



School of Law
UNIVERSITY OF GEORGIA

Journal of Intellectual Property Law

Volume 29 | Issue 2

Article 3

May 2022

Reconsidering the Willful Blindness Doctrine in Contributory Trademark Infringement

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Andrew Ligon Fant, *Reconsidering the Willful Blindness Doctrine in Contributory Trademark Infringement*, 29 J. INTELL. PROP. L. 318 (2022).

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Reconsidering the Willful Blindness Doctrine in Contributory Trademark Infringement

Cover Page Footnote

J.D. Candidate, 2023, University of Georgia School of Law. Sincere thanks to Professor David Shipley for his advice and encouragement, to the JIPL Editorial Board, and to Kim Carlson, Mark Bailey, and Hannah Sbaity for the long hours they invested in this note.

**RECONSIDERING THE WILLFUL BLINDNESS
DOCTRINE IN CONTRIBUTORY TRADEMARK
INFRINGEMENT**

*Andrew Ligon Fant**

* J.D. Candidate, 2023, University of Georgia School of Law. Sincere thanks to Professor David Shipley for his advice and encouragement, to the JIPL Editorial Board, and to Kim Carlson, Mark Bailey, and Hannah Sbaity for the long hours they invested in this note.

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I. INTRODUCTION

When Jacqui Rogers bought high-end Weiss butterfly brooches on eBay, her excitement about the bargain price may have overpowered any skepticism about their authenticity.¹ She knew they were fakes as soon as she opened the box.² Jacqui confronted the seller and got her money back,³ but many people in Jacqui's position are not so fortunate. Who is responsible for this variety of trademark infringement: the vendor who—knowingly or unknowingly—directly infringed Weiss' trademark, Weiss for failing to police its trademark, or eBay for failing to prevent trademark infringement from proliferating on its platform? What if Weiss had notified eBay that those specific brooches were counterfeits? Or if Weiss had told eBay that the vendor was selling fakes? What if Weiss had given eBay a more general notice that there were counterfeit brooches sold on its platform? Was eBay required to investigate and stop counterfeiting of trademarks on its platform? What exactly was eBay required to do to avoid liability, and when was that duty triggered?

The answers to these questions need to be clear, but they are far from that. The answers depend on the circuit in which the lawsuit is heard. A clear answer is critical to allow both trademark registrants and online marketplace operators to plan, weigh risks, and allocate resources to protect intellectual property rights and consumers cost-efficiently.

The Lanham Act is silent on the issue. The Supreme Court has never decided a contributory trademark infringement case outside the context of manufacturing, much less one in the context of an online marketplace. The circuit courts have developed divergent standards for liability both between circuits and even, apparently, within the Second Circuit, particularly as to the specificity of information required for liability under a theory of willful blindness.⁴

The Second Circuit decided a case in the last year that increased uncertainty for both trademark registrants and online marketplace operators.⁵ For the last decade, many practitioners and scholars believed that *Tiffany v. eBay*⁶ stood for

¹ Katie Hafner, *Seeing Fakes, Angry Traders Confront eBay*, N.Y. TIMES (Jan. 29, 2006), <https://www.nytimes.com/2006/01/29/technology/seeing-fakes-angry-traders-confront-ebay.html>.

² *Id.*

³ *Id.*

⁴ Compare *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 107 (2d Cir. 2010) (holding that a marketplace owner did not have a duty to take precautions against infringement about which it had only a generalized knowledge), with *Luxottica Group, S.p.A. v. Airport Mini Mall, LLC*, 932 F.3d 1303, 1314-15 (11th Cir. 2019) (declining to decide whether knowledge of specific acts of direct infringement is required under a willful blindness analysis), and *Omega SA v. 375 Canal, LLC*, 984 F.3d 244, 255 (2d Cir. 2021) (holding that a marketplace owner had a duty to take precautions against infringers about which it had no specific knowledge).

⁵ *Omega*, 984 F.3d at 255.

⁶ *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).

the following proposition: an online marketplace cannot be contributorily liable for trademark infringement unless it (1) failed to remove from its platform infringing goods or vendors that repeatedly sold infringing goods (2) of which the marketplace had specific knowledge.⁷ But not all circuits have adopted the *Tiffany* standard.⁸ The Second Circuit—the same court that decided *Tiffany*—seemingly expanded *Tiffany* in 2021. In *Omega v. 375 Canal*, the Second Circuit held a building owner liable for infringement on their property despite their lack of any specific knowledge of the infringement.⁹

The tension created by the Second Circuit’s application of the willful blindness doctrine, together with already-divergent standards amongst the circuit courts of appeal, causes confusion for all parties that play a role in trademark enforcement.¹⁰ This confusion increases costs, which the parties pass on to consumers.¹¹ The lack of a clear and uniform liability standard, from either the legislature or judiciary, clouds the decision-making of both trademark registrants and online marketplace operators.¹² The lack of clarity makes it difficult for companies to make decisions as to their obligations to each other, their obligations to consumers, and the resources they are each obligated or willing to devote to policing trademark infringement.¹³

This Note argues that the willful blindness doctrine—as applied by the Second Circuit in *Omega* in particular—should be restricted or eliminated as an end-run around traditional contributory trademark infringement liability. The willful blindness doctrine undermines the traditional rule against an affirmative duty to root out infringement, creates uncertainty where business enterprises need clarity, and makes even less sense in the online context than it might elsewhere. Trademark registrants—not online marketplace operators—should bear the burden of policing online marketplaces for trademark infringement.

⁷ Compare ROGER E. SCHECHTER & JOHN R. THOMAS, PRINCIPLES OF TRADEMARK LAW 202 (1st ed. 2021) (“The pivotal issue in [*Tiffany v. eBay*] was whether ‘probabilistic’ knowledge that a significant percentage of the activity on eBay was infringing sufficed, or whether a plaintiff like Tiffany had to show specific knowledge on a case-by-case basis for each infringing act. The Second Circuit endorsed the latter view.”), with Eric Goldman, *eBay Mostly Beats Tiffany in the Second Circuit, but False Advertising Claims Remanded*, TECH. & MKTG. L. BLOG (Apr. 1, 2010), https://blog.ericgoldman.org/archives/2010/04/ebay_mostly_bea.htm (“eBay’s generalized knowledge of counterfeiting activities on the site was insufficient [for contributory infringement liability] . . . Unfortunately, the court did not stop there. Instead, the court . . . articulated a new and troublesome legal standard [for willful blindness].”).

⁸ Compare *Tiffany*, 600 F.3d at 107, with *Omega*, 984 F.3d at 255.

⁹ *Omega*, 984 F.3d at 254 (“[A] defendant may be held liable for contributory trademark infringement despite not knowing the identity of a specific vendor who was selling counterfeit goods, as long as the lack of knowledge was due to willful blindness.”).

¹⁰ See, e.g., *infra* note 133 and accompanying text (demonstrating reasonable confusion as to the knowledge standard for liability under a willful blindness theory).

¹¹ SCHECHTER & THOMAS, *supra* note 7, at 203.

¹² See, e.g., *infra* note 133 and accompanying text (demonstrating marketplace owner’s confusion as to when a duty to investigate is triggered).

¹³ *Id.*

This Note explores the background of contributory trademark infringement in Section II to lay the groundwork for understanding the problem presented in online marketplaces. Section III analyzes modern contributory trademark infringement jurisprudence and the willful blindness doctrine, followed by an analysis of potential solutions to the problem. Ultimately, this Note argues that trademark registrants should bear the burden of policing their trademarks and that the willful blindness doctrine should be eliminated or significantly limited in this context.

II. BACKGROUND

A. THE LANHAM ACT PROVIDES A CAUSE OF ACTION FOR TRADEMARK INFRINGEMENT

A trademark is “a device used by a merchant to identify its goods or services and distinguish them from those of others.”¹⁴ Trademarks are the bricks with which a brand name is built. Though the exact origin of trademarks is lost to the fog of history, merchants have placed distinctive marks on their goods since ancient times.¹⁵ Trade expanded as the world emerged from the Dark Ages, and merchants began to mark their goods so that customers in distant markets could identify the source of otherwise-generic products.¹⁶ Identifying the source of a product was critical to enabling repeat purchases of goods customers liked.¹⁷

One age-old debate in American trademark law is whether trademarks are meant to protect producers or consumers.¹⁸ Some scholars argue that the main goal of trademark law is best understood as protecting producers’ “property right in the mark and only secondarily on protecting consumers from confusion.”¹⁹ Other scholars tend to view trademark law as a form of consumer protection at its core.²⁰

The United States Congress first codified a federal trademark protection system in the act of July 8, 1870.²¹ The statute allowed for trademark registration with the Patent Office and created a civil cause of action for trademark

¹⁴ SCHECHTER & THOMAS, *supra* note 7, at 1.

