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NOTICE AND TAKEDOWN FOR TRADEMARKS

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I. THE CASE FOR EXPEDITED DISPUTE RESOLUTION PROCEEDINGS FOR ONLINE TRADEMARK DISPUTES

A. The Problem

Trademark fraud on the Internet is rife. Online customers are exposed to a plethora of deceptive and misleading practices that have become endemic on the World Wide Web. Intellectual property (IP) abuse ranges from sales of hardcore counterfeit goods directly drop-shipped from Chinese factories via sophisticated websites, to tampered goods sold under the false pretense of a proper warranty, to fraudulent advertising scams.¹ Customers who put their faith and trust in Internet transactions are being conned and deceived at an exponentially increasing rate in virtually every jurisdiction of the globe.² Worse yet, customers face increasing challenges relating to both online identity theft and financial theft at the hands of fraudsters posing as legitimate and trusted companies.

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1. *Cartier International AG v. HauteLook, Inc.*, No. 1:2010cv05845 (S.D.N.Y. filed Aug. 3, 2010).

2. U.K. Intellectual Property Office, IPO Crime Group, *IP Crime: Annual Report 2009-2010*, <http://www.ipo.gov.uk/ipcreport09.pdf>; Press Release, Trading Standards Inst., *Do You Know the Shock Cost of Fakes?*, <http://www.tradingstandards.gov.uk/policy/policy-pressitem.cfm/newsid/248>; SpotCounterfeits, *Which Countries Produce the Most Counterfeits?*, <http://www.spotcounterfeits.co.uk/which-countries-produce-counterfeits.html>.

Also of serious concern is the ready availability of fake medicines that are easily sourced over the Internet but that can have dangerous or potentially deadly ingredients.³

In keeping with the normal cycle of life, the law lags yet again behind the progress of science and commerce. No clear and certain legal principles or international rules have been developed to combat the rapid growth of trademark abuse on the Web. The need for urgent legal development to maintain pace with the business world is even more pronounced in this age of binary code. With the touch of a button, fake trademark products can be sold on the Internet in the four corners of the world. Moreover, as the Internet is truly global, fragmented attempts made in some local jurisdictions to tackle the problem have met with only a limited measure of success.⁴ In some other areas of IP law, such as copyright and domain name disputes, quite successful strides have been made in developing clear guidelines and remedies with which to tackle online deception. The Digital Millennium Copyright Act (DMCA)⁵ and the Internet Corporation for Assigned Names and Numbers' (ICANN's) Uniform Domain Name Dispute Resolution Policy (UDRP)⁶ are good examples. Woefully left behind in the fray are measures to combat deceptive trademark abuse online.

1. Intermediary Liability—Opposing Views

What follows is a clear example of the current uncertainty and lack of consistency on the legal treatment of trademarks and intermediary liability on an international basis. By “intermediary liability” we mean the liability that Internet middlemen, such as Internet service providers (ISPs) and auction sites,⁷ have in respect of the content of their users. (By way of clarification, in this article, both counterfeits and trademark infringements are included within the ambit of the discussion of intermediary

3. See 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 25:10 n.16.50 (4th ed., Thomson Reuters/West 2010). For example, an official of Johnson & Johnson testified before Congress that “the biggest threat to safety is the sale of counterfeit pharmaceutical products from a wide variety of unregulated Internet pharmacies.”

4. *E.g.*, Digital Economy Act, 2010, c. 24 (Eng.); Anti-Counterfeiting Trade Agreement (ACTA); Combating Online Infringement and Counterfeits Act, S. 3804, 111th Cong. (2010).

5. Digital Millennium Copyright Act of 1998 § 202, 17 U.S.C. § 512(c) (1998).

6. Uniform Domain Name Dispute Resolution Policy (Oct. 24, 1999), discussed *infra* Part II.C.

7. By “auction site” we mean a virtual auction on the Internet, organized and hosted by a third party, where a seller sells a product or service to the person who bids the highest price, usually within a certain time frame. Auction sites typically make money by charging a small fee for listing a product for sale and/or for advertising hosted on the site.

liability and notice and takedown.) A specific immunity applies to intermediaries when they fully comply with a notice and takedown procedure. As practice has shown, this type of immunity serves as a strong incentive for an intermediary to participate in a notice and takedown procedure. The immunity serves as a safe harbor against the consequences of an intermediary's user's actions—that is, listing counterfeit or infringing trademarked goods or services.⁸

Recently, legal battles concerning counterfeits have been waged on an epic scale on both sides of the Atlantic, with eBay facing off with Tiffany in the United States and Louis Vuitton in France. But where do these battles leave Web customers, who are saddled with counterfeit products every day?⁹ The endemic nature of online fakes is glaringly obvious and beyond question. Who, then, is responsible for removing the counterfeit products listed on eBay, and who is liable for the burden of paying the costs of detection and enforcement? The courts hearing the eBay cases issued diametrically opposed rulings on this same point. The French court placed full responsibility on eBay to ensure that the counterfeit Louis Vuitton product was removed from its site,¹⁰ whereas the U.S. court recognized the steps eBay had already taken toward decreasing the number of counterfeits and instead placed the onus on the trademark owner Tiffany to further police its products in the eBay marketplace.¹¹

It is not only in the United States and France that this thorny question has raised its head.

In Germany, the Federal Supreme Court held in *Rolex v. Ricardo*¹² that an online auction provider is liable as an “interferer” and that an interferer should, if it has been notified of clear trademark infringement, promptly remove objectionable

8. As found in the DMCA. Similar is the concept of the “mere conduit,” found in the European Union’s Directive on Electronic Commerce.

By “safe harbor,” we mean specific immunity that applies to intermediaries when they fully comply with a notice and takedown procedure. We are not implying that liability should arise from less than full compliance, only that the safe harbor cannot be utilized in such a situation.

9. Frederick Mostert, *Counterfeits on eBay: who is responsible?*, Financial Times, July 17, 2008, <http://www.ft.com/cms/s/0/e694a4fe-5426-11dd-aa78-000077607658.html#axzz1Avi50XFv>.

10. Louis Vuitton Malletier v. eBay, Inc., Docket No. 2006077799 (Tribunal de Commerce de Paris (Commercial Court of Paris), June 30, 2008).

11. Tiffany (NJ) Inc. v. eBay, Inc., 600 F.3d 93 (2d Cir. 2010), *cert. denied*, No. 10-300, 2010 U.S. LEXIS 9355 (Nov. 29, 2010).

12. BGHZ 158, 236 = GRUR 2004, 860 = NJW 2004, 3102; English-language version published at IIC 2005, 573.

items. It ruled that Ricardo had no obligation to monitor its site for infringements: only when it had actual knowledge of possible trademark infringement would it have a duty to remove those items.

In China, the question of liability of intermediaries was recently considered by the Shanghai Huangpu District People's Court. In *E.Land (Shanghai) Fashion Trading Co., Ltd. v. Amyguyuying & Zhejiang Taobao Network Co., Ltd.*,¹³ the court found that Taobao, an auction site, was merely an ISP. Taobao did not have an economic interest in a specific deal between the seller, E.Land, and the buyer, Amyguyuying, an online shop owner, and was not in a position to know without notification whether the goods offered were unauthorized or fake. By conducting a takedown upon notice, Taobao fulfilled its responsibility as a service provider.

However, as the decision in *Akanoc*¹⁴ illustrates, once the intermediary is placed on unambiguous notice of actual infringement, the ISP's monetary liability can be high, to the point of inducing bankruptcy. These decisions symbolize a fascinating nationalistic walling off of the Internet in completely different ways.

These decisions significantly affect the nub of the business models of online marketplace sites and brand owners in the United States, the European Union (EU), and China. In fact, they set the future for online commerce. Consequently, they will no doubt face appeal all the way up to the supreme court level.

2. Historical Precedent: Railroads Versus Farmers

In a sense, the war between online auctioneers and trademark owners is similar to concerns voiced during the construction of the first railways. The legal question raised then was, If a spark from a steam locomotive flew onto crops and set them ablaze, who would bear the loss, the railway company or the farmer? On the one hand, if railway companies found themselves subjected to a flood of legal claims, progress would be halted, and this would be unacceptable in the larger scheme of the greater good. On the other, the hapless farmer should not be expected to carry the full brunt of the sometimes negative, if unintended, consequences of scientific innovation. Then, as now, lawsuits were filed and the

13. (2010) Huangmingsan(zhi)chuzi No. 40, <http://ipr.chinacourt.org>.

14. *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, No. 5:07-cv-03952 (N.D. Cal. jury verdict Aug. 28, 2009), discussed *infra* Part II.B.4.

parties appeared at polar, irreconcilable positions. In the end, reason prevailed, and railway companies and farmers agreed to a voluntary middle ground: the railway companies installed spark arresters on the locomotives, and the farmers made firebreaks along the tracks to minimize or prevent the harm.

