY Marks included: (1) eBay’s advertisements for Tiffany jewelry on its home page; (2) eBay’s use of the Tiffany name in sponsored links; and (3) eBay’s role as essentially “an officer . . . of a store selling infringing merchandise . . . .”

The Second Circuit held that eBay was not liable for direct infringement, as it was unlikely that consumers would be confused as to the source of the product’s origin. eBay showed there was no likelihood of confusion by successfully litigatingdescribe the goods or services . . . .”}; see 1-800 Contacts, Inc. v. WhenU.com, Inc., 414 F.3d 400, 409 (2d Cir. 2005).

Golden Nugget, 828 F.2d at 591.

Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463, 501 (S.D.N.Y. 2008) (noting that the use of “Tiffany” to describe products in advertising was essentially the same as using “Tiffany” to describe products in the eBay listings, as in both cases eBay actually sold legitimate Tiffany products).

Tiffany, 576 F. Supp. 2d at 493.


Id.; Estee Lauder Inc. v. The Gap, Inc., 108 F.3d 1503, 1510–11 (2d Cir. 1997) (finding that there was a genuine risk of confusion between the 100% and 100% BODY CARE trademarks and that the names were no similar that a reasonable customer could be confused as to any affiliation between the two companies, even when the products were sold in different stores and at drastically different price ranges).

See 15 U.S.C. § 1114(1)(a); Savin Corp. v. Savin Grp., 391 F.3d 439, 456 (2d Cir. 2004). In regards to the first element, a valid registration of the trademark with the United States Patent and Trademark Office or an admission by the defendant that the marks are valid will suffice to satisfy the first prong. Id. The second prong can be determined by using the eight “Polaroid” factors, including:

(1) the strength of the senior mark; (2) the degree of similarity between the two marks; (3) the proximity of the products; (4) the likelihood that the prior owner will “bridge the gap”; (5) actual confusion; (6) the defendant’s good faith (or bad faith) in adopting its own mark; (7) the quality of defendant’s product; and (8) the sophistication of the buyers.


Tiffany, 576 F. Supp. 2d at 494.

Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 103 (2d Cir. 2010) (emphasizing that eBay never used the TIFFANY Marks to suggest that it was affiliated with Tiffany, and that there was never a suggestion that Tiffany itself endorsed the sale of Tiffany goods on eBay).
a nominative fair use defense. As previously discussed, the nominative fair use defense permits entities other than the trademark owner to use the mark to identify the product so long as a buyer would not be confused about the source of a product. To establish this defense, a party must show that: (1) the defendant’s product would not be identifiable without the use of the mark; (2) that the defendant only used as much of the mark as reasonably necessary; and (3) that nothing suggests affiliation with the trademark owner. This doctrine protects resellers, as resellers must be able to correctly label the brand of the goods they are selling.

The Second Circuit found that eBay engaged in nominative fair use because eBay used the TIFFANY Marks only as much as was reasonably necessary to identify the brand of the seller’s goods without suggesting an affiliation with Tiffany. Such minimal use of the TIFFANY Mark was found permissible because, by using the TIFFANY Mark only as much as was necessary, eBay sellers were simply describing the goods for sale without implying an affiliation with Tiffany. Further bolstering a ruling against direct confusion, the court also found an absence of consumer confusion, as eBay users presumptively knew that items were being resold. The Second Circuit further found that requiring eBay to refrain from using Tiffany’s marks would be impractical because the marks were required in order to identify Tiffany jewelry. Accordingly, eBay was not liable for direct infringement because of nominative fair use.

E. Contributory Trademark Infringement

Third-parties that do not directly engage in infringement themselves may nevertheless be liable for contributory trademark infringement. In Inwood Labs.,
Inc. v. Ives Labs., Inc.85, the Supreme Court set forth contributory liability in the context of trademark law.86 The Court ruled that a third-party such as a manufacturer or distributor assumes contributory liability if it “continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement . . . .”87 This was in marked contrast to the standard set out in the Restatement (Third) of Unfair Competition (“Restatement Standard”).88 In the Restatement Standard, a party can be liable for contributory infringement if it “fails to take reasonable precautions against the occurrence of a third person’s infringing conduct in circumstances in which the infringing conduct can be reasonably anticipated.”89 In sum, where the Restatement Standard required service providers to take affirmative precautions regardless of particularized knowledge of infringement, Inwood held that service providers were only liable for contributory infringement if they knew of or had reason to know of actual cases of infringement.90