¹⁵ Sidney A. Diamond, *The Historical Development of Trademarks*, 73 TRADEMARK REP. 222, 222 (1983).

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.1 (5th ed. 2022).

¹⁹ *Id.* (citing Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1841 (2007)).

²⁰ *Id.* (citing Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U. L. REV. 547, 560 n.59 (2006)); STEPHAN KINSELLA, AGAINST INTELLECTUAL PROPERTY 58 (2001) (“In my view, it is the consumers whose rights are violated [by trademark infringement].”).

²¹ Act of July 8, 1870, 16 Stat. 198, §§ 77-84; *Id.* at § 5.3.

infringement.²² Less than a decade later, in 1876, Congress created a criminal statute that penalized trademark infringement and counterfeiting with a fine and imprisonment.²³

The Supreme Court overturned both statutes as unconstitutional.²⁴ The Court consolidated three cases, now collectively known as “The Trademark Cases” to resolve a circuit split and review the constitutionality of Congress’ trademark protection scheme.²⁵ The Court held that the regulation of trademarks fell outside of Congress’ Copyright and Patent Clause²⁶ powers.²⁷ Thus, the Court reasoned that they must have been an exercise of Commerce Clause powers and held them unconstitutional as such.²⁸

Congress responded to The Trademark Cases by passing a new trademark statute under its Commerce Clause powers in the Act of March 3, 1881.²⁹ The 1881 Act proved inadequate since it provided no trademark protection for domestic interstate commerce.³⁰ In 1905, Congress passed the first “modern” federal trademark statute.³¹ The 1905 Act did not allow the registration of descriptive marks—geographical terms, personal names of individuals, names of firms, or names of corporations—and proved insufficient to deal with the realities of 20th century global trade even after several amendments.³²

The American Bar Association approved a draft bill in 1920 to replace the 1905 Act.³³ Nearly two decades later, in 1937, Edward Rogers, the author of the draft bill, gave his personal draft to Congressman Fritz Lanham.³⁴ Congressman Lanham introduced the draft as a house resolution the next year.³⁵ World War II shifted Congress’ focus to more pressing problems, but Congress eventually passed the Lanham Act in 1946, which continues to govern American trademark law today.³⁶

²² *In re Trade-Mark Cases*, 100 U.S. at 92.

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.* at 91-92.

²⁶ U.S. CONST. art. I, § 8, cl. 8 (“[The Congress shall have power] [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”).

²⁷ *In re Trade-Mark Cases*, 100 U.S. at 94.

²⁸ *Id.* at 91 (using a traditional narrow understanding of the scope of the commerce clause).

²⁹ 1 MCCARTHY, *supra* note 18, § 5:3; Act of March 3, 1881, 21 Stat. 502.

³⁰ 1 MCCARTHY, *supra* note 18, § 5:3.

³¹ *Id.* (citing Act of Feb. 20, 1905, 33 Stat. 724, 15 U.S.C. §§ 81 et seq.).

³² *Id.*

³³ *Id.* at § 5:4.

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

The Lanham Act includes a civil cause of action for trademark infringement.³⁷ The fundamental test of infringement—under both common law and statutory law—is “likelihood of confusion.”³⁸ Under the Lanham Act, a plaintiff alleging trademark infringement “has the burden to plead and prove both validity and infringement.”³⁹ A plaintiff proves trademark infringement by showing that a defendant’s use of a mark is likely to cause consumers to be confused, mistaken or deceived about the source of the goods bearing that mark.⁴⁰ The Lanham Act’s civil cause of action provides a remedy for owners of valid trademarks when they are infringed.

B. CONTRIBUTORY TRADEMARK INFRINGEMENT IMPORTED FROM TORT COMMON LAW

1. *Contributory Trademark Infringement Generally*

No provision of the Lanham Act created a cause of action of secondary infringement.⁴¹ In the mid-20th Century, though, courts often implied causes of action that are not explicit if the cause of action was consistent with the statute’s purpose.⁴² During that time period, courts imported both vicarious and contributory liability doctrines into trademark law from the common law of torts.⁴³

³⁷ 15 U.S.C. § 1114(1).

³⁸ 4 MCCARTHY, *supra* note 18, § 23:1 (“Infringement of federally registered marks is governed by the same test: whether the defendant’s use is ‘likely to cause confusion, or to cause mistake, or to deceive’ . . . Through decades of case law precedent and the influence of the Restatement, the federal courts have developed a multi-factor test to assist in the difficult determination of whether there is or is not a likelihood (probability) of confusion.”).

³⁹ *Id.*; see also M. Elaine Buccieri, *Cause of Action for Trademark Infringement Under the Lanham Act*, in 10 CAUSES OF ACTION 2D 501 § 2 (2022) (“To establish a prima facie case for [direct] trademark infringement under the Lanham Act, the ‘plaintiff must prove that: (1) the mark is distinctive and has been used in commerce, (2) the plaintiff is the . . . owner of the mark[, and] (3) the defendant is using a similar mark which is likely to cause confusion.”).

⁴⁰ AMERICAN BAR ASSOCIATION, WHAT IS A TRADEMARK? 13 (3d ed. 2009) (citing 15 U.S.C. § 1125(a)(1)(A); Lanham Act § 43(a)(1)(A)).

⁴¹ See 15 U.S.C. § 1114(1) (creating a cause of action only for direct infringement).

⁴² Ziglar v. Abassi, 137 S. Ct. 1843, 1855 (2017).

⁴³ Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 104 (2d Cir. 2010) (“Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts.”); Omega SA v. 375 Canal, LLC, 984 F.3d 244, 254 n.11 (2d Cir. 2021) (quoting Inwood Lab’ys, Inc. v. Ives Lab’ys, Inc., 456 U.S. 844, 853 (1982)) (“The Lanham Act does not expressly create liability for contributory trademark infringement, but the Supreme Court has concluded that ‘liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another.’”); Bryan Huntington, *Lessor Beware: Courts are Increasingly Willing to Hold Commercial Landlords Liable for Their Tenants’ Trademark Infringement*, 76 BENCH & B. MINN. 27, 27 (2019); see Buccieri, *supra* note 39, § 25 (“Trademark infringement is generally considered a tort and any member of the distribution chain may be liable as a joint tortfeasor.”); Inwood Lab’ys, Inc. v. Ives Lab’ys, Inc., 456 U.S. 844, 853-54 (1982) (“[L]iability for trademark infringement can extend beyond those who [directly infringe the trademark] . . . Even if a

The Supreme Court articulated the test for contributory trademark infringement in 1982 in its *Inwood v. Ives*⁴⁴ decision and has not expanded the test in the subsequent decades.⁴⁵ In *Inwood*, the plaintiff—Ives Laboratories (Ives)—was the manufacturer of the drug cyclandelate, which it marketed under the registered trademark Cyclospasmol.⁴⁶ Ives used an arbitrary color scheme that corresponded to the pills’ dosage.⁴⁷ Once Ives’ patent expired, the defendant—Inwood Laboratories (Inwood)—started producing generic cyclandelate and intentionally used the same color scheme that Ives used.⁴⁸ Some catalogs Inwood sent to pharmacists highlighted that the generic cyclandelate was identical in color and less expensive than Ives’ Cyclospasmol.⁴⁹ Ives brought suit, alleging that some pharmacists had sold generic cyclandelate mislabeled as Cyclospasmol.⁵⁰ Ives further argued that Inwood, among other defendants, was contributorily liable for the infringement because they induced the pharmacists to infringe Ives’s mark.⁵¹ Ives argued that Inwood induced the infringement by copying the Cyclospasmol color scheme and advertising the price difference between the generic and brand-name versions.⁵²

The District Court disagreed, finding that the mislabeling was based on a misunderstanding of New York Drug Substitution Law.⁵³ The Second Circuit reversed the District Court’s holding, and the defendant appealed.⁵⁴ The Supreme Court agreed with Ives and reversed both the District Court and the Second Circuit.⁵⁵ In the process, the Court established the modern contributory trademark infringement test:

manufacturer does not directly control others in the chain of distribution, it can be held responsible for their infringing activities under certain circumstances.”).

⁴⁴ *Inwood*, 456 U.S. at 844.

⁴⁵ 4 MCCARTHY, *supra* note 18, § 25.18; ANNE GILSON LALONDE & JEROME GILSON, 3 GILSON ON TRADEMARKS § 11.02(4)(g)(ii)(A) (2021); *Tiffany*, 600 F.3d at 107 (noting that the Supreme Court has not dealt with contributory trademark infringement since *Inwood*).

