



December 28, 2020

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Office of Policy and International Affairs  
U.S. Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313  
571-272-9300

VIA ONLINE SUBMISSION

Re: Comments of Engine Advocacy in Response to *Secondary Trademark Infringement Liability in the E-Commerce Setting*, Docket No. PTO-T-2020-0035

Dear Ms. Lance,

Engine is a non-profit technology policy, research, and advocacy organization that bridges the gap between policymakers and startups. Engine works with government and a community of thousands of high-technology, growth-oriented startups across the nation to support the development of technology entrepreneurship through economic research, policy analysis, and advocacy on local and national issues.

We appreciate the opportunity to submit this response to the U.S. Patent and Trademark Office's ("USPTO") request for comment concerning secondary trademark infringement liability in the e-commerce setting.<sup>1</sup> This area of the law is especially important to Internet startups and smaller online platforms.

The doctrine of contributory liability currently applied by U.S. courts is balanced and largely working well. Many small or early-stage e-commerce companies would not be able to afford the cost and risk of a legal framework that mandates proactive policing and/or holds companies liable for user-generated infringing content they have no knowledge of or direct involvement in. And any changes which shift the fundamental balance in the current law could have outsized and negative impacts on startups. Such changes would reduce the viability of existing and prospective startups—potentially forcing them out of the market—but it would also restrict options for the content creators and small businesses who rely on diverse e-commerce offerings, reduce innovation and competition in the online marketplace, and harm the U.S. economy as a whole.<sup>2</sup>

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<sup>1</sup> Request for Comments on Secondary Trademark Infringement Liability in the E-Commerce Setting, 85 Fed. Reg. 72635 (Nov. 13, 2020).

<sup>2</sup> Startups make outsized contributions to economic and job growth, and enable numerous creators and small businesses to profit by enabling connection with fans and customers across the globe. *See, e.g.*, Brief of Engine Advocacy, *The Ohio State University v. Redbubble, Inc.*, No. 19-3388, at 4-5 (6th Cir. Nov. 29, 2019), *available at*

## I. Doctrine of contributory liability, as applied by courts, and how e-commerce platforms routinely address alleged trademark infringement online

Under prevailing case law, e-commerce platforms can be held liable for contributory infringement if they continue to supply services to users when they know or have reason to know that those users are engaging in trademark infringement.<sup>3</sup> In practice, there is a “substantial convergence” in how liability is analyzed for trademark and copyright claims in this context.<sup>4</sup> Analogously, e-commerce platforms routinely implement systems for removing alleged trademark infringement they know of—e.g., upon receipt of a notice—just as they do for claims of copyright infringement.<sup>5</sup>

That said, as e-commerce platforms scale, and depending on several factors (including the type of content hosted and the volume of potential trademark infringement), many will develop and adopt technology or hire teams of content moderators to help flag potential trademark infringement.<sup>6</sup> This is similar to the so-called “DMCA-plus” efforts certain platforms use to attempt to detect possible copyright infringement.<sup>7</sup> Indeed, “the presence of infringing activity on their sites is contrary to the business interests of” e-commerce platforms. “Instilling consumer confidence in the integrity of their marketplaces is critical. Consumers who cannot trust the authenticity of the merchandise listed on a site will not long remain customers.”<sup>8</sup>

Developing technology and/or hiring moderators comes at substantial cost. For example, eBay invests as much as \$20 million per year in trust and safety efforts—including running searches, deploying filters, and implementing buyer protection programs—with over 200 employees focused on combatting potential

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<https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/5de6e4ab78ef74397900b04e/1575412907573/OSU+v.+Redbubble++Amicus+Brief+of+Engine+Advocacy.pdf> (describing how “startups drive innovation and job creation in the online marketplace”).