The Second Circuit acknowledged that the controlling Inwood test had been extended not only to manufacturers and distributors of goods, but also to service providers.91 Finding eBay to be a service provider, the Court analyzed eBay’s behavior accordingly.92 The analysis included a two-prong approach examining: (1) if the provider intentionally induced another to infringe a trademark; and (2) if the provider continued to provide service to someone the provider knew was infringing a trademark.93 The provider is liable if it had a reason to know that its service was being used to sell counterfeit goods in particular instances.94

Applying this analysis to eBay, the Second Circuit found that generalized knowledge, as opposed to specific knowledge, was insufficient to support a finding of contributory infringement. The Second Circuit agreed with the District Court ruling that the singular language of Inwood indicated that only knowledge of specific events

86 Id. at 854.
87 Id. (noting that a manufacturer or distributor “can be held responsible for . . . [infringement] . . . where the manufacturer intentionally induces another to infringe upon a trademark . . . .”).
88 RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 27 (2007).
89 Id. § 27(b).
90 Inwood Labs., 456 U.S. at 854; RESTATEMENT (THIRD) OF UNFAIR COMPETITION, supra note 88, § 27.
91 See Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 104 (2d Cir. 2010) (explaining that various circuit courts have extended contributory liability for defendants in new categories, including providers of services); see also Hard Rock Café Licensing Corp. v. Concession Serv’s., Inc., 955 F.2d 1143, 1148-49 (7th Cir. 1992) (stating that an owner of a swap market was subject to contributory liability when a patron of the swap market sold t-shirts that infringed upon Hard Rock Café’s trademark); Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 265 (9th Cir. 1996) (noting that there is no enumerated principle requiring interpretations of the Inwood ruling to only apply to the named categories of manufacturers and distributors).
92 Tiffany, 600 F.3d at 105–06 (noting that the field of contributory liability was ill-defined, and although the Second Circuit was not the first American court to address contributory liability for service providers, it was the first to address contributory liability in the context of the online marketplace and online service providers).
93 Inwood Labs., 456 U.S. at 854.
94 Tiffany, 600 F.3d at 107 (rejecting Tiffany’s contention that the only relevant question was whether eBay’s knowledge put it on notice that infringement could be occurring on its website).
would suffice to show contributory infringement. In its ruling, the District Court also noted that the plaintiff bears a high burden in establishing contributory liability. The District Court acknowledged that courts have "routinely declined to impose contributory liability where a defendant . . . takes 'appropriate steps' to cut off the supply of [the] product . . ." in question when it learns of possible infringement.

The Second Circuit also found that eBay was not guilty of contributory liability, as it was not "willfully blind." This meant that eBay did not turn a blind eye to the possibility of counterfeit Tiffany goods being sold on eBay. The Second Circuit acknowledged that eBay expended great effort in maintaining its fraud engine and VeRO infringement reporting service. This effort was illustrated by eBay's prompt takedown service upon notification of possible trademark infringement in its auctions. By deleting allegedly infringing auctions, eBay was not contributory liable, and combined with the absence of direct liability, avoided any duty to Tiffany. eBay could continue to use its VeRO program to address specific instances of infringement and continue using its business model. This ruling significantly impacted trademark law and the balance of service providers and trademark owners in the online marketplace.

F. The Digital Millennium Copyright Act

Copyrights, but not trademarks, currently have a piece of legislation protecting owners from Internet fraud. The Digital Millennium Copyright Act ("DMCA") allows copyright owners to subpoena service providers for various types of personal

---

95 Id. at 107–08; Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463, 508 (S.D.N.Y. 2008); see Brief for Amazon.com, Inc. et al. as Amici Curiae in Support of Defendant-Appellee, Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93 (2d Cir. 2010) (No. 08-3947-cv), 2008 U.S. 2d Cir. Briefs LEXIS 299, at *11–12 [hereinafter Brief for Amazon.com] (explaining that adoption of Tiffany's position, that generalized knowledge of infringement triggers a duty to act to prevent such infringement, goes directly against the reasoning in Inwood and would water down the present standard, thereby hurting online service providers).

96 Tiffany, 576 F. Supp. 2d at 508 (pointing out that the method for determining knowledge under the Inwood standard requires a detailed factual analysis of the at-issue case).