⁴⁶ *Inwood*, 456 U.S. at 846.

⁴⁷ *Id.* at 847.

⁴⁸ *Id.*

⁴⁹ *Id.* at 848.

⁵⁰ *Id.* at 849.

⁵¹ *Inwood*, 456 U.S. at 850.

⁵² *Id.* at 850.

⁵³ *Ives Lab’s, Inc. v. Darby Drug Co., Inc.*, 488 F. Supp. 394, 397 (E.D.N.Y. 1980) (“[T]he druggists who were test shopped by Ives] appear not deliberately to have been attempting to pass off the generic product as Cyclospasmol but rather to have misunderstood the precise requirements of the New York Drug Substitution Law.”).

⁵⁴ *Inwood*, 456 U.S. at 850 (White, J. concurring) (“[T]he Second Circuit found defendants liable for contributory infringement by revising and expanding the doctrine of contributory trademark infringement.”).

⁵⁵ *Id.* (majority opinion).

[I]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.⁵⁶

The world of commerce has radically changed since the 1980s,⁵⁷ but the Supreme Court has never extended the *Inwood* test beyond the context of manufacture and distribution.⁵⁸ The *Inwood* test allows trademark registrants to hold manufacturers and distributors liable for contributory trademark infringement in two scenarios.⁵⁹ In the first scenario a manufacturer or distributor induces the infringement. The second scenario is more complex and applies more readily to commercial entities like online marketplaces. Broken down into its elements, the test for liability in the second scenario requires that:

1. A manufacturer or distributor
2. continues to supply its product
3. to someone it
 - a. knows is engaging in trademark infringement or
 - b. has reason to know is engaging in trademark infringement.⁶⁰

In the nearly 40 years since *Inwood*, neither the Supreme Court nor Congress have addressed (1) what *services* outside of manufacture and distribution of physical goods can give rise to liability under *Inwood* or (2) how a court should determine that a defendant had “reason to know” of infringement.⁶¹ Instead, the lower courts have extended the *Inwood* test to deal with the realities of the twenty-first century.⁶²

2. *Contributory Trademark Infringement Liability for Service Providers*

⁵⁶ *Id.* at 854 (first citing *William R. Warner & Co. v. Eli Lilly & Co.*, 44 S. Ct. 615, 530–31 (1924); then citing *Coca-Cola Co. v. Snow Crest Beverages, Inc.*, 64 F. Supp 980 (Mass. 1946), *aff’d*, 162 F.2d 280 (1st Cir. 1974)).

⁵⁷ *See, e.g.*, *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 951 (C.D. Cal. 1997), *aff’d*, 194 F.3d 980 (9th Cir. 1999) (noting the importance of the internet to commerce).

⁵⁸ *Supra* note 45.

⁵⁹ *Inwood*, 456 U.S. at 854.

⁶⁰ *Id.*

⁶¹ *Supra* note 45.

⁶² *See infra* note 67 (noting that most courts have extended the test to marketplace operators).

The Supreme Court designed the *Inwood* test for manufacturers and distributors of products.⁶³ The Seventh Circuit first extended the *Inwood* test to physical marketplace operators but applied tort law principles of landlord liability to avoid defining when service providers can be contributorily liable.⁶⁴ The Ninth Circuit took on the task and established the test for service provider contributory liability that is widely used today.⁶⁵

Courts in most circuits have extended the *Inwood* test to marketplace operators—especially marketplace landlords and licensors—even though most contributory trademark infringement cases continue to crop up in the context of manufacturing.⁶⁶ The trend started in the 1990s⁶⁷ and accelerated rapidly around 2011 with a barrage of lawsuits brought by Coach, Inc.⁶⁸ Interestingly—but perhaps not surprisingly—many of these suits were brought against owners and operators of flea markets and swap meets.⁶⁹

One major case in this context is *Hard Rock v. CSI*.⁷⁰ The Seventh Circuit held that a flea market operator could be contributorily liable for the infringement of its vendors if it (1) knew or had reason to know of the infringement and did nothing or (2) was willfully blind, which it defined as “suspect[ed] wrongdoing and deliberately fail[ed] to investigate.”⁷¹ Hard Rock Cafe Licensing Corporation (Hard Rock) sent investigators to several flea markets owned by Concession Services Incorporated (CSI).⁷² After finding infringement by vendors, Hard Rock

⁶³ *Inwood*, 456 U.S. at 854 (noting that manufacturers and distributors can be liable for contributory trademark infringement).

⁶⁴ *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1148-49 (7th Cir. 1992) (“The common law, then, imposes the same duty on landlords and licensors that the Supreme Court has imposed on manufacturers and distributors.”).

⁶⁵ *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999) (“Direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark permits the expansion of [*Inwood*’s] ‘supplies a product’ requirement for contributory infringement.”).

⁶⁶ JOHN GLADSTONE MILLS III ET AL., 1 PAT. L. FUNDAMENTALS § 5.60 (2d ed. 2021).

⁶⁷ See, e.g., *Hard Rock*, 955 F.2d at 1149 (flea market owner and operator); *Polo Ralph Lauren Corp. v. Chinatown Gift Shop*, 855 F. Supp. 648, 650 (S.D.N.Y. 1994) (citing *Hard Rock*, 955 F.2d at 1149) (landlord); *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996) (citing *Hard Rock*, 955 F.2d at 1149) (swap meet operator).

⁶⁸ See, e.g., *Coach, Inc. v. Farmers Mkt. & Auction*, 881 F. Supp. 2d 695, 700-01 (D. Md. 2012) (first citing *Fonovisa*, 76 F.3d at 264–65; then citing *Hard Rock*, 955 F.2d at 1148–50) (flea market owner); *Coach, Inc. v. Swap Shop, Inc.*, 916 F. Supp. 2d 1271, 1278–80 (S.D. Fla. 2012) (first citing *Hard Rock*, 955 F.2d at 1150; then citing *Fonovisa*, 76 F.3d at 265; and then citing *Farmers Mkt.*, 881 F. Supp. 2d at 706) (flea market operator); *Coach, Inc. v. Goodfellow*, 717 F.3d 498, 503 (6th Cir. 2013) (first citing *Hard Rock*, 955 F.2d at 1149; then citing *Fonovisa*, 76 F.3d at 261) (flea market operator); *Coach, Inc. v. Sapat*, 994 F. Supp. 2d 192, 198–99 (D.N.H. 2014) (flea market operator).

⁶⁹ See *supra* notes 67-68 and accompanying text (listing suits brought against owners and operators of flea markets and swap meets).

⁷⁰ *Hard Rock*, 955 F.2d at 1143.

⁷¹ *Id.* at 1149.

⁷² *Id.* at 1145.

sued CSI for contributory infringement.⁷³ The Seventh Circuit applied the *Inwood* test, noting that it was unclear how the test should apply to service providers.⁷⁴ The court then turned to tort law for guidance, which “imposes the same duty on landlords and licensors that the Supreme Court has imposed on manufacturers and distributors [in *Inwood*].”⁷⁵ That is, CSI in its capacity as a landlord or licensor was “responsible for the torts of those it permits on its premises ‘knowing or having reason to know that the other is acting or will act tortiously.’”⁷⁶

Here, the district court had not found that CSI knew about the infringement.⁷⁷ Instead, the district court had held CSI liable under a willful blindness theory, a theory this Note will discuss in greater depth in the next Section.⁷⁸ The Seventh Circuit took issue with the district court’s willful blindness analysis, vacated the judgment, and remanded the case.⁷⁹

Hard Rock moved the ball forward into the realm of landlords and licensors who provide a service, but it still did not define when a service places the provider within the *Inwood* framework. In the late 1990s, Lockheed Martin—a defense contractor and lobbying organization⁸⁰—filed a trademark infringement claim against Network Solutions, Incorporated (NSI)—a domain name registrar.⁸¹ A Domain Name Services (DNS) allows website owners to register their IP address with a “domain name registrar,” which then associates that IP address with a domain name.⁸² After a user types a domain name into their browser, the browser communicates with a DNS to find out what IP address is associated with that domain name and routes the user accordingly.⁸³

The root of Lockheed Martin’s claim was that NSI had infringed its “Skunk Works”⁸⁴ trademark by allowing a third party to register it as a domain name.⁸⁵ Several third parties had registered domain names confusingly similar to “Skunk

⁷³ *Id.* at 1147.

⁷⁴ *Id.*

⁷⁵ *Hard Rock*, 955 F.2d at 1149.