<sup>3</sup> See, e.g., B. Bruce Rich & David Ho, *Sound Policy and Practice in Applying Doctrines of Secondary Liability Under U.S. Copyright and Trademark Law to Online Trading Platforms: A Case Study*, 32 Intel. Prop. & Tech. L.J. 1, 5 (2020) (citing cases); *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 105-06 (2d Cir. 2010); see generally *Inwood Labs. v. Ives Labs., Inc.*, 456 U.S. 844 (1982) (addressing liability of entity accused of facilitating infringement); *Coach, Inc. v. Goodfellow*, 717 F.3d 498 (6th Cir. 2013) (similar); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996) (similar).

<sup>4</sup> E.g., Miquel Peguera, *Converging Standards of Protection from Secondary Liability for Trademark and Copyright Infringement Online*, 37 Colum. J.L. & Arts 609, 614 (2014). For example, in copyright law, 17 U.S.C. § 512 shields platforms from liability provided they follow the statutory guidelines and address specific instances of alleged infringement once they know about them or receive a notice claiming infringement. Similarly, in the context of contributory liability for trademark infringement, platforms may be found liable for specific instances of infringement that they know about.

<sup>5</sup> Thomas C. Rubin, *Leveraging Notice and Takedown to Address Trademark Infringement Online*, 37 Colum. J.L. & Arts 585, 587 (2014) (representative of trademark owner and online service provider noting that most “reputable online service platforms . . . have implemented similar notice-and-takedown systems that have proven effective”).

<sup>6</sup> *Infra*; see also, e.g., *The Ohio State Univ. v. Redbubble, Inc.*, No. 19-3388, Dkt. No. 35, at 13-14 (6th Cir. Nov. 21, 2019) (describing efforts to combat piracy).

<sup>7</sup> See, e.g., Jennifer M. Urban et al., *Notice and Takedown: Online Service Provider and Rightsholder Accounts of Everyday Practice*, 64 J. Copyright Soc’y U.S.A. 371, 382-83 (2017) (describing measures platforms may take beyond what is currently required in the DMCA safe-harbor regime).

<sup>8</sup> Rich, *supra* note 3, at 11.

infringement.<sup>9</sup> Alibaba has likewise developed technology to try and identify potential infringement, after significant investment, and takes further steps to monitor posts, look for anomalous transactions, assist law enforcement, etc.<sup>10</sup> While these and numerous other e-commerce platforms do more than notice-and-takedown, the costs of doing so are far more than what a startup could afford.<sup>11</sup>

Overall, as the case law illustrates, “in most cases the courts are getting it right” and the current doctrine of contributory liability is resulting “in decisions that reward good behavior and punish bad behavior by platforms.”<sup>12</sup>

## **II. Current legal doctrine is working, and changes in this area of the law would put startups and their users at a significant disadvantage**

The prevailing approach U.S. courts take to contributory trademark infringement makes sense. Trademark owners are best suited to initiate the process of removing infringement from an e-commerce platform, because they know their own marks, and know what is infringing versus authorized, etc.<sup>13</sup> Platforms, especially startups, are not able to do that, but they are able to remove allegedly infringing posts they know about and can communicate relevant information to trademark owners, accused infringers, and law enforcement.

Shifting the current balance and imposing more liability on e-commerce startups would impose unsustainable costs and put early-stage companies at a distinct disadvantage. It would create an impossible and unaffordable task for all but the largest, established e-commerce platforms. For one, startups would be forced to try and constantly monitor user posts to detect potentially infringing ones. This would include expenses startups, operating on thin margins, could not cover, such as hiring teams of content moderators, developing or purchasing imperfect yet costly filtering technology, and setting aside litigation reserves to cover future legal exposure for user conduct.<sup>14</sup>

Trademarks are pervasive across the globe. There are over 2.6 million active trademarks in the U.S. alone.<sup>15</sup> It would be impossible for a new e-commerce platform to learn, monitor, and identify alleged infringement of that many marks in the millions of products that are (or could be) posted on these sites.

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<sup>9</sup> *Tiffany*, 600 F.3d at 98-99.

<sup>10</sup> Rich, *supra* note 3, at 9.