97 Id. at 516.

98 Tiffany, 600 F.3d at 110.

99 Tiffany, 576 F. Supp. 2d at 514 (noting that eBay seems to concede that it knew about Tiffany counterfeit products being sold on its website because it independently created anti-counterfeiting measures once it was clear that infringement was possible).

100 Id. (finding that the VeRO service and fraud engine both indicated that eBay was involved in investigating possible trademark infringement on its website).

101 Id. (distinguishing the instant case, where eBay actively pursued takedowns of counterfeit material, from the Hard Rock swap meet cases, where the swap meet venue owner did not investigate and disregarded any claims of infringement noted by the rights holder).

102 Tiffany, 600 F.3d at 109–10; see also Brief of Elec. Frontier Found. as Amici Curiae in Support of Defendant-Appellee, Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93 (2010) (No. 08-3947), 2008 U.S. 2d Cir. Briefs LEXIS 305, at *8–9 (explaining that that Tiffany's claims for contributory trademark infringement fail on a more basic level as NOCI requests submitted by Tiffany would require physical inspection of the goods, which eBay cannot do).

103 See Tiffany, 600 F.3d at 109–10 (noting that eBay had no liability in this case and implying that eBay's current business model could continue untouched).

information when the copyright owner had a good faith reason to believe that his copyright is being infringed. Section 512(h) of the DMCA establishes a specific method for copyright owners to subpoena a service provider for user information of a potential copyright infringer.

As a trademark owner, Tiffany did not have legislation like the DMCA to fall back on. The House of Representatives tried to address illegal conduct in online marketplaces by drafting legislation to provide intellectual property owners with website user information to assist in anti-counterfeiting measures. The legislation, a bill known as House Bill 6713, was aimed at preventing the interstate shipment of stolen property by adding language to the forfeiture, destruction and restitution provision of the U.S. Code but the bill ultimately did not pass. As such, the DMCA protects copyright owners, while trademark owners do not have such a mechanism to fight online trademark infringement. Given the potential impact on the marketplace, legislation should be passed to similarly protect trademark owners.

II. ANALYSIS

The Second Circuit’s ruling implies direct consequences for trademark owners and online marketplaces. This section first discusses the ruling’s consequences from the perspective of Tiffany and other trademark owners; such owners have the duty to police their marks while online service providers may continue with present business models. After discussing the effects on trademark owners, this section examines the Second Circuit’s ruling in the context of preserving the current online marketplace. This section then concludes by comparing the current interpretation of trademark infringement with copyright infringement, and copyright infringement’s regulation under the DMCA.

A. The Aftermath of Tiffany v. eBay: Consequences

According to the Second Circuit’s ruling, Tiffany holds the burden of policing its marks in the online marketplace. To do so, Tiffany will have to rely on previous

---

105 Id. §§ 512(g)(3)(C), 512(h); see John Soma et al., Bit-Wise But Privacy Foolish: Smarter E-Messaging Technologies Call for a Return to Core Privacy Principles, 20 ALB. L.J. SCI. & TECH. 487, 523 (2010) (noting that the main purpose of the DMCA was to protect copyright holders and to also limit the liability of Internet service providers).
110 H.R. 6713.
111 Bartholomew, supra note 107, at 449 n.20.
112 See Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 114 (2d Cir. 2010).
113 Id. at 109.
anti-counterfeiting methods that have proven ineffective in the past, and continue
to spend millions of dollars on in-house anti-counterfeiting methods. Employees
dedicated to monitoring eBay, as well as other online marketplaces, may be
maintained in order to continue present anti-counterfeiting efforts. Tiffany will
also have to continue using eBay's VeRO program to report suspected counterfeit
items in eBay listings, which Tiffany has already deemed ineffective. Looking at
the wider online marketplace, other trademark owners may need to utilize the above
methods to prevent trademark infringement online.