The problem in both *Louis Vuitton* and *Tiffany* was similar—but here, unlike the poor farmer of yore, the parties wielded significant political influence. The court decisions sought to place the full burden of policing online fakes on, respectively, the online auctioneer and the trademark owner. Policing the World Wide Web in the face of an exponentially growing giant wave of counterfeits and infringements requires a Herculean effort. Tiffany, Louis Vuitton, and manufacturers of a myriad of other goods chafe at the burden of having to commit unlimited time and resources in order to police auction sites and their growing number of counterfeit listings. Meanwhile, most auction sites claim that filtering everything that comes in, and trying to determine what is counterfeit across all industries, would be nigh impossible. Online marketplaces typically deal with millions of new listings each week, and users do not have physical access to the goods. No wonder each side is so quick to point the finger at the other: the effort required is all-consuming. The stakes are high.

3. Constructive Cooperation

As in so many other walks of life, the answer may lie in constructive cooperation. Just like the railway company and the farmer, brand owners and auction sites need to work together and share the responsibility of stopping the wildfire of fakes and online fraud, while keeping in mind that a restraint on the progress of society is not an option. A step in the right direction, for example, is eBay's Verified Rights Owner (VeRO) Program, which allows more than 18,000 companies to take down sellers' listings that violate their trademarks, often within hours.¹⁵ Combined with eBay's proactive filters that automatically delist obvious counterfeit and fraudulent listings, this is clearly a positive approach. Brand owners, in taking advantage of similarly effective reporting programs and informing the public on how to identify fakes online, also work toward minimizing the problem.

It is important, however, to accept that eBay and those brands that have tried to work with eBay should act as a benchmark for

15. See eBay, *VerRO: Helping to Protect Intellectual Property*, <http://pages.ebay.com/vero/intro/index.html>.

others, not a ceiling. More needs to be done, especially in the case of auction sites that are sluggish in their responses and that refuse to implement filters or rail consistently against taking down reported problematic listings, that is, those that are challenged by a trademark owner (or that even encourage the sale of counterfeits). Similarly, trademark owners who believe the problem will go away and demand that others should manage their needs in a changing market need a dose of reality: the world has advanced, and the Internet and its new marketing platforms are here to stay. Both sides need to work together to build “spark arresters” and “firebreaks” against online counterfeits. The answer for assessing responsibility lies in the middle: both sides need to diligently confront the online counterfeit problem, working side by side and in equal measure.

In general, then, how can the disarray of no guidance or fragmented local attempts to stop online trademark abuse be reconciled with legal harmony?

B. The Solution

More so than in any other area of law, interested parties in IP cases, and, in particular, the owners and customers of trademarked goods, often require quick relief to stave off irretrievable harm. This truism applies with even greater vigor to the abuse of trademarks on the Internet. It truly is a case of “delayed justice is no justice,” as many a trademark lawyer knows from hard experience when trying to track down the elusive international fraudsters operating on the World Wide Web. Rapid removal of infringing trademark references or images on the Web is a manifest solution.

Justice necessitates swift removal of infringing trademark use on the Internet. In addition, the sheer volume of online trademark fraud mandates a pragmatic approach to a worldwide problem. This is where the prompt removal of infringing trademark use is essential, if simply to keep up on a daily basis with the mammoth size of the problem. Given the long lists of fake trademark references that continually pop up on auction sites, it would be prohibitively costly and totally impractical to go to court on each single case of online trademark infringement.

Therefore, a cost-effective, speedy, and efficient system is needed for the complex, international online world of fraud and trademark abuse. Experience dictates that for this to work, clear and consistent legal rules that can be applied internationally are

required. International legal harmony whereby a global set of rules is established to regulate commerce in the world—a type of *jus gentium*¹⁶—has now become essential.

Clear guidelines promote certainty—and certainty is, we submit, the cornerstone for online justice. The pronouncements of Justice Edwin J. Peterson, of the Oregon Supreme Court, aptly apply in this context: “I’ve always believed that certainty is the most important factor in the law. If the choice is between a clear rule and an unclear rule which might be a little fairer, I think I’d opt for the clearer rule. Most people like to know what the law is, so they can know what they can and cannot do.”¹⁷ In fact, Lord Bingham recently pointed out that this crucial principle was already recognized by Lord Mansfield, generally regarded as the father of English commercial law, around 250 years ago, who stated that: “In all mercantile transactions the great object should be certainty: and therefore, it is of more consequence that a rule should be certain, than whether the rule is established one way or the other.”¹⁸

II. A SURVEY OF EXISTING EXPEDITED DISPUTE RESOLUTION PROCEEDINGS RELATING TO ONLINE IP DISPUTES

A. Introduction

As discussed in Part I, we are of the view that the fight against counterfeits and online trademark infringements requires that more cost-effective tools be added in the midrange between the “shot across the bow” of the demand letter and the “nuclear option” of civil litigation. After surveying existing expedited dispute resolution (EDR) policies,¹⁹ such as the DMCA, VeRO, and the UDRP, we conclude that a legislative equivalent of notice and takedown of online sales of infringing goods may present an inexpensive 80/20 solution of which Pareto would approve²⁰—in

16. Frederick W. Mostert, *Famous and Well-Known Marks: An International Analysis*, 1-9 (2d ed., INTA 2004).

17. Paul E. Loving, *The Justice of Certainty*, 73 Ore. L. Rev. 743 (1994) (quoting Fred Leeson, *Judge Edwin Peterson Retires from Bench*, Oregonian, Dec. 25, 1993, at D1).

18. Tom Bingham, *The Rule of Law* 38 (2010).

19. In this article, “dispute resolution” refers to a method of resolving an IP dispute other than criminal, civil, or administrative proceedings. “Expedited” is a comparative term used in relation to criminal, civil, administrative, or complex arbitration proceedings.

20. The Italian economist Vilfredo Pareto noticed that for many events, 80 percent of the effects come from 20 percent of the causes. *Pareto Principle*, <http://en.wikipedia.org/>

other words, that a hypothetical 80 percent of a trademark owner's counterfeit or infringement problems can be resolved with 20 percent of its prior budget.

It has been our experience that when online IP disputes²¹ are categorized according to their means of resolution, they fall into four types:

1. **Default.** The seller, for whatever reason, is unprepared to respond to a notice of an asserted claim by an IP owner.
2. **Negotiated settlement.** Resolution is accomplished by communication between the parties.
3. **Arbitration.** Resolvable through use of a neutral, such as an arbitrator.
4. **Litigation.** Resolvable only through the initiation of civil proceedings.

Our unscientific guess is that the disputes in categories one and two far outnumber those in categories three and four.²²

We suggest the exploration of multinational legislative adoption of a two-phase expedited dispute resolution proceeding (EDRP) that can channel disputes into the first three categories wherever possible. The first phase is a mandatory notice and takedown/safe harbor procedure resembling the DMCA and VeRO. The second phase is a voluntary *inter partes* arbitration reminiscent of the UDRP. The purpose of phase one is to provide intermediaries with a legislative motivation to take down the easy cases (primarily the defaults); the purpose of phase two is to motivate the parties to first negotiate and then arbitrate, where feasible. (The suggestion is discussed further in Part III.)

EDRPs pertaining to online activity have now been around long enough to generate sufficient empirical data to allow the crafting of a fair and effective trademark notice and takedown procedure, and sufficient criticism to curb the perceived excesses and shortcomings of the existing EDRPs.

wiki/Pareto_principle (last visited Jan. 6, 2010). In modern slang, an 80/20 solution is one where it is hoped that 20 percent of the effort will solve 80 percent of the problem.

21. We define "online IP disputes" for these purposes as pertaining to the promotion and/or sale of goods or services utilizing a network of computers or other telecommunications devices.

22. Defaults (specifically, DMCA defaults; see discussion *infra* Part II.I) and negotiated settlements are private, unreported events; therefore, there is no accurate method of calculating the statistical prevalence of these four categories vis-à-vis each other. There have been approximately 30,000 UDRP proceedings in the first ten years of operation of the policy.

The three EDRPs that are probably used the most, and that certainly provide the most empirical information, are the U.S. Copyright Act's DMCA notice and takedown procedure, eBay's VeRO Program, and ICANN's UDRP proceeding.

Below we briefly outline how these and other EDRPs operate and discuss the broad litigation and "political" reactions to them. In Part III we use these proceedings as a starting point for a discussion of how the elements of a trademark notice and takedown mechanism might work.