<sup>11</sup> See, e.g., Katja Weckström, *Liability for Trademark Infringement for Internet Service Providers*, 16 *Marquette Intel. Prop. L. Rev.* 1, 48 (2012) (noting “many smaller actors that cannot afford efforts like those of eBay”); *infra* Part II; cf. Urban, *supra* note 7, at 397-402 (noting that shifts toward DMCA-plus are already viewed as a competitive advantage for established platforms, and can affect market entry and startup success).

<sup>12</sup> Rubin, *supra* note 5, at 587. There are, or have been, some platforms that do seek to profit from infringement, but those platforms are currently held liable under the prevailing case law. See *id.*; Weckström, *supra* note 11, at 48.

<sup>13</sup> There are important differences between copyright law and trademark law, which pose distinct challenges for the identification and removal of trademark infringement. E.g., Sonia K. Katyal & Leah Chan Grinvald, *Platform Law and the Brand Enterprise*, 32 *Berkeley Tech. L.J.* 1135, 1170 (2017).

<sup>14</sup> See, e.g., Jennifer M. Urban et al., *Notice and Takedown in Everyday Practice* 64 (UC Berkeley Public Law Research Paper No. 2755628, Mar. 30, 2016), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2755628](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2755628) (noting that some small platforms already struggle to comply with the DMCA’s notice and takedown procedure for copyright, and that “[t]he struggle increased further if pressure to implement [proactive] measures arose.”).

<sup>15</sup> *4th Quarter FY 2019, At a Glance*, United States Patent and Trademark Office, <https://www.uspto.gov/dashboards/trademarks/main.dashxml> (last visited Dec. 23, 2020).

Volume is not the only problem—it is complex to identify specific instances of trademark infringement. Trademark owners are much better suited to know what might confuse their consumers and know what products they have authorized.<sup>16</sup> Without trademark owners identifying infringement in the first instance, platforms will both over- and under-police, unintentionally blocking legitimate content and letting some infringement slip through the cracks.<sup>17</sup>

Likewise, technology and filters are not a solution, as these are both very expensive and inherently limited.<sup>18</sup> As we have previously explained in the copyright context:

Technology and filters have many inherent limitations which make them incapable of fully addressing online infringement. Filtering technology is imperfect, with often high false positive rates. It is categorically incapable of answering fact-specific questions of infringement, like fair use, licensing, and the exclusion of unprotectable ideas. But these filters are also out of reach for most startups. The most sophisticated tools are so expensive that the development costs are orders of magnitude above what a startup could afford. Off-the-shelf tools, which cannot screen much content on a multimedia platform, are also too expensive for early-stage companies to license and maintain. All filters are limited in the type of content they screen. And for many types of content, there are no filters. Finally, technology is easily circumvented. Users intent on uploading infringing content can easily modify files to avoid the filters.<sup>19</sup>

Indeed, the measures certain platforms deploy to try and prevent trademark infringement are not perfect, and counterfeiters already find ways around these measures. Even for platforms spending the most, and deploying the most sophisticated technology, it is impossible to keep trademark infringers off e-commerce platforms. For example, counterfeiters can just change their name or repost infringing items under a new name or different account.<sup>20</sup>

The limits of filters—which will fail sometimes (likely often)—and the fact that startups would be incapable of identifying and removing all infringement on their own also brings substantial litigation cost and risk. Expanding platform liability over users’ alleged IP infringement would put early-stage companies at risk of being sued out of existence. It would also discourage entrepreneurs and investors from developing new technology or pursuing new e-commerce business models. Internet platforms, in particular, have been able to innovate and launch because they do not have to hire teams of lawyers to

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<sup>16</sup> Restatement (Third) of Unfair Competition § 20 (1995) (“One is subject to liability for infringement of another’s trademark . . . if . . . in marketing the actor’s goods or services the actor uses a designation that causes a likelihood of confusion”); *see also, e.g., id.* at § 29 (addressing consent to use of a mark); *id.* at § 24 (addressing use of a mark on genuine goods); *id.* at § 28 (addressing descriptive fair use); *id.* at § 33 (addressing licensing of trademarks).

<sup>17</sup> *See infra* part III (discussion of the problem over over-removal).