⁷⁶ *Id.* (citing RESTATEMENT (SECOND) OF TORTS § 877(c) cmt. d (AM. L. INST. 1979)).

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ *Id.* at 1150.

⁸⁰ Bryan Bender & Sarah Cammarata, *Defense Lobby Spending Totals for 2020*, POLITICO (Jan. 29, 2021, 10:00 AM), <https://www.politico.com/newsletters/morning-defense/2021/01/29/defense-lobby-spending-totals-for-2020-793059>.

⁸¹ *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 951 (C.D. Cal. 1997), *aff’d*, 194 F.3d 980 (9th Cir. 1999).

⁸² *Lockheed Martin*, 985 F. Supp. at 952 (C.D. Cal. 1997).

⁸³ *Id.*

⁸⁴ SKUNK WORKS, Registration No. 2532721.

⁸⁵ *Lockheed Martin Corp. v. Network Sols., Inc.*, 194 F.3d 980, 983 (9th Cir. 1999).

Works.”⁸⁶ Lockheed Martin successfully convinced some of the owners to abandon their domain names but did not register those domain names for itself.⁸⁷

The Ninth Circuit, citing *Hard Rock* and *Fonovisa*,⁸⁸ formulated and applied the following rule in *Lockheed* to decide whether the “supplies a product” prong of the *Inwood* test had been met: “[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark permits the expansion of [*Inwood*’s] ‘supplies a product’ requirement for contributory infringement.”⁸⁹ The court ultimately distinguished the case from *Hard Rock* and *Fonovisa* and held that NSI had not infringed Lockheed Martin’s trademark.⁹⁰ The “rote translation” done by a DNS was not sufficient to meet the “supplies a product” prong of the *Inwood* test.⁹¹

Hard Rock and *Lockheed* laid the groundwork for courts to extend the *Inwood* Test to online service providers. The Second Circuit extended the *Inwood* test to online marketplaces in *Tiffany v. eBay*.⁹² The application of *Inwood* to eBay was contested at the trial court level, although the issue was not on appeal.⁹³ Over the objections of the defendant-appellant, which argued that *Inwood* “governs only manufacturers and distributors of products,” the district court adopted the Ninth Circuit’s approach in *Lockheed*.⁹⁴ The court “concluded that *Inwood* applied in light of the ‘significant control’ eBay retained over the transactions and listings facilitated by and conducted through its website.”⁹⁵

C. THE WILLFUL BLINDNESS DOCTRINE IMPORTED FROM CRIMINAL LAW TO CIVIL LAW

This brings us to the “knows or has reason to know” prong of the *Inwood* test.⁹⁶ The willful blindness doctrine is not native to trademark law or even to

⁸⁶ The domain names at issue included, among others, skunkworks.com, skunkworx.com, and skunkwurks.com. *Id.*

⁸⁷ *Id.*

⁸⁸ *Id.* at 984 (“*Hard Rock* and *Fonovisa* teach us that when measuring and weighing a fact pattern in the contributory infringement context without the convenient ‘product’ mold dealt with in *Inwood* [], we consider the extent of control exercised by the defendant over the third party’s means of infringement.”) (first citing *Hard Rock*, 955 F.2d at 1148-49; then citing *Fonovisa*, 76 F.3d at 265).

⁸⁹ *Id.*

⁹⁰ *Id.* at 985.

⁹¹ *Hard Rock*, 149 F.3d at 985.

⁹² *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 105 (2d Cir. 2010).

⁹³ *Id.* (“In the district court, the parties disputed whether eBay was subject to the *Inwood* test . . . On appeal, eBay no longer maintains that it is not subject to *Inwood*.”).

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ *Inwood Lab’ys, Inc. v. Ives Lab’ys, Inc.*, 456 U.S. 844, 854 (1982).

the civil law more generally. The doctrine originated in criminal law and has been grafted onto the civil law.⁹⁷

Section 2.02(7) of the Model Penal Code, for example, states that “[w]hen knowledge of the existence of a particular fact is an element of an offense, such knowledge is established if a person is aware of a high probability of its existence, unless he actually believes that it does not exist.”⁹⁸ The Model Penal Code, however, does not elaborate on what qualifies as a “high probability.” Even if it did, it is not obvious that a criminal law knowledge requirement should apply at all in a civil matter like trademark infringement.

The debate over the level of specificity of information required under a willful blindness analysis has raged for well over a century.⁹⁹ English courts agreed that “actual knowledge was unnecessary for conviction [of a crime] if the defendant purposely abstained from acquiring” knowledge of their culpability.¹⁰⁰ But some English courts required a “failure to investigate a suspicion of wrongdoing,” and others required “that criminal activity was obvious to the defendant . . . because such evidence suggested that the defendant’s ignorance was really just a charade.”¹⁰¹

All of the federal courts have adopted some version of the willful blindness doctrine.¹⁰² The Supreme Court applied the doctrine to patent infringement in *Global-Tech v. SEB*,¹⁰³ but it has never applied the doctrine in a trademark infringement case.

The Seventh Circuit left consequential questions unaddressed in *Hard Rock*: in a willful blindness analysis, what does it mean to suspect wrongdoing? Do marketplace operators need specific information about specific infringement, general information that infringement is occurring, or only knowledge that some probability exists that infringement is occurring? This is the juncture at which courts across the nation part ways.¹⁰⁴

In some circuits, the answer is still unsettled. For example, in its 2019 decision in *Luxottica v. Airport Mini Mall*, the Eleventh Circuit explicitly declined to decide the specificity of knowledge a defendant must have to be willfully blind.¹⁰⁵ In

⁹⁷ See, e.g., *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 766-68 (2011) (importing the doctrine of willful blindness from criminal law into patent law).

⁹⁸ Model Penal Code § 2.02(7) (AM. LAW. INST., Proposed Official Draft 1962).

⁹⁹ Jonathan L. Marcus, *Model Penal Code Section 2.02(7) and Willful Blindness*, 102 YALE L.J. 2231, 2234 (1993).

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² *Id.* at 2232.

¹⁰³ *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 768 (2011).

¹⁰⁴ *Supra* note 4 and accompanying text.

¹⁰⁵ *Luxottica Group, S.p.A. v. Airport Mini Mall, LLC*, 932 F.3d 1303, 1313-14 (11th Cir. 2019) (“The question that arises—another one of first impression for this Court—is whether the knowledge theory of contributory liability requires the plaintiff to prove that the defendant had actual or constructive knowledge of *specific* infringing acts . . . we need not decide today

that case, Luxottica Group alleged that Airport Mini Mall (AMM)—a landlord that leased booths to vendors¹⁰⁶—was contributorily liable for its vendors’ direct infringement of trademarks owned by Luxottica and its subsidiaries.¹⁰⁷ The police raided AMM three times and seized—on one occasion—thousands of goods that allegedly infringed Luxottica’s trademarks.¹⁰⁸

The defendant also received letters from Luxottica notifying the defendant that its vendors were not authorized Oakley or Ray-Ban dealers and identifying specific booths suspected of infringement.¹⁰⁹ The court held that “the evidence in this case was sufficient for a reasonable jury to find that the defendants had at least constructive knowledge of (or were willfully blind to) specific acts of direct infringement.”¹¹⁰ The court did not have to decide whether something less than actual knowledge of specific acts of direct infringement would suffice here, so the court did not decide on a specific standard.¹¹¹

District courts in the Ninth Circuit have rejected the notion that generalized knowledge is enough to establish willful blindness.¹¹² In *Spy Phone Labs v. Google*, the court denied the motion to dismiss, but only because the plaintiff had alleged that the defendant had specific knowledge of a specific developer who previously infringed on the same specific mark.¹¹³ The court noted that if plaintiff had given generalized notice without identifying specific infringing developers or applications, the defendant would not have had a duty to investigate.¹¹⁴

The Second Circuit’s analysis of this issue is particularly interesting because it has not settled on an easily discernable rule, despite the notoriety of its opinion in *Tiffany*.¹¹⁵ “[A] significant portion of the ‘Tiffany’ sterling silver listed on the eBay website . . . was counterfeit,”¹¹⁶ and “eBay knew ‘that some portion of the

whether a defendant must be found to have actual knowledge of specific acts of direct infringement for contributory liability to attach.”).

¹⁰⁶ *Id.* at 1309.

¹⁰⁷ *Id.* at 1310. Luxottica and its subsidiary owned the Oakley and Ray-Ban trademarks. *Id.* at 1309.

¹⁰⁸ *Id.* at 1309.

¹⁰⁹ *Id.* at 1309-10.