B. Statutory Notice and Takedown: The DMCA

1. Overview of the DMCA

What can trademark owners learn from the experience of the DMCA copyright notice and takedown procedure? The DMCA is the "third rail" of American intellectual property politics, and it is with some trepidation that we set it forth as a success story. On the one hand, small copyright holders have received the equivalent of urgent and permanent injunctive relief against infringing content, relief that otherwise might have been prohibitively expensive to obtain in civil court. On the other hand, the DMCA takedown notice is an exemplar of what is perceived as overreaching behavior by the content industries. Seemingly every day a copyright owner is accused of using the DMCA to quell speech.²³

The DMCA provides ISPs with safe harbor immunity from secondary liability arising from "infringement of copyright by reason of the storage at the direction of a user of [copyrighted] material that resides on a system or network controlled or operated by or for the [ISP]."²⁴

If the ISP²⁵ chooses to invoke the safe harbor, it must expeditiously remove material that is the subject of a DMCA notice.²⁶ Failure to comply with the DMCA does not create liability for the ISP but merely removes its option to utilize the safe harbor.

23. See, e.g., The Internet Legal Advisor, *Nestle, Greenpeace, Social Media, Palm Oil and Orangutans*, <http://Internetlegaladvisor.com/nestle-greenpeace-social-media-and-palm-oil/>, discussing Nestle's use of the DMCA to remove a video from Greenpeace that was critical of Nestle's sourcing policies, which video contained glimpses of Nestle's (presumably copyrighted) wrapper.

24. 17 U.S.C. § 512(c)(1).

25. The ISP's duty to remove arises only if it stores or hosts the material in question and not if it is a "mere conduit."

26. 17 U.S.C. § 512(c)(1)(C).

To be considered a valid notification, the DMCA notice must contain “magic language”: the claimant must provide an identification of the copyrighted work, a specific identification of the location of the allegedly infringing material on the hosted site, and a good-faith allegation of infringement, all signed under penalty of perjury. The claimant does not need to have filed for or own a registration of the copyrighted material. Accordingly, an assertion of title ownership, let alone legal ownership, may not be verifiable based solely on the DMCA notice.

If the “publisher” of the allegedly infringing material wishes to contest the allegation, it may submit a counternotice, also a sworn statement, attesting that “the subscriber has a good faith belief that the material was removed . . . as a result of mistake or misidentification of the material. . . .”²⁷ The counternotice must contain contact information and consent to the jurisdiction of a U.S. district court.²⁸

Upon transmission of a counternotice to the claimant, an ISP may allow the reinstatement of the material within 10 to 14 business days unless the claimant moves in civil court to enjoin such reinstatement.²⁹

The meta-question here as to notice is, What showing should be made for what remedy? Under the DMCA, the material may be removed up to 14 business days in a contested situation (one where the notice has been responded to), on the basis of a potentially unverifiable IP claim. The DMCA requires the ISP to take down the material “expeditiously” prior to the subscriber’s responding. While the legislative history suggests that “expeditiously” would be defined on a case-by-case basis,³⁰ anecdotal evidence suggests that ISPs remove material within a day or two of receiving an actionable notice, prior to receipt of a counternotice. Thus, the IP holder receives in effect the equivalent of a temporary restraining order before having its claims tested.

Furthermore, the ISP is not required to reinstate material for a total of 10 to 14 business days, even if, for example, a counternotice effectively rebuts the claim. Assuming that the subscriber’s content is timely (e.g., a hot new “app”), an interruption of 14 business days can be fatal.³¹

27. *Id.* § 512(g)(3)(C).

28. *Id.* § 512(g)(3)(D).

29. *Id.* § 512(g)(2)(C).

30. S. Rep. No. 105-190, at 44 (1998).

31. There is a statutory ambiguity in the DMCA. It is unclear whether the 10- to 14-day suspension period is mandatory in situations where the subscriber transmits a

As the potential for abuse is apparent from this scenario, the recipient of a notice may, pursuant to Section 512(f) of the DMCA, bring a suit against a claimant for a notice sent in bad faith.³² A 512(f) plaintiff must demonstrate that the copyright owner acted with subjective bad faith.³³ *Rossi v. Motion Picture Association of America*, a case decided by the U.S. Court of Appeals for the Ninth Circuit, set a high standard for what constitutes bad faith under Section 512(f): Liability will not arise from “an unknowing mistake . . . even if the copyright owner acted unreasonably in making that mistake. . . . [T]here must be a demonstration of some actual knowledge of misrepresentation on the part of the copyright owner.”³⁴ A plaintiff may recover all damages that occur as a “but for” result of misrepresentations in the DMCA notice.³⁵ In practice, however, there appear to have been no judgments against IP owners under Section 512(f) (and only one reported instance of a subscriber’s being compensated for damages arising from a bad-faith DMCA notice).³⁶

2. Criticism of the DMCA

For a provision as controversial as the DMCA, comparatively little empirical research has been performed concerning its efficacy. A 2005 study conducted by Professors Urban and Quilter received widespread attention after the Internet search engine Google cited it in a New Zealand filing that argued against a similar law.³⁷ The findings reported in the study included the following:

- 9 percent of all notices were statutorily insufficient.
- 30 percent of DMCA notices appeared to present an obvious question for courts.

counternotice prior to the ISP’s removing the material. In other words, should a counternotice restore the status quo ante?

32. 17 U.S.C. § 512(f).

33. *Rossi v. Motion Picture Ass’n of Am. Inc.*, 391 F.3d 1000, 1004-05 (9th Cir. 2004).

34. *Id.* at 1005.

35. *Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150 (N.D. Cal. 2008).

36. The Diebold Company is reported to have paid \$125,000 to settle the Section 512(f) action brought against it by Online Policy Group, which published documents critical of Diebold electronic voting machines. *Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195 (N.D. Cal. 2004), settlement reported at Electronic Frontier Foundation, *Online Policy Group v. Diebold*, <http://www.eff.org/cases/online-policy-group-v-diebold>.

37. Google, *Internet Service Provider Copyright Code of Practice—TCF Consultation Draft*, Mar. 6, 2009, <http://www.tcf.org.nz/content/ebc0a1f5-6c04-48e5-9215-ef96d06898c0.cmr>.

- 57 percent of DMCA notices were filed against competitors.³⁸

This report has been cited as suggesting that the safeguards against misuse of the DMCA are inadequate and the entire procedure too slanted in favor of copyright owners.³⁹

Urban and Quilter studied DMCA notices sent to Google, as well as DMCA notices collected by the Chilling Effects project,⁴⁰ and therefore the universe studied may not be representative of all DMCA notices sent to ISPs.⁴¹ As to methodology, the coding of DMCA notices as “statutorily insufficient” and “obvious question for courts” injects a subjective appraisal, on which reasonable observers may differ. Nevertheless, the significance of the results warrants further study with, perhaps, better coding. If these numbers are anywhere near accurate for the universe of all ISPs,⁴² then the *ex parte* relief issue raised above⁴³ suggests a serious problem (and informs our view as to *ex parte* relief discussed herein).

3. eBay’s VeRO Program

The VeRO program is a touchstone in any DRP analysis in view of the seal of approval it received from the Second Circuit in *Tiffany v. eBay*.⁴⁴ To insulate itself from secondary liability claims,

38. Jennifer M. Urban & Laura Quilter, *Efficient Process or “Chilling Effects”?* *Takedown Notices Under Section 512 of the DMCA*, http://mylaw.usc.edu/documents/512Rep-ExecSum_out.pdf.

39. Eric Goldman, *DMCA Online Safe Harbor Empirical Study by Urban and Quilter*, Technology & Marketing Law Blog, http://blog.ericgoldman.org/archives/2005/11/dmca_online_saf.htm.

40. See <http://www.chillingeffects.org/> (last visited Jan. 10, 2011). Clearly, a collection of DMCA notices voluntarily submitted to a public advocacy organization will likely represent a self-selection bias.

41. Google, as a search engine, has no contact with the indexed material in question, and thus cannot forward the notices to the user. Consequently, there is no possibility of counternotice.

42. Comment on the accuracy of the Urban-Quilter study is beyond the scope of this article. All findings listed above suggest subjective interpretation, and we have no access to the underlying data set. As with all things concerning the DMCA, the report has both its detractors (see Progress & Freedom Foundation, PFF Blog, http://blog.pff.org/archives/2009/12/us_legislators_cannot_trust_claims_that_37_of_the.html) and its defenders (see comments of Electronic Frontier Foundation, in *EFF and Study Authors Refute PFF’s ‘Junk Science’ Claims*, ZeroPaid, <http://www.zeropaid.com/news/87695/eff-and-study-authors-refute-pffs-junk-science-claims/>).