<sup>18</sup> *See, generally* Evan Engstrom & Nick Feamster, *The Limits of Filtering: A Look at the Functionality & Shortcomings of Content Detection Tools* (Mar. 2017), <https://www.engine.is/the-limits-of-filtering> (discussing limitations of filtering technology).

<sup>19</sup> *Is the DMCA’s Notice-and-Takedown System Working in the 21st Century?: Hearing Before the Subcomm. on Intellectual Property of the S. Comm. on the Judiciary*, 116th Congress 2 (2020) (testimony of Abigail A. Rives), available at <https://www.judiciary.senate.gov/imo/media/doc/Rives%20Testimony.pdf>.

<sup>20</sup> Rich, *supra* note 3, at 9.

brace for litigation when users are accused of infringement. And investors would be reluctant to fund emerging e-commerce platforms if they knew the money would go to cover liability for user infringement.<sup>21</sup>

Indeed, even under the current, relatively balanced approach to contributory liability, the high costs of monitoring and covering legal risk for potentially infringing user-generated posts are already seen as a competitive advantage. Changing the law to increase those costs and risk, by imposing more liability on platforms, would entrench incumbents and defeat the ability of nascent companies to compete.<sup>22</sup> As scholars have noted:

[W]hile the eBays of the world can afford to spend millions of dollars combatting counterfeiting, this may not be the case for smaller-scale market participants. Requiring “mom and pop” online brokers to wage a million-dollar war against counterfeiting would likely drive these retailers out of business, undesirably narrowing consumer choice.<sup>23</sup>

Finally, most platforms experience little, if any, alleged trademark infringement.<sup>24</sup> Changing the law to increase the costs and risks platforms face would therefore catch little, if any, additional infringement.<sup>25</sup> But the costs and risks of a shift in liability would be substantial, which would make it harder for startups and emerging e-commerce platforms to launch and compete, and restrict economic growth in multiple sectors.<sup>26</sup>

### **III. There are improper takedowns and abuse of the current system, and policymakers should avoid shifting liability to e-commerce platforms which would exacerbate problems and lead to a sizeable removal of legitimate content**

While the current doctrine of contributory liability is largely working well, there is still abuse of the system and few opportunities for startup e-commerce platforms and users wrongfully accused of infringement to fight back. Abusive trademark assertion or enforcement has an especially “deleterious

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<sup>21</sup> See, e.g., Matthew C. LeMerle et al., *The Impact of Internet Regulation on Early Stage Investment* (Nov. 2014), <https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/572a35e0b6aa60fe011dec28/1462384101881/%20EngineFifthEraCopyrightReport.pdf>.

<sup>22</sup> *Supra* note 11.

<sup>23</sup> Katyal, *supra* note 13, at 1149-50 (quoting Jordan Teague, *Promoting Trademark’s Ends and Means through Online Contributory Liability*, 14 Vand. J. Ent. & Tech. L. 461, 491 (2012)).

<sup>24</sup> E.g., 2019 *Transparency Report*, Etsy (2020), [https://extfiles.etsy.com/advocacy/Etsy\\_2019\\_Transparency\\_Report.pdf](https://extfiles.etsy.com/advocacy/Etsy_2019_Transparency_Report.pdf) (of 65 million items for sale, fewer than 34,000 takedown requests, of which fewer than half pertained to trademark); compare *Shapeways Fact Sheet*, Shapeways (2018), <https://static1.sw-cdn.net/files/cms/press/Shapeways-Fact-Sheet-2018-Q3.pdf> with 2018 *Transparency Report*, Shapeways, <https://www.shapeways.com/legal/transparency/2018> (last visited Dec. 23, 2020) (of over 45,000 postings, platform only received 331 takedown notices that involved trademark).

<sup>25</sup> See, e.g., Weckström, *supra* note 11, at 45 (“[e]xposing [platforms] to a multitude of claims that demand high transaction costs to settle seems inefficient and disproportionate . . .” and “counterfeiting will likely persist, regardless of efforts or liability”).