1. Economic and Other Burdens on Trademark Owners

Even though the Second Circuit's ruling lacks the overarching power of a United
States Supreme Court ruling, Tiffany v. eBay could signal a significant blow to all
trademark holders around the world, even in industries far removed from Tiffany
jewelry. Worldwide counterfeiting is estimated to cause annual commercial losses
of $500 billion. As Internet auction fraud is the number one Internet offense,
trademark owners face an expensive but essential battle to stop the unauthorized use
of trademarks.

a. The Costs of Trademark Policing

The Second Circuit's ruling places the burden of policing trademarks squarely
upon trademark owners, thereby requiring the owners to monitor eBay and all other
potentially infringing websites at all times. The ruling does not discriminate
between large companies, like Tiffany, and small companies. It instead requires
businesses of all sizes to establish their own trademark policing methods. Even for
larger companies, the financial burden required to effectively police marks is
unknown. Such policing mechanisms potentially require the allocation of funds to
anti-counterfeiting software programs, the hiring of extra employees to monitor the
Internet, the filing of lawsuits against direct infringers, and other costs. Industries comprised of small businesses, such as the fashion industry, contend that

---

Tiffany found a substantial amount counterfeit tiffany items on eBay, even after using the VeRO
system).
115 Id. at 484.
116 See Brief of the Council of Fashion Designers of Am., supra note 19, at *10–11.
117 See Tiffany, 576 F. Supp. 2d at 484–85 (noting that Tiffany claimed it was not possible to
catch all instances of infringement on eBay to report via the VeRO system).
118 Brief of the Council of Fashion Designers of Am., supra note 19, at *7.
119 Id. at *3 n.2.
120 Brief of the Int'l AntiCounterfeiting Coal., supra note 22, at *6.
121 Brief of the Council of Fashion Designers of Am., supra note 19, at *6.
122 Id. at *6–7.
123 Id.
124 Id.
125 Id. at *10–11.
it would be nearly impossible for most small business members to carry the burden of policing their own marks.\textsuperscript{126}

The CFDA, with small and large fashion house members, notes that most members cannot afford anti-counterfeiting methods, such as software or extra employees.\textsuperscript{127} Even large fashion houses belonging to the CFDA, such as Liz Claiborne, Inc., have struggled with allotting funds to hire employees to monitor eBay and similar websites.\textsuperscript{128} The burden of policing marks, and even the burden of effectively using eBay’s VeRO program, is nearly cost-prohibitive for large companies such as Tiffany, and therefore even more pronounced for small and emerging businesses looking to enter the marketplace.\textsuperscript{129}

Others may argue, however, that small companies may not need to allocate as much money to trademark protection as otherwise claimed. Counterfeit brand items typically involve only the brands of extremely popular products produced by large companies, which are in demand from consumers.\textsuperscript{130} Such large companies, it may be argued, have plentiful economic resources. As seen with Tiffany, however, large resources do not necessarily translate into efficient and successful anti-counterfeiting results.\textsuperscript{131}

\textit{b. Trademark Owners’ Loss of Goodwill}

Tiffany and other trademark owners suffer more than just a financial loss when counterfeit items are sold in an online marketplace such as eBay. Customers that have bought allegedly counterfeit items on eBay must contact the brand owners for verification that the item is genuine.\textsuperscript{132} Trademark owners like Tiffany are then left with a choice to either allocate even more resources to authenticating the goods or to refuse the consumer requests.\textsuperscript{133} Trademark owners like Tiffany that deny requests to authenticate goods sold by third-parties suffer damage to their reputation and consumer goodwill towards the brand.\textsuperscript{134}

\textit{2. Service Providers: Business as Usual}

Service providers, on the other hand, are presented with fewer problems in the wake of \textit{Tiffany v. eBay}. The Second Circuit sought to update the principles of

\textsuperscript{126} Id. (further noting that the majority of small fashion houses do not even have an attorney on staff to advise on these issues).

\textsuperscript{127} Id.

\textsuperscript{128} Id. at *11–12 (describing the harm done to Liz Claiborne’s Juicy Couture and Kate Spade brands when the company was forced to eliminate an employee position for monitoring eBay for counterfeits).

\textsuperscript{129} Id. at *12.


\textsuperscript{132} See id. at 487.

\textsuperscript{133} Brief of the Council of Fashion Designers of Am., supra note 19, at *16–17; see Tiffany, 576 F. Supp. 2d at 487.

\textsuperscript{134} Brief of the Council of Fashion Designers of Am., supra note 19, at *16–17.
contributory liability, and placed the burden of policing trademarks on their owners. The Second Circuit's ruling established a fairly demanding test that trademark owners like Tiffany must meet in order to prevail on a contributory infringement claim.