¹¹⁰ *Luxottica*, 932 F.3d at 1313-14.

¹¹¹ *Id.* at 1314.

¹¹² See, e.g., *Spy Phone Labs LLC v. Google Inc.*, No. 15-cv-03756-KAW, 2016 WL 6025469, at *6 (N.D. Cal. Oct. 14, 2016) (noting that generalized knowledge is insufficient to establish willful blindness).

¹¹³ *Id.*

¹¹⁴ *Id.* at *6.

¹¹⁵ *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010); see generally 4 MCCARTHY, *supra* note 18, § 25:20.50 (noting that *Tiffany* was the first decision to address internet marketplace liability for contributory trademark infringement).

¹¹⁶ *Id.* at 98 (quoting *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 486 (S.D.N.Y. 2008)). For context, “Tiffany (NJ) Inc. and Tiffany and Company (together, “Tiffany”)” is a jewelry manufacturer “bespeaking high-end quality and style.” *Id.* at 96.

Tiffany goods sold on its website might be counterfeit.”¹¹⁷ eBay went to great lengths to detect and prevent the sale of counterfeits on its website. eBay hired over 200 employees to fight trademark infringement, used cutting edge technology to detect infringement, and maintained a system for trademark registrants to identify infringing listings for removal.¹¹⁸ eBay removed most of the infringing listings identified by trademark registrants within twelve hours.¹¹⁹

Unsurprisingly, eBay was unable to find and eliminate all trademark infringement from its website.¹²⁰ Tiffany brought suit alleging, among other things, contributory trademark infringement.¹²¹ The Second Circuit held that “[f]or contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.”¹²² The Second Circuit did not elaborate much in its willful blindness analysis, but it stated that the district court did not err in its finding that eBay was not willfully blind.¹²³

The Southern District of New York, whose decision the Second Circuit ruled was not in error, provides more on willful blindness.¹²⁴ The court adopted the view that specific knowledge of individual counterfeiters is required to establish willful blindness.¹²⁵ The court noted that “the law does not impose a duty on eBay to take steps in response to a generalized knowledge of infringement.”¹²⁶

In 2021, the Second Circuit handed down its ruling in *Omega v. Canal*,¹²⁷ which apparently contradicts but did not overrule or even distinguish *Tiffany*.¹²⁸ Omega,

¹¹⁷ *Id.* (citing *Tiffany*, 576 F. Supp. 2d at 507). For context, eBay, Inc. operates an “eponymous online marketplace . . . [that] has facilitated the buying and selling by hundreds of millions of people and entities . . . [that] is sometimes employed by users as a means to perpetrate fraud by selling counterfeit goods.” *Id.* at 96.

¹¹⁸ *Id.* at 98-99.

¹¹⁹ *Id.* at 99.

¹²⁰ *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 97 (2d Cir. 2010) (noting that Tiffany found many infringing products on eBay’s marketplace both prior to and during the litigation).

¹²¹ *Id.* at 103.

¹²² *Id.* at 107.

¹²³ *Id.* at 110.

¹²⁴ *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 513-15 (S.D.N.Y. 2008), *aff’d in part, rev’d in part*, 600 F.3d 93 (2d Cir. 2010).

¹²⁵ *Id.* at 515 (“Were Tiffany to prevail in its argument that eBay was willfully blind, the ‘reason to know’ standard of the *Inwood* test would be inflated into an affirmative duty to take precautions against potential counterfeiters, even when eBay had no specific knowledge of the individual counterfeiters.”).

¹²⁶ *Id.* at 514.

¹²⁷ *Omega SA v. 375 Canal, LLC*, 984 F.3d 244 (2d Cir. 2021).

¹²⁸ *Compare Omega*, 984 F.3d at 255 (“Tiffany provided a test for identifying which scenarios could result in liability: ‘[C]ontributory liability may arise where a defendant is . . . made aware that there was infringement on its site but . . . ignored that fact.’”), *with Tiffany*, 600 F.3d at 107 (“For contributory trademark infringement liability to lie, a service provider must have more

a luxury watch manufacturer, sued Canal, the owner of a Manhattan property that had a “long history of litigation alleging counterfeiting and trademark violations,” for contributory trademark infringement.¹²⁹ Omega sent Canal a letter informing Canal that vendors on its property were infringing Omega’s trademarks, but Omega did not identify specific vendors to Canal.¹³⁰ A private investigator hired by Omega later purchased a counterfeit watch at the Canal property before Omega finally filed suit.¹³¹ The jury found that Canal was willfully blind to infringement and awarded Omega \$1.1 million in statutory damages.¹³² Canal appealed, relying on *Tiffany* to argue that it could not be willfully blind when it had only generalized knowledge of infringement:

Omega’s core theory is, of course, entirely incompatible with [*Tiffany*] . . . In *Tiffany*, eBay’s website was, in Omega’s words, “used to sell counterfeit goods” . . . This Court nevertheless held that eBay could not be liable for contributory trademark infringement because the plaintiff had not established that eBay continued to provide services to *specific* infringers, after eBay knew or had reason to know that those specific infringers were engaged in trademark infringement. *Tiffany*, 600 F.3d at 106-109. Put another way, *Tiffany* explicitly and unambiguously rejected Omega’s core legal theory in this case, which should be the end of the matter.¹³³

That was not the end of the matter. The Second Circuit held that generalized knowledge of infringement imposes on a marketplace owner a duty to “undertake[] bona fide efforts to root [it] out.”¹³⁴ “If [a defendant] undertakes bona fide efforts to root out infringement, such as eBay did in *Tiffany*, that will support a verdict of no liability . . . But if the defendant decides to take no or little action, it will support a verdict finding liability.”¹³⁵

In the wake of *Omega v. Canal*, a marketplace owner is back to wondering when exactly they are required to investigate and remediate infringement to avoid

than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.”)

¹²⁹ *Omega*, 984 F.3d at 248.

¹³⁰ *Id.* at 249.

¹³¹ *Id.* at 249.

¹³² *Id.* at 250.

¹³³ Reply Br. for Defendant-Appellant *1, *Omega, SA v. 375 Canal, LLC*, 984 F. 3d 244 (2d Cir.) (No. 19-969-CV), 2020 WL 282330.

¹³⁴ *Omega*, 984 F.3d at 255.

¹³⁵ *Id.*

liability. Nothing in the Omega decision suggested that the Second Circuit viewed Canal differently from eBay since one was a physical marketplace and the other online. Instead, the Second Circuit insisted that *Tiffany* did not eliminate liability for marketplace owners who lack specific knowledge of infringement.¹³⁶

III. ANALYSIS

A. THE MODERN TREND IS TO SHIFT THE DUTY TO POLICE TRADEMARKS TO MARKETPLACES

The modern trend in contributory trademark infringement thought appears to be moving in the direction of imposing more responsibility and liability on marketplaces both by judicial and legislative action.¹³⁷ Neither the Restatement (Third) of Unfair Competition's approach nor legislative proposals would address the problem of commercial uncertainty.

1. *The Restatement's Approach is Incompatible with the Cases*

The Restatement (Third) of Unfair Competition takes the aggressive position that a marketplace should be liable for contributory trademark infringement if it "fails to take reasonable precautions . . . in circumstances in which the infringing conduct can be reasonably anticipated."¹³⁸ A comment to the Restatement section attempts to clarify: "The duty to take reasonable precautions, however, arises only when the manufacturer or distributor has reason to anticipate that some substantial number of infringing sales will otherwise occur."¹³⁹

The Restatement's approach does not help a marketplace owner—or trademark registrant for that matter—understand *when* that duty is activated. The Restatement's approach would impose on marketplace owners an affirmative duty to seek out infringement. After all, could every marketplace owner not reasonably anticipate that at some point one of their vendors will infringe a trademark?

Imposing an affirmative duty of that type has been repeatedly rejected by courts.¹⁴⁰ The duty would place the burden of policing trademarks on marketplaces. Both physical and online marketplace owners are ill-equipped to police trademarks, and online marketplaces are not even in a better position than the trademark registrant to do so. The Restatement's view would essentially allow

¹³⁶ *Id.* at 255 (asserting that under *Tiffany* generalized knowledge of infringement gives rise to a duty to conduct a bona fide investigation).

¹³⁷ See, e.g., *id.* (imposing a duty to investigate on a defendant who had only generalized knowledge of infringement); SHOP SAFE Act of 2021, S. 1843, 117th Cong. (2021).

¹³⁸ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 27 (AM. L. INST. 1995).

¹³⁹ *Id.* at § 27 cmt. c (AM. L. INST. 1995).