43. See *supra* Part II.B.1.

44. *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010), *cert. denied*, No. 10-300, 2010 U.S. LEXIS 9355 (Nov. 24, 2010).

eBay created the program in 1997. An IP owner who registers for VeRO submits a notice of claimed infringement to eBay.⁴⁵ The statement, made under penalty of perjury, indicates that the IP owner has a good-faith belief that the auction infringes its IP rights.⁴⁶

The VeRO program mimics the DMCA in its structure;⁴⁷ however, to the extent that trademarks or patents are involved, the counternotice provision is inapplicable. Sellers have brought declaratory judgments⁴⁸ and groundless threat actions⁴⁹ against IP owners that have utilized VeRO. One seller obtained a temporary restraining order against “excessive” use of the DMCA by a competitor (63 notices within a short time frame).⁵⁰ In theory, a DMCA Section 512(f) bad-faith action could be brought against a VeRO notice sounding in copyright.⁵¹

As VeRO is a private program administered by a private party, it is not subject to constitutional challenge.

In *Tiffany v. eBay*, the Second Circuit (which covers, in part, New York state) considered the question of eBay’s liability under direct and secondary theories for auction listings of TIFFANY branded items. Tiffany alleged that at any given moment 95 percent of all such items were infringing.⁵² At trial, Tiffany submitted a survey that indicated that (during a period of time in which it ceased using the VeRO program for purposes of the survey) it had made test purchases of all TIFFANY auctions and then examined the purchases for authenticity. Tiffany claimed that of the sample, 75.5 percent of the goods were counterfeit and 19.5 percent were “probably” infringing.⁵³ The remaining 5 percent appeared to be authentic second-hand TIFFANY items. It is of interest that a trademark owner can have items in its possession

45. eBay, *Reporting Intellectual Property Infringements (VeRO)*, <http://pages.ebay.com/help/tp/vero-rights-owner.html>.

46. These rights may include trademark, copyright, or patent.

47. See *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1069 n.1 (10th Cir. 2008) (questioning relationship between VeRO and DMCA).

48. *Id.*

49. See *eBay’s Vero is no substitute for litigation, UK judges rule*, The Register, http://www.theregister.co.uk/2006/11/15/ebay_uk_verified_rights_owner_ruling/.

50. *Design Furnishings, Inc. v. Zen Path LLC*, No Civ. 2:10-2765, 2010 WL 4321568 (E.D. Cal. Oct. 21, 2010).

51. See, e.g., *Dudnikov v. MGA Entertainment*, 410 F. Supp. 2d 1010 (D. Colo. 2005).

52. *Tiffany (NJ) Inc. v. eBay, Inc.*, No. 04 Civ. 4607 (RJS), slip op. at 16 (S.D.N.Y. July 14, 2008).

53. *Id.* at 20.

and still not be able definitively to conclude whether an item is legitimate. The district court severely criticized the survey and gave no credit to the 95 percent figure; however, eBay conceded that at any given time approximately 30 percent of the material in its TIFFANY auctions comprised infringing items.

In concluding that eBay had no direct or indirect liability for the sale of the infringing items, the district court gave great credit to the fact that eBay had taken down virtually every auction where Tiffany had notified it of an infringement through VeRO. The court lauded eBay's efforts at curbing infringements through VeRO, and it suggested that Tiffany's motivation may have been in part to hamper the lawful secondary market in its goods.

The Second Circuit affirmed the holding that an intermediary such as eBay would not be liable for infringements where it had a generalized knowledge of infringements; it would be held liable if it were placed on notice of actual infringement and did not then act expeditiously to halt such activity.⁵⁴ The requirement of actual notice of infringing as opposed to a generalized knowledge of "probable" infringement was echoed and cited by approval by a New York district court in a copyright context with regard to Google's liability for potentially infringing videos on its YouTube service.⁵⁵

European courts also have commented on eBay's VeRO program. In the United Kingdom, L'Oréal brought an action against eBay and others for trademark infringement in the High Court, given the sale by the auction site of goods bearing its trademarks, which goods, it alleged, were either counterfeit or gray market items. In his judgment, Mr. Justice Arnold, after setting out the VeRO program, held that "[t]here is nothing in eBay's systems and policies which favours or encourages the listing or sale of counterfeit goods. On the contrary, eBay Europe take[s] active steps to prevent or at least minimize such activities. The fact that eBay could take specific steps to combat the sale of such items does not affect this."⁵⁶

Judgment was entered for the defendants in part, with a reference to the Court of Justice of the European Communities (ECJ) for a preliminary ruling on a number of questions. These included (1) whether eBay would have a defense under the EU

54. Tiffany (NJ) Inc. v. eBay, Inc., No. 08-3947-cv, slip op. at 29 (2d Cir. Apr. 1, 2010).

55. Viacom Int'l, Inc. v. YouTube, Inc., No. 07 Civ. 2103 (LLS), slip op. at 20 (S.D.N.Y. June 23, 2010), http://static.googleusercontent.com/external_content/untrusted_dlcp/www.google.com/en/us/press/pdf/msj_decision.pdf.

56. L'Oréal S.A. v. eBay Int'l AG, [2009] EWHC 1094 ¶ 377 (Ch).

Directive on Electronic Commerce⁵⁷ to a claim for trademark infringement as a passive information host and (2) whether L'Oréal would be entitled to an injunction under the EU Enforcement Directive⁵⁸ against eBay to prevent it from acting as an intermediary to third-party infringers. The Advocate General has published an opinion that suggests that once made aware of an infringement, auction sites, such as eBay, will need to take active steps to stop repeat offenses if they wish to claim immunity from trademark infringement. Opinions of Advocates General are not binding on the ECJ but are followed in most cases.⁵⁹

In Germany, in the case of *Montres Rolex v. eBay*,⁶⁰ the court found in favor of eBay. Although the court did not expressly say that it approved of VeRO, it did state that as a tool, it gave brand owners “the necessary knowledge” to take action against a producer of counterfeit goods.

In contrast, in *Louis Vuitton Malletier SA v. eBay Inc.*,⁶¹ the French Tribunal de Grande Instance found against eBay. The court provided commentary on the VeRO program but ultimately found it ineffective, concluding that eBay had “deliberately refused to set up effective and appropriate measures in order to combat infringement.” It held that eBay was a broker, not a passive intermediary, and was liable for the sale of counterfeit or illicit luxury goods.

eBay is motivated to offer a secure customer experience. It maintains a feedback system for sellers, and VeRO complaints could adversely affect a seller's feedback score.⁶² As noted in the *Tiffany* case, sellers thus have an ambivalent relationship toward the VeRO program. While there has been grumbling by sellers (but apparently no class actions), there also has evolved a constructive exchange of information between sellers on how to effectively sell

57. Directive 2000/31/EC, June 8, 2000.

58. Directive 2004/48/EC, Apr. 29, 2004.

59. Opinion of Advocate General Jääskinen, *L'Oréal SA v. eBay Int'l AG*, Case C-324/09 (Dec. 9, 2010), <http://curia.europa.eu/juris/cgi-bin/form.pl?lang=en&Submit=Rechercher&alldocs=alldocs&docj=docj&docop=docop&docor=docor&docjo=docjo&numaff=C-324/09&datefs=&datefe=&nomusuel=&domaine=&mots=&resmax=100>.

60. No. Re. 20 U 204/02 (Oberlandesgericht Düsseldorf Feb. 26, 2004).

61. [2010] ETMR 10.

62. See *Tiffany (NJ) Inc. v. eBay, Inc.*, No. 08-3947-cv, slip op. at 15 (2d Cir. Apr. 1, 2010) (listing various remedial actions eBay takes with regard to sellers who are the subject of a VeRO notice); see also, generally, eBay, *How eBay Protects Intellectual Property (VeRO)*, <http://pages.ebay.com/help/tp/programs-vero-ov.html>.

on eBay.⁶³ Such information includes primers on trademark law and how to respond to a VeRO complaint.⁶⁴

4. Absence of Private Notice and Takedown: The Worst Case Scenario of *Akanoc*

While in *Tiffany v. eBay* the court declined to shift the burden of policing costs onto the intermediary based solely on generalized knowledge of a probability of infringement, what remains unchallenged is the liability of the intermediary when placed on notice of a specific instance of infringement. The *Akanoc* case illustrates the nightmare for the ISP that does not institute VeRO-like notice and takedown procedures.

In *Akanoc*,⁶⁵ after a trial in August 2009, a California jury returned a \$32 million verdict against Akanoc, a small Web hosting company, and related parties, for damages arising from direct infringement committed by its overseas clients. This may well be the largest award for contributory trademark infringement in U.S. legal history.