By creating a distinction between a lower standard of knowledge, enumerated in the Restatement, and a higher standard of knowledge in Inwood, the court skirted close to overturning the previous interpretation of willful blindness. For example, consider a situation where a seller posts a counterfeit item on the website maintained by a service provider like eBay. Under the lower Restatement standard, the service provider would be liable for contributory infringement because it would be able to reasonably anticipate the possibility that a user could post a counterfeit item, especially when the service provider never sees the goods. Under the Inwood standard the service provider could potentially be liable for contributory infringement if it was willfully blind to infringing conduct on its website.

The Second Circuit in Tiffany v. eBay, however, held that there is no willful blindness unless the service provider chooses to turn a blind eye to specific postings that it finds on its website. Trademark owners argue that both the "reason to know" standard in Inwood and the Restatement standard cover the same types of conduct. Trademark owners further argue against the application of Inwood by pointing to the fact that Inwood was decided before a worldwide online market was foreseeable and does not adequately address the modern online marketplace.

The Second Circuit, however, found that Inwood was appropriate for the modern marketplace, and Internet service providers like eBay greatly benefitted from ruling. Under the ruling, eBay does not need to implement any further anti-counterfeiting measures. The Second Circuit's ruling essentially protects eBay from future claims of contributory liability. eBay is able to continue to conduct its online business in the same manner as it did before Tiffany v. eBay, as long as the VeRO program (or a similar system) is in place. This ruling, therefore, provides a high level of protection for eBay's current business model against any type of trademark infringement claims that may be leveled against it by a trademark holder.

---

135 See Brief of the Int'l AntiCounterfeiting Coal., supra note 22, at *7–8, 33.
136 Id. at *7–8.
137 Id. at *10.
138 Id. at *10–11.
139 Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844 (1982); Brief of the Int'l AntiCounterfeiting Coal., supra note 22, at *4 (addressing the importance for the Court to clarify how the Inwood rule applies to online marketplaces and urging the Court to apply a direct or constructive knowledge approach to eBay's actions).
140 See Brief for Amazon.com, supra note 95, at *8 (noting that the opposite ruling would have horrible consequences for online service providers).
141 Brief of the Int'l AntiCounterfeiting Coal., supra note 22, at *6 (stating that this may "provide a road map for the sale of counterfeit products on the Internet..." because online marketplaces will similarly not be accountable for all possible counterfeiting occurring on their websites).
142 See Brief for Amazon.com, supra note 95, at *24–25.
a. Preserving the Online Marketplace

Service providers enable millions of buyers and sellers to interact over the Internet from places all over the world where they would otherwise have no way to communicate or do business. The Information Technology Association of America (“ITAA”) has some 350 corporate members, from small start-up companies to industry giants like Yahoo! and AT&T. It claims that online services, including eBay, lead to lower prices, a wider selection of goods, and other benefits.

If the Second Circuit were to have applied the Restatement standard, finding eBay contributorily liable when it could “reasonably anticipate” infringement occurring on its website, the ruling would have damaged and very likely eliminated online markets, even if service providers had VeRO-like takedown systems in place. Under such a standard, eBay would be under an enormous burden to screen out all counterfeit goods, an infeasible proposition given that eBay does not deal in goods directly. In other words, it would be nearly impossible for eBay or other online auction websites to police counterfeit goods without either restructuring their businesses completely or banning the listing of any trademarked good if there was a general reason to believe that counterfeiting was occurring. Small online businesses relying on the resale market would be under a similarly high burden, which would likely prevent millions of legitimate sales in the secondary market.

A general standard of knowledge, as opposed to a heightened standard, would also create new problems in legal interpretation for service providers, and it is unclear what would constitute a provider’s general knowledge of counterfeiting. For example, there is the issue of whether such a standard would rely on a certain percentage of counterfeit items to trigger the provider’s duty to act. If such a duty was triggered, it is also unclear what duty would be required of the provider. In

---


---


114 Id. Brief for Amazon.com, supra note 95, at *4–5.

115 Id. at *3–4.

116 Id. at *14–15.

117 Id.; Catherine S. Neal, The Role of the Judiciary in Advancing Public Policy to Promote Ethical Business Practices: Comparing Gray Market Tires and Tiffany Silver Jewelry, 19 KAN. J. L. & PUB. POL’Y, 171, 205 (2010) (positing that the Court was perhaps attempting to protect eBay from a burden that was too high to overcome).