¹⁴⁰ See, e.g., *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 93 (2d Cir. 2010) ("[G]eneralized knowledge of infringement . . . was not sufficient to impose . . . an affirmative duty to remedy the problem.").

trademark registrants to shift their burden of policing to the entities ostensibly selling their goods.

The Restatement's comments go even further in its view that distributors have an affirmative duty to take precautions against trademark infringement: "This section recognizes [contributory trademark infringement] liability when the manufacturer or distributor accepts the benefits of the infringement by failing to take reasonable precautions against its occurrence."¹⁴¹ This standard would indeed impose an affirmative duty on every marketplace that benefits from sales to take precautions against infringement.

2. *Legislative Proposals Fall Short of Solving the Problem*

Recently, there has been a move towards statutory solutions to counterfeiting and contributory trademark infringement.¹⁴² The legislative proposals have offered some promise of addressing the commercial problems—uncertainty both as to which party bears the burden of policing infringement and the requirements for avoiding liability—but fall short more generally.

The Stopping Harmful Offers on Platforms by Screening Against Fakes in E-Commerce (SHOP SAFE) Act of 2021 is a good example of such proposed legislation.¹⁴³ The bill purports to amend the Lanham Act to statutorily impose contributory trademark infringement liability on electronic commerce platforms unless the platform meets certain safe harbor requirements.¹⁴⁴

The SHOP SAFE Act has its virtues. For example, it codifies the "continues to supply" prong of *Inwood* and its progeny.¹⁴⁵ It eliminates uncertainty as to when a marketplace is obligated to ban a vendor who is a repeat-offender with a "three strikes in a year and you're out" rule.¹⁴⁶ The SHOP SAFE Act is also endorsed by the American Bar Association (ABA) Section of Intellectual Property Law.¹⁴⁷

The problems with the SHOP SAFE Act, though, are as numerous as its virtues. The Act only applies to counterfeiting and not to trademark infringement, more generally, so even if the SHOP SAFE Act were passed into

¹⁴¹ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 27 cmt. a (AM. L. INST. 1995).

¹⁴² See, e.g., SHOP SAFE Act of 2021, S. 1843, 117th Cong. (2021) (providing a statutory solution to the lack of uniformity in contributory trademark infringement doctrine).

¹⁴³ *Id.*

¹⁴⁴ *Id.* at § 2(a)(4)(A)(x) ("Use of a counterfeit mark by a third-party seller in 3 separate listings within 1 year shall be considered repeated use, except when reasonable mitigating circumstances exist.")

¹⁴⁵ *Id.* at § (a)(4)(A).

¹⁴⁶ *Id.* at § (a)(4)(A)(x).

¹⁴⁷ Letter from June M. Besek, Chair of the Am. Bar Ass'n Section of Intell. Prop. Law., to The Honorable Christopher A. Coons, Chair of the Senate Judiciary Subcomm. on Priv., Tech., and the L., and The Honorable Thom Tillis, Ranking Member of the Senate Judiciary Subcomm. on Intell. Prop. (July 6, 2021) (on file with the Am. Bar Ass'n), https://www.americanbar.org/content/dam/aba/administrative/intellectual_property_law/advocacy/aba-ipl-comment-letter-shop-safe-act-2021-us-senate-7-6-21-1843.pdf.

law it would provide no guidance for how marketplaces could avoid liability for most contributory trademark infringement.¹⁴⁸

The SHOP SAFE Act also only applies to products that “implicate health and safety.”¹⁴⁹ The Act defines products that “implicate health and safety,” but the language is unhelpful in line-drawing and will undoubtedly leave online marketplaces unsure which products fall under the Act’s umbrella.¹⁵⁰ But regardless of how courts interpret the language, the Act does not apply to all products. Therefore, products that do not implicate health and safety are back in the conundrum of modern contributory trademark infringement jurisprudence. And although the ABA’s letter concerning the SHOP SAFE Act encouraged Congress to expand the Act to all products if it proves to be successful, it made no mention of expanding the SHOP SAFE Act to all trademark infringement.¹⁵¹

The most problematic part of the SHOP SAFE Act is its requirement that online marketplaces implement a program to “expeditiously” take down counterfeit listings the platform is reasonably aware of.¹⁵² The Act adopts a very broad view—similar to the “reason to know” standard that the *Tiffany* court rejected¹⁵³—of when an online marketplace should be reasonably aware of the use of a counterfeit mark.¹⁵⁴ If an online marketplace has a program but perhaps does not take down counterfeit listings “expeditiously,” it may be exposed to liability despite good faith efforts. This could be a reasonable outcome if the marketplace could otherwise avail itself of a safe haven through reasonable efforts, but the requirement for such a program is actually an eligibility requirement for the safe haven.

¹⁴⁸ S. 1843 § 2(a)(4)(A) (“[A]n electronic commerce platform shall be deemed contributorially liable . . . for a case in which . . . a third-party seller uses in commerce a *counterfeit mark* in connection with the sale, offering for sale, distribution, or advertising of *goods that implicate health and safety* on the platform.”) (emphasis added).

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at § (a)(4)(B)(iii) (“The term ‘goods that implicate health and safety’ means goods, the use of which can lead to illness, disease, injury, serious adverse event, allergic reaction, or death if produced without compliance with all applicable Federal, State, and local health and safety regulations and industry-designated testing, safety, quality, certification, manufacturing, packaging, and labeling standards.”).

¹⁵¹ Letter from June M. Besek, *supra* note 144.

¹⁵² S. 1843 § (a)(4)(A)(ix) (“[T]o avail itself of the safe harbor provision an e-commerce platform must have] [i]mplemented at no cost to the registrant a program to expeditiously disable or remove from the platform any listing for which a platform has reasonable awareness of use of a counterfeit mark in connection with the sale, offering for sale, distribution, or advertising of goods.”).

¹⁵³ *Tiffany*, 600 F.3d at 107 (“For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods.”).

¹⁵⁴ *Id.* (“Reasonable awareness of use of a counterfeit mark may be inferred based on information regarding the use of a counterfeit mark on the platform generally, general information about the third-party seller, identifying characteristics of a particular listing, or other circumstances as appropriate.”).

The Act purports to create a safe haven, but the numerous exceptions to the rules and reliance on reasonableness muddy the waters and invite litigation.¹⁵⁵ One such exception is found in the Act's definition of "repeated use of a counterfeit mark": "[u]se of a counterfeit mark by a third-party seller in 3 separate listings within 1 year shall be considered repeated use, except when reasonable mitigating circumstances exist."¹⁵⁶ What qualifies as a reasonable mitigating circumstance is anyone's guess.

Another use of a reasonableness standard that will be problematic for the SHOP SAFE Act is its requirement, without definition, that online marketplaces ensure their vendors take reasonable steps to verify authenticity.¹⁵⁷

The Act also *purports* to impact only large online marketplaces with sales of more than \$500,000 annually.¹⁵⁸ If a smaller marketplace receives only ten notices of listings that "reasonably *could be* determined to have used a counterfeit mark," they then fall under the SHOP SAFE Act.¹⁵⁹ Therefore, the reality is that the SHOP SAFE Act will give trademark registrants a tool to legally stifle competition by shutting down smaller online marketplaces that cannot afford to avail themselves of the safe harbor provisions.

B. THE WAY FORWARD IS TO STEP BACK

To recap the cause of action for direct trademark infringement is set out in Section 32 of the Lanham Act.¹⁶⁰ The Supreme Court established the current test for contributory trademark infringement in *Inwood*.¹⁶¹ In so doing, the Court did not refer to the text of the Lanham Act but instead cited precedent from before the Lanham Act was passed into law.¹⁶² The Circuit Courts then applied the doctrine of willful blindness to the knowledge requirement of *Inwood's* contributory trademark infringement test.¹⁶³ Given these extensions, both of which exponentially extend the reach of the Lanham Act that Congress actually passed into law, courts should proceed with great caution.

¹⁵⁵ *Id.* at § (a)(4)(A).

¹⁵⁶ *Id.* at § (a)(4)(A)(x).

¹⁵⁷ *Id.* at § (a)(4)(A)(iv).

¹⁵⁸ *Id.* at § (a)(4)(C)(i).

¹⁵⁹ S.1843 § (a)(4)(C)(ii) (emphasis added).

¹⁶⁰ 15 U.S.C. § 1114(1).

¹⁶¹ *Inwood Lab'ys, Inc. v. Ives Lab'ys, Inc.*, 456 U.S. 844, 853-54 (1982).