Akanoc consisted of an owner and part-time employees. Like many small online companies, it did not maintain a proper DMCA agent,⁶⁶ nor did it have any formal trademark protection policy. Over a period of time, Louis Vuitton sent 19 takedown notices to Akanoc, alleging that Akanoc's clients (who appeared to be located in China) were selling LV replica products. Akanoc, a California company, appeared to rely heavily (and erroneously) on jurisdictional defenses, namely that the direct infringements by its Chinese clients did not fall under U.S. law (at a minimum, the location of Akanoc's U.S. servers ensured that they did). Akanoc also argued that the alleged absence of personal jurisdiction over the direct infringers had a bearing on jurisdiction over its indirect claim, which simply is not the law. This is pure speculation on the authors' part, but it may have been a misunderstanding by Akanoc of the extraterritorial application of U.S. trademark and copyright

63. Erika Garnica, *Guest Post: Confessions of an eBay TSAM*, AuctionBytes.com, <http://blog.auctionbytes.com/cgi-bin/blog/blog.pl?pl/2010/8/1282099548.html> (author was a Top Seller Account Manager (TSAM) at eBay).

64. See Tabberone.com, <http://www.tabberone.com/Trademarks/trademarks.shtml>.

65. *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, No. 5:07-cv-03952 (N.D. Cal. jury verdict Aug. 28, 2009).

66. *Id.* See *The \$105 Fix That Could Protect You From Copyright-Troll Lawsuits*, Wired, Oct. 27, 2010, <http://www.wired.com/threatlevel/2010/10/dmca-righthaven-loophole/> (general discussion of failure of websites to register DMCA agents with U.S. Copyright Office).

law that led it to disable some but not all of the offending sites in the first place.

In any event, *Akanoc* seems to confirm what one commentator has referred to as “a common law notice-and-takedown regime for online trademark complaints.”⁶⁷ In short, notice by the IP owner put the service provider on seemingly unambiguous notice of direct infringement, after which the Web host failed to exercise its control over the site so as to stop the infringement.

The *Akanoc* decision is the poster child urging ISPs to comply with takedown notices—any takedown notice, even those drawn in crayon—in order to avoid the possibility of a multi-million-dollar verdict. However, as was the case with copyright takedown notices, as a matter of policy ISPs should not be forced to evaluate the contents of takedown notices (or to hazard guesses as to extraterritorial jurisdiction questions, as *Akanoc* may have). The better course is to utilize a legislatively structured process employing structured notices and responses to such notices.

C. The UDRP

The UDRP has a very different pedigree from VeRO and the DMCA, as it is neither a private internal policy nor a statutory creature. The proceeding is outlined by a policy of ICANN, the not-for-profit entity that oversees the domain name system. Shortly after the creation of ICANN in 1999, various stakeholders of the domain name system, including registrars and IP interests, came together and drafted the UDRP.⁶⁸ Together with the Anticybersquatting Consumer Protection Act (ACPA), also enacted that year, the UDRP was intended to stem the wave of cybersquatting cases arising from the original dot-com boom.

Unlike VeRO and the DMCA, the UDRP is an *inter partes* proceeding decided by a neutral panelist. A claimant files a single document, a UDRP complaint, which, within stated word limits, must make a prima facie case that the claimant has satisfied the three prongs establishing that the registrant has “abusively” registered the domain name in question. The claimant must establish that (1) the domain name embodies a trademark (or a confusingly similar variant thereof)⁶⁹ in which the claimant owns

67. Eric Goldman, *Another Bad Ruling in Louis Vuitton v. Akanoc*, Technology & Marketing Law Blog, http://blog.ericgoldman.org/archives/2010/03/another_bad_rul.htm.

68. See <http://www.icann.org/en/dndr/udrp/policy.htm>.

69. The term “confusingly similar” tends to be interpreted as meaning visual, phonetic, or connotative similarity, and not in the sense of an end result of a multi-factor analysis such as the U.S. multiple-factor likelihood of confusion test.

prior rights;⁷⁰ (2) the registrant is not making bona fide use of the domain name; and (3) the registrant obtained the domain name in bad faith, defined as harming the claimant in one of a number of ways.⁷¹

Twenty days after proper notice,⁷² the registrant may file an answer.⁷³ As the complainant must make out a prima facie case in its papers, it may not prevail merely through the registrant's default.⁷⁴ It is reported that over half of all UDRP proceedings are defaults,⁷⁵ and the panelist may "draw such inferences as it deems appropriate from the Respondent's failure to submit a timely Response."⁷⁶ Several complaints have been dismissed after a default.⁷⁷

An important concept to bear in mind when analyzing the UDRP is that it is designed explicitly to be an 80/20 solution: that is to say, it was envisioned that there were slam-dunk cases and hard cases, and the UDRP would resolve the slam-dunk cases. The panelists would be capable, on a limited record, of disposing of defaults and the truly specious defenses.⁷⁸ The record would not be sufficient (and the registrant should not be deprived of judicial

70. See text and panel decisions cited in Section 1.7, WIPO, *Overview of WIPO Panel Views on Selected UDRP Questions*, <http://www.wipo.int/amc/en/domains/search/overview/> (hereinafter *WIPO Overview*).

71. "Bad faith" is defined in paragraph 4(b) of the UDRP.

72. Actual notice is defined in paragraph 3 of the UDRP Rules; see <http://www.icann.org/en/dndr/udrp/uniform-rules.htm>.

73. See National Arbitration Forum, *Domain Name Dispute Process*, <http://domains.adrforum.com/main.aspx?itemID=263&hideBar=True&navID=199&news=26>, for discussion of supplemental pleadings in addition to the complaint and response.

74. See Gerald Levine, *Consequences of Default*, <http://www.lexisnexis.com/Community/copyright-trademarklaw/blogs/copyrightandtrademarklawblog/archive/2010/02/17/Consequences-of-Default.aspx>, discussing varying treatments of complainant's allegations in view of default.

75. M. Scott Donahey, *The UDRP—Fundamentally Fair, But Far From Perfect*, 6 *Electronic Com. & L. Rep.* 937 (BNA) (Aug. 29, 2001), http://www.brownwelsch.com/Archive/Donahey_UDRP.pdf (50–60%).

76. WIPO, *WIPO Guide to the UDRP*, <http://www.wipo.int/amc/en/domains/guide/>.

77. See, e.g., *PRL USA Holdings, Inc. v. Elyn Latta*, Case No. D2002-0314 (May 31, 2002) (registrant of www.ralphlaurensheets.com defaulted; panelist held that complainant did not put forth evidence of bad faith; mere awareness of famous RALPH LAUREN mark was insufficient).

78. See, e.g., *GA Modefine SA v. Castle Rock Planning*, Case No. D2001-0309 (May 3, 2001) (respondent claimed that he had a legitimate right to register www.georgio-armani.net as Giorgio Armani was the name of his dog); *Campsa Estaciones de Servicios, S.A. v. Maninfor Murcia GB, S.L.*, Case No. D2004-0467 (Aug. 9, 2004) (registrant claimed CAMPSARED (the claimant's trademark) was an elaborate acronym for its nonexistent business).

remedy) in a “complex” case, that is to say, a situation where there are disputed questions of fact and law, such as (1) Is the domain name confusingly similar to the claimant’s trademark? and (2) Does the registrant maintain a defense such as fair use or license?

Notable for its adherence to this “take the close cases to court” view is the National Arbitration Forum (NAF) panelist’s decision in *Oakland Raiders v. FanStop*.⁷⁹ The respondent appeared to have been a licensee of the complainant when it registered and adopted the domain name raiderette.com. The license was terminated. As a matter of strict cybersquatting law, the name was registered when the respondent arguably had the right to do so, and therefore the registration clearly did not constitute cybersquatting. However, there was no apparent reason for the registrant to maintain the name once it had been terminated. The panelist found for the respondent but concluded:

The Panel, however, strongly urges the respective parties to enter into serious discussions leading to a prompt transfer on a voluntary basis, since it appears to this Panel that a Federal court would have little difficulty finding that the continued ownership and use of the disputed domain would well lead to trademark infringement, confusion, possible dilution, and perhaps an intentional breach of the terms of the licensing agreements between Complainant and [Respondent]. . . . Given what could possibly constitute bad faith use of the mark, such a Federal court decision could also result in an award of attorney fees and punitive damages against Respondent . . . for such conduct. Under the circumstances, Respondent may wish to carefully consider the consequences of its apparent precarious legal position as the owner of the disputed domain name.

Here we see an advantage of expedited resolution: a neutral has acted as mediators sometimes do, and strongly suggested to the parties how a civil litigation might turn out.