118 See Katie Hafner, Tiffany and eBay in Fight Over Fakes, N.Y. TIMES, Nov. 27, 2007, available at http://www.nytimes.com/2007/11/27/technology/27ebay.html (quoting Hani Durzy, an eBay spokesman, who said that “[a]s a marketplace, [eBay] never take[s] possession of any of the goods sold on the site, so it would be impossible for us to solely determine the authenticity of an item.”); see also Jay Miller, Court Orders eBay to Pay $272k in Damages to LVMH Unit, MARKET WATCH (Feb. 11, 2010), http://www.marketwatch.com/story/court-orders-ebay-to-pay-272k-in-damages-to-lvmh-unit-2010-02-11 (noting that French courts have previously ruled against eBay in a counterfeiting case, and required eBay to stop selling both counterfeit and genuine Louis Vuitton items and fined eBay when it failed to comply).

119 Brief for Amazon.com, supra note 95, at *20–21.

120 Id. at *9–10, 20 (explaining how a general standard of knowledge would lead to direct harm of consumers by eliminating “large swaths of legitimate commerce,” thereby drastically shrinking the availability of marketplaces and numerous kinds of goods and negatively impacting consumers).

121 Id. at *20.

122 Id.
Tiffany v. eBay, such a ruling would imply that a provider's duty would have to extend beyond the report and takedown VeRO system.

This high burden would make it financially difficult for providers to police every item on their websites, and would likely result in the removal of listings when there was even a miniscule chance that counterfeiting was occurring due to the fear of high litigation costs. This decrease in listings would hurt both online marketplaces like eBay and consumers, as fewer products would be available. The specific knowledge requirement in the at-issue case gives online providers room to conduct business that would otherwise be unfeasible under higher standards.

b. VeRO-Style Reporting Systems

The Second Circuit found that eBay’s VeRO program enables a service provider to adequately address specific instances of alleged counterfeiting once notified of such specific instances. Other online marketplaces may model their anti-fraud and anti-counterfeiting measures on the VeRO program because the Court has ruled that such a method can successfully prevent a finding of secondary trademark liability. However, the ruling in Tiffany v. eBay only acts as precedent in the Second Circuit and companies in other districts may not feel that they need to create trademark infringement reporting systems like the VeRO program. Even within the reaches of the Second Circuit, companies are not required to create VeRO-style programs, and may choose to continue business as usual. Some companies have established VeRO-style reporting on their own, and at present the VeRO program seems to be the best option for trademark owners under the current interpretation of contributory liability.

The VeRO system, while presenting the best option for balancing trademark owners’ rights with the survival online marketplace, is not without its own faults. It operates by identifying alleged counterfeiting activity that can be identified only after the eBay listing has been posted by the seller. In many cases, the eBay auction or sale is completed before action can be taken by the trademark owner via the VeRO program. Trademark owners claim that the late notice of the VeRO

---

153 See The Comm. on Trademarks, supra note 19, at 14.
154 Ronald J. Mann & Seth R. Belzley, The Promise of Internet Intermediary Liability, 47 WM. & MARY L. REV. 239, 273–74 (2005); see also The Comm. on Trademarks, supra note 19, at 13 (pointing out that any increased costs incurred by the service provider may be passed on to the consumer, further damaging the marketplace).
155 See The Comm. on Trademarks, supra note 19, at 14.
157 Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93, 103 (2d Cir. 2010).
158 See Bartholomew, supra note 107, at 449 n.20.
159 Id.; see The Comm. On Trademarks, supra note 19, at 3 (explaining that though several auction websites, including eBay and Amazon.com, developed systems to review posted auctions and remove those suspected of infringement, infringing listings have not “been considerably reduced.”).
161 Plaintiffs’ Post-Trial Memorandum, Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463 (S.D.N.Y. 2007) (No. 04-Civ-1607), 2007 WL 4837670, at *12 (noting that Tiffany did not have advance notice of listings claiming to sell Tiffany goods, and was only able to view the claimed
system renders it largely ineffective in policing alleged counterfeiting.\textsuperscript{162} The VeRO system also depends in part on identifying possible infringing items via the picture displayed on each listing.\textsuperscript{163} This may pose a problem for trademark owners policing eBay, as pictures included with eBay listings are often doctored or do not show the actual items being sold.\textsuperscript{164}