<sup>26</sup> See, e.g., Daphne Keller, *Toward a Clearer Conversation About Platform Liability*, Knight First Amendment Institute (Apr. 6, 2018), <https://knightcolumbia.org/content/toward-clearer-conversation-about-platform-liability> (“When platform liability risks expand, wealthy incumbents can hire lawyers and armies of moderators to adapt to new standards. Startups and smaller companies can’t.”).

effect on startups and smaller platforms that may lack the resources to respond properly to a dispute” between a purported mark owner and the user accused of infringement.<sup>27</sup> This puts a fine point on the value of balanced frameworks, and strongly cautions against adopting any new legal doctrines which would make these forms of abuse easier or more profitable. And shifting more liability onto e-commerce platforms would end up escalating the removal of more legitimate posts and goods, which would hurt small businesses and creators who have posts improperly removed.

It is unfortunately common for purported trademark owners to overreach or send bad faith notices, for example, seeking to have non-infringing posts removed. As a number of smaller platforms have reported, spurious takedown notices can “be sent with the deliberate intent to exert unwarranted control over the free flow of information online. The rightsholder may intend to undermine a competitor or to censor critical speech, for example.”<sup>28</sup> Examples of such improper or abusive takedown requests include:

- A restaurant obtained a trademark for the name of a popular southern dessert, and then asked a platform to remove websites that posted recipes to that dessert on the ground of alleged trademark infringement.<sup>29</sup>
- A small business owner that repurposes items—for example, making purses from food packaging or jewelry from building blocks—was subject to trademark infringement allegations for trying to sell those repurposed products on an e-commerce platform for homemade goods.<sup>30</sup>
- An author obtained a trademark on the word “cocky,” and sent takedown notices to an e-book platform seeking removal of other books with “cocky” in the title. Some of the accused authors went so far as changing the name of their book or abandoning merchandise associated with their works. A trade association for authors hired a lawyer to stop improper takedowns and have books restored to the platform.<sup>31</sup>
- Volkswagen filed multiple takedown requests to remove art of beetles from a digital art platform. In an apparent sweep to remove all images that were tagged with the word “beetle,” Volkswagen effectively asserted ownership over bug species and asked the platform to remove images a scientist had drawn of different species of beetles. The artist had to retain a lawyer to have her art restored, and lost revenue in the time her work was removed from the platform.<sup>32</sup>
- In the political context, a political action committee supporting Hillary Clinton issued a takedown notice against parodies of a campaign logo. And Ben Carson sent takedown requests against the use of his name on merchandise referring to his presidential campaign.<sup>33</sup>

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<sup>27</sup> Katyal, *supra* note 13, at 1165.

<sup>28</sup> Comments of Etsy, Foursquare, Kickstarter, Meetup, and Shapeways, *In re Development of the Joint Strategic Plan for Intellectual Property Enforcement 2* (Oct. 16, 2015), available at [http://extfiles.etsy.com/advocacy/Etsy\\_IPEC\\_Comment.pdf](http://extfiles.etsy.com/advocacy/Etsy_IPEC_Comment.pdf).

<sup>29</sup> *The Most Litigious Dessert in America*, Elec. Frontier Found., <https://www.eff.org/takedowns/most-litigious-dessert-america> (last visited Dec. 23, 2020).

<sup>30</sup> Etsy, *supra* note 28, at 3.

<sup>31</sup> *Author Trademarks the Word “Cocky,” Earns the Ire of Romance Writers Everywhere*, Elec. Frontier Found., <https://www.eff.org/takedowns/author-trademarks-cocky-earns-ire-romance-writers-everywhere> (last visited Dec. 23, 2020).

<sup>32</sup> *Volkswagen Claims Ownership of an Entire Group of Insects*, Elec. Frontier Found., <https://www.eff.org/takedowns/volkswagen-claims-ownership-entire-group-insects> (last visited Dec. 23, 2020).

<sup>33</sup> Etsy, *supra* note 28, at 3.