Precedent under the UDRP. The World Intellectual Property Organization (WIPO) states: “The UDRP does not operate on a strict doctrine of precedent. However[,] panels consider it desirable that their decisions are consistent with prior panel decisions dealing with similar fact situations. This ensures that the UDRP system operates in a fair, effective and predictable

79. *Oakland Raiders v. FanStop.com, Inc.*, Claim No. FA0210000126836 (Jan. 11, 2003).

manner for all parties.”⁸⁰ To that end, WIPO has issued an analysis of its decisions, with majority and minority views, thus providing guidance to prospective litigants.⁸¹

De novo review of UDRP cases. UDRP cases have no influence on civil courts and thus do not abrogate the civil rights of the parties.⁸²

“Fairness” critique. Empirical studies have been published purporting to show unfairness in the administration of the UDRP; however, no study has made a convincing case, one way or the other. Studies have appeared purporting to show irregularities in the assignment of panelists to cases by the NAF, one of the UDRP arbitration providers, appearing to correlate to pro-complainant decisions. A different study of WIPO panelists, however, showed the exact opposite correlation of assignments to outcome.⁸³ One 2001 study made the interesting finding that registrants prevailed over half of the time when three panelist proceedings were selected.⁸⁴ While 50 percent is a meaningful benchmark for games of chance and not litigation, this suggests that when a registrant felt strongly enough about its case to pay in part for panelists, it prevailed.

Reverse domain name hijacking in UDRP. The UDRP Rules indicate that the panel shall declare reverse domain name hijacking on the part of the complainant if it finds that the complainant was “using the Policy in bad faith to attempt to deprive a registered domain-name holder of a domain name.” There is no sanction involved in such a holding. While the UDRP has no effect on a civil proceeding, it has been suggested that such a holding might influence a civil court considering counterclaims brought by a registrant.

80. *WIPO Overview*, *supra* note 70.

81. *Id.*

82. *Barcelona.com v. Excelentísimo Ayuntamiento de Barcelona*, 189 F. Supp. 3d 367 (E.D. Va. 2002), *rev'd*, 330 F.3d 617 (4th Cir. 2003).

83. Muscovitch Law Firm, *National Arbitration Forum (“N.A.F.”) Domain Name Dispute Study*, <http://www.dnattorney.com/study.shtml> (NAF panelists with highest number of assignments had highest pro-complainant decision rates). *But see WIPO Panelist Study Sheds More Light on UDRP*, Domain Name Wire, <http://domainnamewire.com/2010/04/26/wipo-panelist-study-sheds-more-light-on-udrp-practices/> (panelists with highest number of assignments had lowest pro-complainant decision rates).

84. Michael Geist, *Fair.com?: An Examination of the Allegations of Systemic Unfairness in the ICANN UDRP*, <http://aix1.uottawa.ca/~geist/geistudrp.pdf>.

D. Legislative Initiatives

1. China

In the course of our research, we recently came across the following interesting legislative initiative in China: Article 36 in Chapter 4 of the recently revised Tort Law of People's Republic of China stipulates as follows:

Where a network user commits a tort through the network services, the victim of the tort shall be entitled to notify the network service provider to take such necessary measures as deletion, block or disconnection. If, after being notified, the network service provider fails to take necessary measures in a timely manner, it shall be jointly and severally liable for any additional harm with the network user.

This Chinese version of notice and takedown presents very interesting possibilities. It will indeed be fascinating to see how this framework is implemented in practice.

2. ACTA

The Anti-Counterfeiting Trade Agreement (ACTA) is a proposed agreement for the purpose of establishing international standards for IP rights enforcement. At least one draft of ACTA proposed a notice and takedown provision that was similar to the DMCA in style.⁸⁵ An “online service provider” would not be liable for infringing materials in the following situation:

An online service provider expeditiously removing or disabling access to material or [activity][alleged infringement], upon receipt [of legally sufficient notice of alleged infringement,][of an order from a competent authority] and in the absence of a legally sufficient response from the relevant subscriber of the online service provider indicating that the notice was the result of mistake or misidentification.⁸⁶

A discussion of the complexities of the politics of the ACTA process and controversy arising from its non-transparent negotiations is beyond the scope of this article.⁸⁷ In any event, as of

85. Consolidated Text Prepared for Public Release, Anti-Counterfeiting Trade Agreement Public Predecisional/Deliberative Draft, http://trade.ec.europa.eu/doclib/docs/2010/april/tradoc_146029.pdf.

86. *Id.* sect. 4, art. 2.18, option 2.

87. *See, e.g., Stopping the ACTA Juggernaut*, EFF Deep Links Blog, <http://www.eff.org/deeplinks/2009/11/stopping-acta-juggernaut>.

the time of this writing, the most recent draft of ACTA did not contain any form of notice and takedown.⁸⁸

3. The European Union Directives

Similarly, in Europe, the EU Directive on Electronic Commerce sets out a regime to try to manage the liability of intermediaries throughout the EU. Intermediaries are given a specific “hosting defense” against liability for infringement in respect of information stored at the request of the recipient of the service, as well as where they are acting as a “mere conduit” for the transmission of information and where they cache or temporarily store information to make its onward transmission more efficient.

In addition, Article 11 of the EU Enforcement Directive states that “Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right.” The U.K. courts have already made a reference under this provision to the ECJ.⁸⁹ However, a decision is not expected for some time and is unlikely to contain detail as to the exact form of injunctive relief and when it should be granted. Article 11 was referred to by the German Supreme Court (BGH) in its decision *Internet-Versteigerung II*.⁹⁰ The BGH ruled that under German law, the liability of intermediaries is guaranteed by the rules of *Storerhaftung* (liability as an interferer). An interferer can be prohibited from what he does if he deliberately contributes to violating a protected good.

4. The Digital Economy Act 2010

The United Kingdom’s controversial Digital Economy Act was passed into law on April 8, 2010, just before Parliament was dissolved. The Act caused concern and outrage with civil liberties groups and Internet users but has been generally perceived to be good news for IP owners. One of the main areas of legislation introduced by the Act is the notification system to deal with online copyright infringers. Under the Act, Ofcom, the U.K. independent telecommunications regulator, has to implement a code, the initial

88. Consolidated Text Anti-Counterfeiting Trade Agreement, informal Predecisional/Deliberative Draft, Oct. 2, 2010, www.dfat.gov.au/trade/acta/ACTA-Consolidated-Text-20101002.pdf.

89. See *supra* Part II.B.3 (discussion of *L’Oréal v. eBay*).

90. Case I ZR 35/04 (BGH Apr. 19, 2007).

obligations code, which is essentially a notification system for copyright owners to send “copyright infringement reports” to ISPs outlining an alleged infringement of copyright and providing an IP address associated with the alleged infringement. The ISPs must notify and provide subscribers who are suspected by copyright owners of infringing their copyright, with evidence of the alleged infringement and ISPs must hold anonymized data of the number of times an individual subscriber is accused of infringement and provide copyright owners with the anonymized data upon request.

The Act also includes a power for the Secretary of State to order the introduction of a Technical Obligations Code once the Initial Obligations Code has been in force for 12 months. This code could oblige ISPs to put in place technical measures against those subscribers who have been the subject of a prescribed number of copyright infringement reports. It is not clear how this will work in practice, but the Act does provide that failure on the part of ISPs to meet their obligations could result in fines of up to £250,000. This is not a full “three strikes” or graduated response procedure, but it could eventually be implemented.

Whether the Act will have a significant effect on infringement remains to be seen. The new coalition government in Britain has said it will revisit the legislation and will change any aspects of it that are flawed. We wait with interest to see the first cases under this Act.

III. WHAT ARE THE ELEMENTS OF A TRADEMARK EDRP?

A. Introduction

After surveying the DMCA, VeRO, and UDRP processes, we note the following. The DMCA notice and takedown procedure is the least-expensive method for removing infringing material in a default situation. However, the removal of such material prior to response by a seller seems inappropriate if based solely on an IP owner’s short notice. The UDRP presents a working model of an abbreviated *inter partes* proceeding; however, it appears to require an unnecessary expenditure of resources in over half of the cases.

Picking “what works,” we recommend a hybrid *ex parte/inter partes* proceeding comprising the following:

1. Notice and takedown; and
2. Voluntary *inter partes* proceeding.

If a trademark owner has a good faith belief that a website is offering goods that infringe its rights,⁹¹ it may file a short notice to an agent of the intermediary or ISP setting forth a short and plain statement of claim. Upon reasonable notice to the seller by the ISP, if the seller defaults, the materials are removed, and a “notice and track-down” procedure is begun (however arguments can be made that the materials should be taken down immediately upon receipt of the notice by the ISP). By “materials,” we mean content that makes an offering to sell goods or services in relation to a trademark.

If the seller responds by filing a counternotice (which response contains verifiable contact information), then the parties can enter into discussions or select a UDRP-style abbreviated *inter partes* proceeding.