Events occurring after VeRO takedowns may also pose a problem for trademark owners. Though eBay may take down a listing after receiving notification in a NOCI, there is no guarantee that the seller will not try to sell the same items under a different name. This possibility only adds to the complexity of the problem, as it is nearly impossible to closely watch each offender out of the millions of eBay users.\textsuperscript{165}

\section*{B. Solutions in Other Intellectual Property Fields}

This upheaval in trademark law closely mirrors that seen in the arena of copyright infringement.\textsuperscript{166} The DMCA acknowledged widespread copyright infringement on the Internet and addressed copyright owners' concerns by establishing a method for subpoenaing service providers for user information.\textsuperscript{167} This expanded solution allowed for an easier exchange of information in cases of alleged infringement. Copyright owners could request the takedown of infringing material, while also receiving information about the infringer than would assist in legal action. A DMCA-style system may produce the same desirable effects in cases of trademark infringement.

Such a balance between the interests of service providers and trademark owners is clearly needed. Tiffany and other trademark owners face a costly burden when policing their marks online, while requiring too much of service providers in regards to knowledge of infringement on websites could potentially put companies like eBay out of business. A solution can be crafted by looking to other fields of intellectual property, namely copyright, where the DMCA provides a fair method for addressing the needs of both copyright owners and service providers.

\section*{III. Proposal}

There is clear tension between the needs of trademark owners and service providers in the online marketplace. This section proposes a solution that promotes a
better balance between the interests of trademark owners and service providers, as represented by Tiffany and eBay. First, Congress should enact legislation similar to the DMCA to define procedures for trademark owners to request information about primary infringers from Internet service providers. This would ease some of the heavy policing burden on trademark owners while preserving the VeRO-style notification systems that the Second Circuit has deemed acceptable to constitute specific knowledge of trademark infringement. Second, eBay and other service providers should additionally amend their privacy policies to reflect that users’ IP addresses may be released to trademark owners if the service provider is properly subpoenaed.

A. Enacting Subpoena Legislation

1. Reasons for Legislation

New legislation should be enacted to require service providers like eBay to retain the personal information and IP address of each user. This legislation would mirror the development of the DMCA, and similarly update trademark law for the new digital climate.\(^{168}\) As in the DMCA, the legislation would specifically include procedures permitting trademark owners like Tiffany to request the personal information and IP addresses of alleged primary trademark infringers.

This mechanism would increase the efficiency of trademark owners’ suits against primary infringers. Trademark owners armed with the IP addresses of primary infringers could track the computer used to post counterfeit items rather than the account name in each infringing posting. Users are able to sign-up for multiple accounts with different user names, but if they use the same computer their IP address will remain the same. By investigating IP addresses, trademark owners can find any additional accounts run by the infringing users. Tracking IP addresses, therefore, would save trademark owners costs on investigation of primary infringers and ease some of the policing burden upheld in Tiffany v. eBay.

Service providers could argue that users are also free to use different computers when posting counterfeit items to escape IP address tracking. Such extreme cases of calculated counterfeiting could evade the aim of the proposed legislation. Users who more routinely post counterfeit items, however, could be caught more easily if IP address information was available to trademark owners.

Despite Congress’s desire to update the law to address counterfeiting, it has been reluctant to pass laws regarding the Internet.\(^{169}\) The proposed law, however,

---


would be an easier way to track infringers while maintaining the current business models of service providers. This is the next logical step in better balancing the burden on trademark owners with the interests of online service providers.

2. Text of the Legislation

The proposed statute would mirror aspects of both House Bill 6713 and section 512(h) of the DMCA. House Bill 6713 was a bill proposed by the House of Representatives that was aimed at preventing the interstate shipment of stolen property. It provides timely guidelines for how to deal with illegal conduct in online marketplaces and how to control user information while allowing intellectual property owners to gain alleged infringers' information. Section 512(h) of the DMCA presents a practical approach that outlines the steps a copyright owner must take in order to subpoena a service provider for the information of a potential copyright infringer. Applying this practical approach to the aims of House Bill 6713 provides a new system to protect trademark owners' interests.

Under the proposed legislation, a service provider like eBay would be required to retain contact information, including the telephone number and IP address of each user, for three years. A trademark owner like Tiffany that suspected direct infringement on a website could subpoena the service provider, with good faith, for the user's contact information. The trademark owner would then be able to crosscheck the IP address received with IP addresses of known infringers on the present or other websites. This would allow the trademark owner to determine if the individual is operating other infringing accounts, and the trademark owner could then add the IP address to its potential infringer list.