¹⁶² The first case the Court cited to support its statement of the test for contributory trademark infringement was from 1924. *Id.* at 854 (citing *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 530-31 (1924)). The second case the Court cited was decided after the Lanham Act was passed, but the decision did not reference the Lanham Act and instead also relied on *Warner. Id.* (citing *Coca-Cola Co. v. Snow Crest Beverages, Inc.*, 64 F.Supp. 980 (Mass. 1946) (holding that the defendant's conduct did not rise to the level of inducement described in *Warner*)).

¹⁶³ *Supra* Section II.

1. *A Narrower Willful Blindness Doctrine is More Consistent with Tort Law*

Accepting that contributory trademark infringement is a kind of tort,¹⁶⁴ courts should consider how the goals of tort law and purpose of trademark protection are served by the doctrine. When online marketplaces (1) have specific information about infringement and (2) they take deliberate steps to avoid learning more, forcing them to compensate owners of infringed trademarks aligns with most of the generally accepted goals of tort law.¹⁶⁵ The goals of tort law are not clearly furthered, though, when a defendant has no specific information about infringement, takes no deliberate action to avoid learning about the infringement, and a plaintiff does not even need to prove damages.¹⁶⁶ A policy argument *could* be made to support the lower knowledge requirement. One could argue that online marketplaces, particularly large online marketplaces, are good risk distributors, that is, “they can ‘distribute’ the costs of paying compensation” and each of their users will pay only a small fraction of the costs of policing trademarks on their platform.¹⁶⁷ But the judiciary should tread carefully when considering arguments based primarily on policy.¹⁶⁸ This is doubly true of policy arguments that—like the argument about risk distribution—have enormous consequences, at least an arguable basis in reality, and at least two valid ways of being viewed.¹⁶⁹ Online marketplaces are also simply not in a good position to police trademarks, and they are fairly ineffective at doing so even with great effort and expense.¹⁷⁰

Physical marketplace owners have direct physical access to products for inspection, but that is not the case for online marketplaces.¹⁷¹ Companies like eBay rarely physically touch or see a product before it is passed from seller to

¹⁶⁴ See, e.g., *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1148 (7th Cir. 1992) (“[W]e have treated trademark infringement as a species of tort . . .”).

¹⁶⁵ This result is consistent with both the moral responsibility and social policy systems of thought in tort law. See DAN B. DOBBS ET AL., *HORNBOOK ON TORTS* 15-27 (2d. ed. 2016) (discussing the systems of thought in tort law).

¹⁶⁶ See, e.g., *Omega SA v. 375 Canal, LLC*, 984 F.3d 244, 250 (2d Cir. 2021) (awarding \$1.1 million in statutory damages for four instances of infringement on one watch). Something closer to strict liability might be consistent only with the social policy system of thought. See DOBBS, *supra* note 165, at 22 (discussing the social policy system of thought in tort law).

¹⁶⁷ DOBBS, *supra* note 165, at 22; see SCHECHTER & THOMAS, *supra* note 7, at 202-03 (“[I]f the site owner absorbs the costs, they will be spread over all users of the site.”).

¹⁶⁸ DOBBS, *supra* note 165, at 18-19 (“Judges seldom have data necessary for broad-based policy judgments . . . about the long term social effects of imposing liability for wrongs.”).

¹⁶⁹ ROGER E. SCHECHTER & JOHN R. THOMAS, *PRINCIPLES OF TRADEMARK LAW* 203 (1st ed. 2021) (recognizing that reasonable minds could differ as to which party should bear the cost of policing counterfeits.).

¹⁷⁰ See *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 109 (2d Cir. 2010) (noting that the defendant was unable to identify infringement despite great effort and expense).

¹⁷¹ See, e.g., *Id.* at 98 (“Because eBay ‘never saw or inspected the merchandise in the listings,’ its ability to determine whether a particular listing was for counterfeit goods was limited.”).

buyer.¹⁷² The willful blindness doctrine can make at least some intuitive sense with a physical marketplace, where an owner could not avoid learning of infringement unless they were trying not to.¹⁷³ They can physically walk around and look at merchandise, but the trademark registrant cannot, unless the registrant physically sends an investigator. An online marketplace, on the other hand, is not better positioned to examine goods than the trademark registrant themselves. Both the online marketplace owner and the trademark registrant can access listings, inspect them, and even buy them if they suspect infringement.

Indeed, brand owners, not online marketplace owners, are in the best position to identify infringement in ecommerce because of their expertise in their products and registered marks.¹⁷⁴ Also, as Professors Schechter and Thomas argue, brand owners are the better cost distributors.¹⁷⁵ If marketplaces must absorb the cost of policing and paying compensation for infringement, the cost would likely be borne by every user since such cost would likely be distributed across all goods sold in the marketplace.¹⁷⁶ Whereas, if brands—like Tiffany—absorb the cost, only consumers of that brand would bear the cost since the cost would be distributed across all of that brand’s genuine goods.¹⁷⁷

2. Courts Should Use the Global-Tech Willful Blindness Standard in Contributory Trademark Infringement Cases

The principle of stare decisis also weighs in favor of restricting the willful blindness doctrine as an end run around the traditional knowledge requirement for civil liability.¹⁷⁸ Though the Supreme Court has never applied the doctrine of willful blindness in a trademark case, the Court has in a patent case.¹⁷⁹

¹⁷² *Id.* (“Even had [eBay] been able to inspect the goods, moreover, in many instances it likely would not have had the expertise to determine whether they were counterfeit.”).

¹⁷³ *See, e.g.,* *Coach Inc. v. Kim’s Management, Inc.*, No. 1:10-CV-02746-JJOF, 2012 WL 13001933 at *9 (N.D. Ga. 2012) (“A reasonable jury could conclude that the only way Mr. Kim was able to avoid learning which vendors were continuing to participate in this illicit trade was by staying away from the market, having his manager conduct ‘periodic inspections’ with a blindfold on, and taking various other token measures not intended to have any effect on the counterfeit trade at [the flea market].”).

¹⁷⁴ *See Tiffany*, 600 F.3d at 98 (noting that the defendant likely did not have the expertise to identify counterfeit goods); *Cleaning Up Online Marketplaces: Protecting Against Stolen, Counterfeit, and Unsafe Goods: Before the S. Comm. on the Judiciary*, 117th Cong. (2021) (statement of K. Dane Snowden, President and CEO of the Internet Association) (“[B]rand owners and rights holders . . . are in the best position to identify counterfeit goods.”).

¹⁷⁵ SCHECHTER & THOMAS, *supra* note 169, at 203.

¹⁷⁶ *Id.*

¹⁷⁷ *Id.*

¹⁷⁸ *Global-Tech, Inc. v. SEB S.A.*, 563 U.S. 754, 765 (2011).

¹⁷⁹ *Id.*

In *Global-Tech*, the defendant's subsidiary, Pentalpha,¹⁸⁰ copied the design of a deep fryer that was invented, produced, and patented by SEB S.A.¹⁸¹ Pentalpha purchased an SEB deep fryer in Hong Kong that had no U.S. patent markings.¹⁸² Pentalpha then copied the design and supplied the deep fryers to Sunbeam, Inc.,¹⁸³ for sale in the United States.¹⁸⁴ Pentalpha did not tell its attorney that it had copied SEB's fryer, and the attorney did not locate SEB's patent.¹⁸⁵

SEB sued Pentalpha in 1998, alleging that Pentalpha both directly and contributorily infringed¹⁸⁶ SEB's patent.¹⁸⁷ Pentalpha argued that it could not be liable for inducement since it did not have actual knowledge of SEB's patent when it copied the fryer, and the record was indeed devoid of direct evidence that Pentalpha actually knew about the patent.¹⁸⁸ The district court and Federal Circuit Court of Appeals held Pentalpha liable for inducement under the tort theory that Pentalpha was deliberately indifferent to a known risk.¹⁸⁹ The Supreme Court agreed that Pentalpha was liable but disagreed with the Federal Circuit's reasoning, holding instead that Pentalpha could be liable under the doctrine of willful blindness.¹⁹⁰ The Court reasoned that a defendant is not liable for induced patent infringement under § 271(b) unless the defendant knew that the acts they induced infringed a patent.¹⁹¹

The Court turned to the criminal law doctrine of willful blindness and imported the doctrine into patent law without substantial reasoning as to why this criminal law doctrine should even apply in a civil suit at all.¹⁹² Nonetheless,

¹⁸⁰ Pentalpha was a wholly owned subsidiary of Global-Tech Appliances, Inc., the named party to the Supreme Court case. *Id.* at 758. SEB is best known in the United States by its brand name "T-Fal." *Id.*

¹⁸¹ *Id.* at 757-58.

¹⁸² *Id.* at 758.