We set out here to list the most important talking points of the notice and takedown procedure. Discussion of possible *inter partes* scenarios is beyond the scope of this article.

B. Preliminary Comments: The Need For Due Process in an EDRP

Policing tools for IP owners are viewed with suspicion. Instances of alleged misuse of the DMCA to squelch critical speech are routinely reported.⁹² Recipients of VeRO notices post their defenses to eBay-oriented chat sites. The district court judge in *Tiffany* implicitly suggested that Tiffany’s motive in suing eBay was as much to gut the lawful secondary market for TIFFANY goods as it was to fight counterfeits.⁹³ The recently introduced COICA bill was immediately and routinely referred to as a censorship bill.⁹⁴

While it is tempting to ignore the anti-IP rhetoric as the psychic vestige of the RIAA’s legendary suits against “widows and orphans,” the reality is that it is in no one’s interest that trademark notice and takedown be an unfair tool. In designing a model procedure, we should look at what has been perceived as

91. We suggest exploring a notice procedure that embraces both trademarks and service marks.

92. See Thetechherald.com, Sept. 29, 2010, <http://www.thetechherald.com/article.php/201039/6211/Citigroup-uses-DMCA-as-shield-to-hide-past-opinions>.

93. *Tiffany (NJ) Inc. v. eBay, Inc.*, No. 04 Civ. 4607 (RJS), slip op. at 47 n.36 (S.D.N.Y. July 14, 2008).

94. See *Senate Antipiracy Bill Shelved—for now*, Cnet.com, Oct. 4, 2010; *Fight for Senate Antipiracy Bill Rages*, CNN.com, Sept. 30, 2010; *Backlash Against IP Bill Requiring ISPs to Block Pirate Sites*, PC Magazine.com, Sept. 29, 2010.

unfair in the existing dispute resolution proceedings and attempt to remedy any shortcomings. In selling the procedure, we should trumpet safeguards that prevent an anti-counterfeiting tool from morphing into an anti-competitive tool.

***C. Who May Invoke the Safe Harbor:
Is the Intermediary Truly an Intermediary?***

The EDRP must define who may invoke the safe harbor. Who is an intermediary and who is a retailer? The definition of “service provider” in the DMCA provides some guidance, in that it applies to entities that store materials, not mere conduits.⁹⁵ The service provider does not initiate the transmission, does not select the material, does not select the recipients, and does not modify. Our initial thought is the safe harbor should be available to online marketplaces—auction sites as well as traditional marketplaces.

Working toward a definition of “online marketplace,” we begin with the *eBay* case, where eBay was characterized as a marketplace and not a retailer because it never took physical possession of the goods sold, and thus merely facilitates a transaction between two third parties.⁹⁶ Nevertheless, eBay “exert[ed] sufficient control over the listings on its Web site such

95. 17 U.S.C. § 512(a). The statute provides as follows:

Transitory Digital Network Communications.— A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the provider’s transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or by reason of the intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections, if—

(1) the transmission of the material was initiated by or at the direction of a person other than the service provider;

(2) the transmission, routing, provision of connections, or storage is carried out through an automatic technical process without selection of the material by the service provider;

(3) the service provider does not select the recipients of the material except as an automatic response to the request of another person;

(4) no copy of the material made by the service provider in the course of such intermediate or transient storage is maintained on the system or network in a manner ordinarily accessible to anyone other than anticipated recipients, and no such copy is maintained on the system or network in a manner ordinarily accessible to such anticipated recipients for a longer period than is reasonably necessary for the transmission, routing, or provision of connections; and

(5) the material is transmitted through the system or network without modification of its content.

96. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 476 (S.D.N.Y. 2008).

that it cannot qualify as a mere online version of a newspaper or a magazine that publishes classified ads.”⁹⁷

There are certain ecommerce sites where there is opacity as to where the intermediary or ISP ends and where the seller begins. Sometimes that opacity is intentional, for a variety of reasons.⁹⁸ The ultimate “truth” as to an ISP’s true ties to the seller is simply not discernable without the discovery process. Nevertheless, if the primary goal is to expeditiously remove the infringing goods from sale (and worries over giving a “dirty” intermediary or ISP a pass is not the primary worry in a majority of situations), then notice and takedown works merely by forcing the intermediary or ISP to take a public posture as to whether it wishes to allege that it is a related party to the seller or not.

We acknowledge that in certain instances, online marketplaces may seek to “game” a notice and takedown regime and conspire with sellers in an elaborate round of whac-a-mole⁹⁹ against the trademark owner.

D. What Should Be Contained in a Notice?

The DMCA and VeRO are begun by notices that can be accommodated by structured online forms, containing bare-bones notice pleading and boilerplate “magic language.” The UDRP complaint in contrast is comparable to a civil complaint.

In view of the high probability of both (1) default by the seller and (2) the potential for abuse, we would argue that the two critical elements of notice are:

1. Externally verifiable elements of a prima facie case; and
2. Verification by the trademark owner of the contents of the notice.

With regard to common law claims, the equivalent of a statement of use, such as that required by the U.S. Patent and Trademark Office, serves the purpose of pleading use of a specific trademark with regard to specific goods and services.

97. *Id.* at 507.

98. We are reminded, for example, of the domain name world where anticybersquatting regulation and registrar accreditation assume a separation between the registrar and its customers, but it is widely whispered that certain registrars are fictitious fronts for the “domainer.”

99. Whac-a-mole being slang for a situation in which the same varmint disappears and reappears in different holes. We do not mean in any way to disparage the registered trademark WHAC-A-MOLE, owned by the good people at Mattel.

Alternatively, UDRP panelists have required a de facto showing of secondary meaning when evaluating a common law claim.¹⁰⁰

The notice should include the following elements:

- An identification of the jurisdictions that are the subject of the claim.
- Short, plain statement of the claim(s).
- Registration and pending applications.¹⁰¹
- Allegation of current use (including support of common law claims).
- Reputation evidence.
- Fame evidence where applicable.
- Contact information for the trademark owners.
- Information sufficient for the intermediary or ISP to properly identify the complained-of material on its servers.
- Reference information relating to the process and trademark law, including the identification of defenses, and resources to obtain legal assistance in responding.
- A signature under penalty of perjury.

E. Ensuring Proper Receipt of Notice by the Service Provider

The DMCA provides the most analogous data point, as it requires contact with the most diverse universe, in contrast with the UDRP and VeRO. The DMCA requires ISPs to maintain publicly identifiable agents. A directory of such designated agents with contact data is maintained by the Copyright Office.¹⁰² Penalties may arise from the failure of the ISP to maintain correct contact information for its agent.¹⁰³ The Copyright Office's experience illustrates the difficulty in maintaining an up-to-date

100. See *WIPO Overview*, *supra* note 70, Section 1.7 ("What needs to be shown for the complainant to successfully assert common-law or unregistered trademark rights?").

101. Obviously, pending applications do not in and of themselves create protectable rights; however, they can serve an information purpose in a notice.

102. Directory of Service Provider Agents for Notifications of Claims of Infringements, maintained at http://www.copyright.gov/onlinesp/list/a_agents.html.

103. See *Ellison v. Robertson & America Online Inc.*, 357 F.3d 1072 (9th Cir. 2004) (AOL deactivated publicly identified email address).

list; however, it suggests what a functional trademark notice agent list might look like.¹⁰⁴

F. Ensuring Proper Notice on the Seller

The presumption is that an intermediary or ISP has correct means of contacting its customer. Furthermore, the offering of goods on the website may provide contact information as to the seller's identity (although some "structured" email forms shield identity from the customer). Trademark owners often develop contact information by making trap sales. For UDRPs, notice is required "by every means possible." Thus, in the majority of cases, it is probable that between the intermediary or ISP, the website and the trademark owner, some working contact information exists. In some edge case where no contact information is available, it may well be appropriate to suspend the website to "wake up" the seller and get it to acknowledge receipt of the notice. Bear in mind that in our view there is little to no public policy argument in favor of the right to conduct commerce anonymously.

It would also be appropriate for the notice to the seller to contain reference information relating to the process and trademark law, including the identification of defenses, and resources to obtain legal assistance in responding.

In view of the importance of the ability to identify sellers of unauthorized goods, that issue is discussed below.

G. Personal Jurisdiction Over the Seller

As discussed above, we propose that a trademark owner's notice contain an assertion of rights in relation to specific jurisdictions. The seller may respond denying that it is subject to the exercise of jurisdiction in those particular forums (proper denial would include an assertion as to the seller's residence). Assuming the response is proper, the complained-of materials would not be removed by the intermediary. We see no inherent incompatibility between a multinational notice and takedown regime and any particular nation's exercise of its local interpretation of personal (and subject matter) jurisdiction.¹⁰⁵

104. Jonathan Bailey, *The Need to Modernize the DMCA Agent List*, Plagiarism Today, Aug. 21, 2007, <http://www.plagiarismtoday.com/2007/08/21/the-need-to-modernize-the-dmca-agent-list/>.