- Fox sent takedown notices to Google seeking to have a science fiction book titled “Homeland” removed from the platform, suggesting this unrelated book (a sequel in a young adult series) somehow infringed trademark in the television program Homeland based solely on a common title (and no other relation or similarity).<sup>34</sup>

Moreover, in the trademark context there is no formal mechanism for e-commerce platforms to restore content,<sup>35</sup> like the DMCA’s counter-notice procedure for restoring wrongfully removed content.<sup>36</sup> A number of e-commerce platforms have reported seeing a conflation of copyright- and trademark-related takedown requests, as the notice-sender knows “the use of [trademark-related] requests significantly reduces the ability of users targeted by an accusation of infringement to challenge that accusation.”<sup>37</sup>

If platforms faced heightened liability for contributory trademark infringement, it would create an incentive for them to remove more legitimate, non-infringing content. Indeed, because platforms know even less about other entities’ trademarks, those platforms would have even less information than the mark owners to decide what to take down. The risk of liability when getting those questions wrong, though, would pressure platforms to increase takedowns of non-infringing posts.

These and numerous other examples reveal what is at stake. Not only must policymakers proceed with caution when considering changes to the law, because it would hurt startups and hinder competition and innovation, but there are also other interests. Shifting liability to platforms for alleged infringement they have no knowledge of or involvement in would: give rise to “concerns about freedom of expression” and “free access to information,” implicate legitimate uses of someone else’s trademarks online, and restrict the “development of new technologies, including those capable of both infringing and non-infringing uses.”<sup>38</sup> It would require platforms to “radically contract” their legitimate offerings, which would hurt small businesses, Internet users, Internet-enabled creators, and consumers that do (or could) rely on such marketplaces.<sup>39</sup> And that “overreactive impulse [to over-takedown] carries a disparate impact on small businesses and smaller platforms, who are often ill equipped to defend themselves against potentially false claims of contributory infringement.”<sup>40</sup>

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<sup>34</sup> *Homeland Insecurity Through Bogus Takedowns*, Elec. Frontier Found., <https://www.eff.org/takedowns/homeland-insecurity-through-bogus-takedowns> (last visited Dec. 23, 2020).

<sup>35</sup> *E.g.*, Katyal, *supra* note 13, at 1163.

<sup>36</sup> This counter-notice procedure to restore wrongly removed, non-infringing content, is underutilized and largely ineffective, but it does exist. *See, e.g.*, 17 U.S.C. § 512(g) (counter notification process); *supra* note 19, at 15-17 (explaining how DMCA fails to combat abuse, and describing under-utilization of counter notice procedures); *Engine Responses to DMCA Reform Bill Questions from Senator Tillis*, Engine 14-18 (Dec. 1, 2020), available at [https://www.recreatecoalition.org/wp-content/uploads/2020/12/2020.12.01\\_Engine-Responses-to-DMCA-Questions-for-Stakeholders.pdf](https://www.recreatecoalition.org/wp-content/uploads/2020/12/2020.12.01_Engine-Responses-to-DMCA-Questions-for-Stakeholders.pdf) (similar).

<sup>37</sup> *2018 Transparency Report*, Shapeways, <https://www.shapeways.com/legal/transparency/2018> (last visited Dec. 23, 2020); *see also, e.g.*, Katyal, *supra* note 13, at 1164 (noting similar reports from other platforms).

<sup>38</sup> *E.g.*, Peguera, *supra* note 4, at 611.

<sup>39</sup> *E.g.*, Rich, *supra* note 3, at 8; Rubin, *supra* note 5, at 590-91.

<sup>40</sup> Katyal, *supra* note 13, at 1148.

Thank you again for the opportunity to provide these comments. Engine remains committed to engaging with the policymakers about how changes to the law would affect the startup community. As part of this, we urge the USPTO and policymakers not to pursue substantive changes to the doctrine of contributory liability for trademark infringement. To the extent policymakers do anything in this area, they should merely codify current case law,<sup>41</sup> and consider the need for mechanisms to combat abuse and improper takedown requests.

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<sup>41</sup> See, e.g., *Tiffany*, 600 F.3d 93.