¹⁸³ Sunbeam is an American competitor of the French SEB S.A. *Global-Tech*, 563 U.S. at 758.

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*

¹⁸⁶ SEB alleged contributory infringement in the form of inducement under 35 USCA § 271(b). *Id.* at 759. Though inducement appears textually in 35 USC § 271 as a distinct theory of indirect liability *separate from* contributory infringement, it is treated by the courts as *evidence of* contributory infringement. *Id.* at 764. Knowledge of a patent and thus intent to induce infringement of a known patent is required for contributory liability under 35 U.S.C. § 271. *Id.* at 765 (citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 525 (1964)).

¹⁸⁷ *Id.* at 758-59.

¹⁸⁸ *Global-Tech*, 563 U.S. at 759.

¹⁸⁹ *Id.* at 754.

¹⁹⁰ *Id.* at 765 ("[W]e agree that deliberate indifference to a known risk that a patent exists is not the appropriate standard . . . We nevertheless affirm the judgment of the Court of Appeals because the evidence in this case was plainly sufficient to support a finding of Pentalpha's knowledge under the doctrine of willful blindness.").

¹⁹¹ *Id.* at 766.

¹⁹² *Id.* at 766-68 ("Given the long history of willful blindness and its wide acceptance in the Federal Judiciary, we can see no reason why the doctrine should not apply in civil lawsuits for induced patent infringement.").

the Court articulated a narrow view of the willful blindness doctrine with a “limited scope that surpasses recklessness and negligence”:¹⁹³

[A] willfully blind defendant is one who *takes deliberate actions* to avoid confirming a high probability of wrongdoing and who can almost be said to have actually known of the critical facts . . . By contrast, a reckless defendant is one who merely knows of a substantial and unjustified risk of such wrongdoing . . . and a negligent defendant is one who should have known of a similar risk but, in fact, did not . . .¹⁹⁴

The Court found the Federal Circuit’s deliberate indifference test lacking for two reasons. First, the test allowed mere knowledge of a known risk to satisfy the knowledge requirement.¹⁹⁵ Second, the test required only deliberate indifference to the known risk rather than some action on the part of the inducer to avoid learning about the infringement.¹⁹⁶ Ultimately, the court held that the facts that the specific type of deep fryer was an innovative piece of technology, the CEO’s familiarity with the market, and Pentalpha’s failure to inform its attorney that it had copied SEB’s design were sufficient to meet its high bar for willful blindness.¹⁹⁷

In a dissent, Justice Kennedy questioned the use of the willful blindness doctrine *at all* in a civil case:

Even if one were to accept the substitution of equally blameworthy mental states in criminal cases in light of the retributive purposes of the criminal law, those purposes have no force in the domain of patent law that controls in this case . . . [T]his Court has never before held that willful blindness can substitute for a statutory requirement of knowledge.¹⁹⁸

¹⁹³ *Global-Tech*, 563 U.S. at 769 (“[T]he doctrine of willful blindness . . . [has] two basic requirements: (1) The defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take *deliberate actions to avoid learning of that fact.*”) (emphasis added).

¹⁹⁴ *Id.* at 769-70 (emphasis added).

¹⁹⁵ *Id.* at 770.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.* at 770-71.

¹⁹⁸ *Id.* at 773 (Kennedy, J., dissenting).

The *Global-Tech* Court suggested that a higher level of specificity of information should be required for willful blindness than the standard the circuit courts have used in trademark infringement cases: “[D]efendants cannot escape [culpability] by deliberately shielding themselves from *clear evidence of critical facts that are strongly suggested by the circumstances*. The traditional rationale for the doctrine [of willful blindness] is that defendants who behave in this manner are just as culpable as those who have actual knowledge.”¹⁹⁹ Marketplaces that fail to root out infringement when neither the specific goods nor the specific vendor has been identified to them surely cannot be considered just as culpable as marketplace owners who facilitate infringement knowingly.²⁰⁰

Since “patent law and trademark law share common historical and legal origins,” the Supreme Court should support applying *Global-Tech*’s formulation of the willful blindness doctrine to trademark infringement as well.²⁰¹ At least one district court, the Northern District of Georgia, has already done so.²⁰²

IV. CONCLUSION

Back to Jacqui and her brooches. As it stands, if Weiss hopes to prevent infringers from tarnishing its reputation, Weiss could sue for contributory trademark infringement—but in what circuit? Depending on what Weiss had done to police its mark, Weiss may be encouraged to forum shop. If Weiss aggressively policed its trademark and eBay had failed to remove specific listings Weiss had flagged as infringing, Weiss may choose whatever court is most convenient. But if Weiss had merely notified eBay that infringing products, the outcome of the litigation might depend on what court hears Weiss’ claims.

Limiting the willful blindness doctrine for online marketplaces would decrease commercial uncertainty. Natural economic forces incentivize both online marketplace owners and trademark registrants to try to shift the burden of policing onto each other.²⁰³ The stakes for marketplace owners are extremely high, and the current jurisprudence provides no clear standards for avoiding liability.

¹⁹⁹ *Global-Tech*, 563 U.S. at 766 (emphasis added).

²⁰⁰ See, e.g., *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 515 (S.D.N.Y. 2008), *aff’d in part, rev’d in part*, 600 F.3d 93 (2d Cir. 2010) (noting that a defendant had no affirmative duty to root out potential infringement).

²⁰¹ Lorelei D. Ritchie, *Is “Willful Blindness” the New “Recklessness” after Global-Tech?*, 21 FED. CIR. BAR J. 165 (2011).

²⁰² *Coach Inc. v. Kim’s Management, Inc.*, No. 1:10-CV-02746-JJOF, 2012 WL 13001933, at *10 (N.D. Ga. Feb. 28, 2012) (denying summary judgment because a reasonable jury could find the defendant flea market owner willfully blind under the *Global-Tech* standard and thus liable for contributory trademark infringement).

²⁰³ SCHECHTER & THOMAS, *supra* note 7, at 203 (noting that neither party tends to believe they should have to absorb the cost of policing trademarks).

The absence of a clear safe harbor drives up costs for all parties involved. The lack of a clear standard for avoiding liability, coupled with the high stakes if found liable for contributory infringement, puts the burden of policing on marketplaces. Even eBay's \$20 million per year²⁰⁴ does not obviously surpass its potential liability if it were found liable for infringement of Tiffany's trademark.²⁰⁵ So the party that is not better positioned and lacks the expertise to police the trademark is put in a position where it must allocate incredible resources to a problem it is not very competent to solve.²⁰⁶ A clear safe harbor standard for willful blindness would solve this problem and prevent unnecessary costs. One simple solution to this is for courts to follow *Global-Tech* and require that a trademark registrant provide specific information about a specific listing or vendor before a marketplace owner can be found to be willfully blind.

Circuit courts that have not yet decided what specificity of knowledge is required under a willful blindness analysis should require evidence that an online marketplace had specific information about a specific listing or vendor before unlocking the door to the willful blindness doctrine. This knowledge requirement would shift the burden of policing back onto the trademark registrants, who are in at least as good a position to police trademarks as online marketplace owners and have the expertise to effectively do so.

Congress could pass legislation that deals with this issue. The SHOP SAFE Act and similar legislation falls short of fixing the problem and fails to resolve the commercial problems associated with contributory trademark infringement. Shifting the burden of policing to the registrant, who has the expertise to identify and assess goods that are likely infringing, would address the infringement problem. To fix the commercial problem, a definite safe harbor provision is needed to minimize duplication of efforts and discourage excessive litigation.

In the meantime, the Supreme Court should review a contributory trademark infringement case like *Tiffany* or *Omega*. The Court should either (1) establish a uniform standard for the specificity of knowledge required for liability under the willful blindness doctrine or (2) eliminate the doctrine as a liability theory in this context. The *Global-Tech* standard is simple enough and sufficient to provide the certainty commerce requires. The Court could allow for a slightly broader application of the willful blindness doctrine for physical marketplaces, which are in a better position to identify infringement. The Court should certainly require more specific knowledge for online marketplaces that never take possession of goods. A uniform standard is needed to promote efficiency, protect consumers and trademark registrants, and give commercial actors the predictability they need to plan for the future.

²⁰⁴ *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 98 (2d Cir. 2010).

²⁰⁵ *See, e.g., Omega*, 984 F.3d at 258 (noting that the Lanham Act's statutory damages provision allows for \$1,000-\$200,000 per counterfeit mark) (citing 15 U.S.C. § 1117).

²⁰⁶ *See Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 109 (2d Cir. 2010) (noting that eBay did not have the expertise required to identify infringing goods).