105. See *Dudnikov v. Chalk & Vermilion Fine Arts*, 514 F.3d 1063 (10th Cir. 2008) (VeRO notice targeted at Colorado seller subjected IP owner to jurisdiction in Colorado); *Doe v. Geller*, 533 F. Supp. 2d 996 (N.D. Cal. 2008) (Pennsylvania plaintiff sued U.K. copyright owner for sending DMCA notice; California court declined to exercise personal jurisdiction

H. Should There Be Takedown Prior to Response by Seller?

We believe that this question is one of the more difficult involved in proposing a notice and takedown regime.

eBay takes down auction listings prior to a response from the seller. Also, the DMCA requires the ISP to remove infringing content as quickly as possible. In a copyright context, it can be argued that distribution of, for example, counterfeit copies of the motion picture *Avatar* prior to its theatrical release would create irreparable harm.

It is less easy to articulate a scenario where a trademark owner suffers such irreparable harm justifying *ex parte* relief. We are reluctant to advocate a regime that would involve takedown prior to at least default by the seller. Nevertheless, if a counterfeiter is assured of being able to peddle its wares (under one name and email address) for two or three days, then go back into business the next day with a new identity, notice and takedown simply will not work.

As to situations where the seller properly responds, it is hard to justify a scenario where the trademark owner ought to receive what is in effect the equivalent of a preliminary injunction in a situation where the seller has properly responded to the trademark owner's notice.¹⁰⁶ To the extent that a seller of allegedly infringing goods is prepared to identify itself, make itself subject to jurisdiction, and respond to allegations, it is our view that the existing remedies are sufficient for the trademark owner: negotiate or litigate (or arbitrate).

I. What Constitutes Default/Deficient Response by the Seller?

We are guided here by the requirements of a counternotice under the DMCA. A default would be the absence of any response to the notice. A deficient response could be the failure by the seller to provide verifiable contact information as well as a short and plain statement of a defense within a stipulated period. Verifiable contact information must constitute more than, for example, a gmail.com address, which is just a shade above anonymity. Rather, it is our view that because there is no public policy favoring the right to sell goods anonymously, it is appropriate that the proper

over defendant, noting that Pennsylvania was proper jurisdiction as it was the forum of the plaintiff).

106. See discussion *infra* Part II.B.1.

response to a notice include the seller's (1) legal identity, (2) telephone number, and (3) street address. If the response does not include this information, and the seller declines to provide a complete response after being notified of the deficiencies, such failure would be deemed a "constructive" default, and the intermediary or ISP would have to remove the pages offering the goods.

Furthermore, in cases of default, the ISP should disclose the contact information it has on hand for the seller. The rationale for this view is discussed further in Part IV below.

J. Sanctions for Bad-Faith Notices?

Misuse of notice and takedown will be the most contentious aspect of this proposal, and the success of the procedure will rise and fall with the success of safeguards against abuse. While we have reservations as to the results of the Urban-Quilter study discussed above, its findings should be treated at least as anecdotal evidence suggesting the existence of a significant problem. Considering this in tandem with various allegations of abuse of VeRO,¹⁰⁷ common sense suggests that any EDRP has the potential to be abused by IP owners. Such abuse may target (1) lawful gray market goods, (2) lawful fair use (as in lawful replacement part use), and (3) lawful secondary markets.

By abuse, we are not referring to, for example, a situation where a trademark owner takes action (based on the limited information contained on a Web page) against something that ultimately turns out to be lawful. We are referring to bad-faith claims.

The challenge, however, in creating an effective deterrent against abusive takedown notices, at least as surfaced in the experience of the DMCA, is that a subjective bad faith standard may result in virtually no findings of liability. There are apparently no instances of judgments against IP owners under Section 512(f)¹⁰⁸ and apparently only one reported instance of an

107. See generally Scott Pilutik, *eBay's Secondary Trademark Liability Problem and its VeRO Program*, Intellectual Property Law Section, New York State Bar Association, Bright Ideas, Vol. 16, No. 1 (Spring/Summer 2007), http://www.auctionbytes.com/eBays_Secondary_Trademark_Liability_Problem.pdf.

108. *Id.*

IP claimant's paying some amount to settle a bad-faith DMCA notice claim.¹⁰⁹

The problem seems to be the subjective bad faith standard. A plaintiff's creative lawyer can formulate a rebuttal to any argument by a defendant, and there is no such thing as "obvious" fair use in their universe.¹¹⁰ In addition, the toothless concept of "reverse domain name hijacking" in the UDRP and the ACPA would not appear to be much of a safeguard.¹¹¹

Nevertheless, from a tactical point of view, an effective safeguard against abuse is critical. If the cost (and risk) of sending a notice is too low, and the reward of permanent relief easy, then an EDRP will be misused as an anticompetitive tool.

We suggest as a starting point that one look to Rule 11 of the U.S. Federal Rules of Civil Procedure. Questions to ask about a notice are whether the notice is:

1. The result of reasonable inquiry under the circumstances;
2. Not presented to harass, cause delay, or needlessly increase costs;
3. Warranted by existing law; or
4. Based on factual contentions that have evidentiary support (or would likely have evidentiary support after reasonable opportunity for further investigation).

An additional safeguard may be to provide that the filing of a notice gives rise to jurisdiction under the U.S. Declaratory Judgment Act (and international equivalents).

K. Mandatory Cooling-Off Period

A reported 70 percent of all opposition cases that come before OHIM (Office for Harmonization in the Internal Market (Trade Marks and Designs)) are resolved during the mandatory cooling-off period, the two-month extension between the filing of notice of

109. *Online Policy Group v. Diebold, Inc.*, 337 F. Supp. 1195 (N.D. Cal. 2004), settlement reported by plaintiff in Media Release, Diebold Coughs Up Cash in Copyright Case, <http://www.onlinepolicy.org/media/041016opgvdiebolddamages.shtml>.

110. See, e.g., *The 'Dancing Baby' Lawsuit Will Shape Future of Fair Use*, paidContent, <http://paidcontent.org/article/419-the-dancing-baby-lawsuit-will-shape-future-of-fair-use/>.

111. The ACPA provides that "the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action." 15 U.S.C. § 1114(2)(D)(iv).

opposition and answer and the beginning of substantive proceedings.¹¹²

L. Election of Arbitration

It is beyond the scope of this initial proposal to delineate the “talking points” of a voluntary expedited trademark dispute resolution proceeding. We do note that the UDRP, whose mission is to resolve the “easy” cases without derogating the rights of the parties to seek their traditional remedies in civil courts, serves as a starting point for investigation.

We also note that while an *inter partes* EDRP enhances the overall effectiveness of notice and takedown, in our opinion notice and takedown achieves worthwhile reduction in infringing activities as a stand-alone procedure to the extent that it:

1. Results in removal of materials in “true” and “constructive” defaults and
2. Leads to negotiated settlements where sellers respond with verifiable contact information.

IV. CONCLUSION

In summary, what we propose is an efficient, balanced, cost-effective, and universal electronic dispute resolution system.

At this juncture, we have the benefit of a retrospective look-back at analogous dispute resolution mechanisms, such as the DMCA notice and takedown procedure, the UDRP system, and voluntary takedown procedures adopted at marketplace platforms and search engines. Our aim is to distill the pros and cons from existing systems and combine such knowledge with practical experience gained over time in the trench warfare of the modern online market. The idea is to craft a single simple, user-friendly international EDRP system in the interest of all stakeholders involved.

WIPO is in an ideal position to develop country guidelines on notice and takedown for trademarks. WIPO has, in the past, played a crucial role in creating similar guidelines—for example, in relation to the *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*. These guidelines were adopted in many countries in a similar format with maximum

112. OHIM, *Community Trade Mark: Cooling-Off at OHIM—A Change of Practice*, Alicante News 03/2006, Mar. 22, 2006, <http://oami.europa.eu/en/office/newsletter/06003.htm#CTM1>.

effect to the ultimate benefit of consumers and trademark owners internationally. *Nunc tempus est facere idem.*

We have no doubt that for the proposed EDRP to work as intended, it will need to be universal. The Internet is global: this is and must be the starting point. Trademarks can be copied and used without authorization instantly throughout the world, by the touch of a computer button. Multijurisdictional issues can best be resolved if a single, international system is applied uniformly across the board. Development of a *jus gentium* is essential around notice and takedown for trademarks. Such a universal body of rules will serve to foster harmony; which will form a basis for certainty, which, in turn, will lead to that always-elusive but ever-desirable quest to promote justice.