The proposed statute would be placed under Title 15 of the United States Code to properly integrate it with current trademark law. First, the legislation would establish that service providers would be required to retain user information that could then be subpoenaed by trademark owners. The following text, which closely mirrors that of House Bill 6713 and section 512 of the DMCA, would be appropriate:

[(1)] Duty To Retain Information About [Online Sellers] — It shall be the duty of each [service provider] to retain contact information for three years after receipt of that information from user.
[2] Request — A [trademark] owner or a person authorized to act on the owner's behalf may request the clerk of any United States district court to issue a subpoena to a service provider for identification of an alleged infringer in accordance with this subsection.\textsuperscript{177}

The legislation would go on to specify the exact method by which trademark owners could subpoena the information. As described in section 512 of the DMCA, the trademark owner would need to submit a copy of the notification, a proposed subpoena, and a sworn declaration stating that the information sought will be used to identify an infringer.\textsuperscript{178} Under the proposed legislation, tendering these items would then trigger the following:

[(3)] Contents of subpoena — The subpoena shall authorize and order the service provider receiving the notification and the subpoena to expeditiously disclose to the [trademark] owner or person authorized by the [trademark] owner information sufficient to identify the alleged infringer of the material described in the notification to the extent such information is available to the service provider.\textsuperscript{179}

Further, the definitions section of House Bill 6713 must be updated to reflect the ability to subpoena for the IP addresses of users in addition to other user information. This would allow trademark owners to use the mechanism described above to discover the IP addresses of infringing users and possibly discover additional cases of related infringement. This proposed language borrows heavily from House Bill 6713 while adding in the new IP address provision, and should read:

[(4)] Definitions — in this section:

(A) the term 'contact information' means name, telephone number, . . . address at which legal process could be served, [and Internet protocol address].\textsuperscript{180}

By adopting this balancing legislation, trademark owners will have additional power to identify infringers by their IP addresses and other important contact information. Beyond making such information available, service providers will be free to conduct their business according to present business models. Service providers will, however, have to inform users of the possibility that their IP addresses and other information may be released.

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{177} 17 U.S.C. § 512(h)(1).
\item \textsuperscript{178} Id. § 512(h)(2).
\item \textsuperscript{179} Id. § 512(h)(3).
\item \textsuperscript{180} Id. § 512(h); H.R. 6713.
\end{itemize}
\end{footnotesize}
B. Amending eBay’s Privacy Policy

eBay and other ecommerce websites should therefore amend their privacy policies and user agreements to alert users that IP addresses will be an additional piece of information available to VeRO users. Ecommerce websites, such as eBay, collect personal information from users at the time they sign up, and then it stores this information about its users on servers located within the United States. The eBay privacy policy, referenced next to the user agreement on the user sign-up page, explicitly states that its users’ personal information (including name, address, and phone number) may be shared with “eBay VeRO Program participants under confidentiality agreement, as we in our sole discretion believe necessary or appropriate in connection with an investigation of fraud [or] intellectual property infringement....” Rewriting the policy to mention the possible release of IP addresses would support the proposed legislation and put eBay users properly on notice. This small change, along with the proposed legislation, would allow eBay and other service providers to continue with present business models while trademark owners like Tiffany would have a more efficient way to pursue infringement proceedings.

IV. CONCLUSION

In Tiffany v. eBay, the Second Circuit ruled that specific knowledge is required to prove contributory liability of online service providers. Though currently controlling only in the Second Circuit’s jurisdiction, this ruling presents a first step towards preserving the current business models of online service providers, while leaving trademark owners with the traditional but large burden to police their own marks. This burden grows larger as the online marketplace continues to expand. A better balance must be struck between the interests of trademark owners and online service providers. Congress must enact legislation that provides for a more successful balance of interests, specifically by requiring the retention of user IP addresses and establishing a DMCA-style subpoena system. This ultimately will give trademark owners a more efficient way to identify infringers posting multiple counterfeit items online while allowing service providers to continue using present business models and preserving the current online marketplace.

---

181 eBay User Agreement, supra note 32. User information is secured both physically and technologically to prevent the unwanted release of the information. Id.