

# PLATFORM LAW AND THE BRAND ENTERPRISE

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## ABSTRACT

The emergence of platforms has transformed the digital economy, reshaping and recasting online transactions within the service industry. This transformation, as many have argued, has created new and unimagined challenges for policymakers and regulators, as well as for traditional, offline companies. Most scholarship examining platforms discuss their impact on employment law or consumer protection. Yet trademark law, which is central to the success of the platform enterprise, has been mostly overlooked within these discussions. To address this gap, this article discusses the emergence of two central forms of platform entrepreneurship—the platform, or “macrobrand” and the platform service provider, or the “microbrand.” As we argue, the macrobrand and microbrand interact with trademark law—and one another—in ways that challenge conventional models of trademark application and expose their existing limitations. In exposing how platform architecture causes an unsustainable tension between these two formations, this Article suggests a two-prong approach utilizing both legislative adjustments to trademark law, as well as common law adjustments, to modernize trademark doctrine for the digital economy.

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DOI: <https://doi.org/10.15779/Z38GM81P1M>

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### I. INTRODUCTION

If Web 1.0 was about access to information via the Internet and Web 2.0 was about the formation of the online marketplace, Web 3.0 is about the platform: the transformation of the offline marketplace, particularly the service industry, by online transactions.<sup>1</sup> The application of algorithmic tools to the economies of leisure, consumption, services, and manufacturing has produced a profound transformation of the service economy.<sup>2</sup> Even more, the movement of many of these services to cloud providers has an even greater, transnational character. This move facilitates the development of a global infrastructure; as two commentators observe, the emergence of platform and cloud architecture “reconfigure

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1. Orly Lobel, *The Law of the Platform*, 101 MINN. L. REV. 87, 94 (2016).

2. See generally Martin Kenney & John Zysman, *The Rise of the Platform Economy*, 32 ISSUES IN SCI. & TECH. 61 (2016) (citing work by Stuart Feldman, Kenji Kushida, Jonathan Murray, and others discussing this transformation).

globalization itself.”<sup>3</sup>

At the same time, the definitional and regulatory complexities that accompany the emergence of platforms have posed some significant challenges for lawyers and commentators. At its simplest, a platform “points to a set of online digital arrangements whose algorithms serve to organize and structure economic and social activity.”<sup>4</sup> This not only produces – and is facilitated by – a system of shared tools, technologies and interfaces enabling decentralized innovation, but also creates a hybrid blend of market and social interactions that we have not yet seen before in the digital economy.<sup>5</sup>

Yet in order to explore the legal complexities that platforms create, we must also analyze some of the differences between them. Platforms can be characterized by the particular services that they offer or the business models that they disrupt.<sup>6</sup> Some of these platforms, like Google and Facebook, offer communication tools, social media, and information; others, like Etsy, eBay, and Amazon operate as online marketplaces; while still others provide infrastructure and tools to build more platforms, like Amazon Web Services.<sup>7</sup> One could characterize platforms based on labor-market arrangements, like crowdsourcing (Amazon Mechanical Turk, as an example) and on-demand services (Uber, TaskRabbit and others).<sup>8</sup> Some platforms facilitate entrepreneurship, and others have more hierarchical arrangements that rely on contractor-like arrangements.<sup>9</sup>

As Orly Lobel and others have explained, while the label of a “platform” is intentionally broad, it represents a myriad of new business models that disrupt previous economies of production, consumption, finance, knowledge and education, among other elements.<sup>10</sup> If traditional

3. *Id.* at 61.

4. *Id.* at 65. For more on the definition and attributes of platforms, see Diane Coyle, *Making the Most of Platforms: a Policy Research Agenda*, (The Jean-Jacques Laffont Digital Chair, Working Paper), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2857188](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2857188).

5. See Kenney & Zysman, *supra* note 2 at 67.

6. See ARUN SUNDARAJAN, *THE SHARING ECONOMY: THE END OF EMPLOYMENT AND THE RISE OF CROWD-BASED CAPITALISM* 77 (2016).

7. Kenney & Zysman, *supra* note 2, at 61.

8. Ruth Berins Collier et al., *The Regulation of Labor Platforms: The Politics of the Uber Economy* 7 (Mar. 2017) (unpublished manuscript), <http://www.brie.berkeley.edu/wp-content/uploads/2015/02/Reg-of-Labor-Platforms.pdf>.

9. Sundarajan, *supra* note 6, at 77-79.

10. See Lobel, *supra* note 1, at 98-99.

categories of business relied on the consistency of dyads like employer/employee, seller/buyer, and producer/consumer, platform entrepreneurship exploits networks where these lines become blurred through sharing and pooling economies.<sup>11</sup> By lowering transaction costs through connecting consumers directly with producers, platform economies promise less waste, and a greater ability to break both supply and demand into what Lobel describes as discrete, modular units – short term housing assistance and help with minor tasks such as furniture installation, cooking, driving, and the like.<sup>12</sup> “Web 3.0,” Lobel argues, “is transforming the lifestyle of the masses, not only better matching a static equilibrium of supply and demand, but also generating different sets of supply and demand and reconfiguring markets.”<sup>13</sup>

The benefits of a platform economy are manifold. The trend toward modularity (which Yochai Benkler describes as “granularity”) transforms ordinary exchanges into opportunities for market-based capitalism, reducing barriers to entry, increasing dynamism and precision in pricing and services.<sup>14</sup> Platforms can reduce overall prices for consumers because of the lowered transaction and overhead costs they are associated with by connecting consumers with producers more directly and in real-time.<sup>15</sup> They enable entities to take advantage of underutilized assets, like space, and provide access to services that may have previously been unavailable.<sup>16</sup> They can improve the consumer experience by offering new services that others have failed to offer.<sup>17</sup> Finally, they can utilize systems to track ratings and reputation, thereby ensuring trust between the consumer and the service provider.<sup>18</sup> Collectively, platforms also underscore a significant shift from theories of ownership and property; the “consumption culture” that we inhabit becomes replaced with a focus on access instead.<sup>19</sup> “Owning a car,” Lobel writes, “is not as important as the ability to use one when needed.”<sup>20</sup>

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11. *Id.* at 100–01.

12. *Id.* at 109–10.

13. *Id.* at 114.

14. *Id.* at 109.

15. Rudy Telles Jr., *Digital Matching Firms: A New Definition in the ‘Sharing Economy’ Space*, U.S. DEP’T OF COMM. ECONOMICS AND STATISTICS ADMIN., at 11.

16. *Id.* at 13.

17. *Id.* at 14.

18. *Id.*

19. Lobel, *supra* note 1, at 110.

20. *Id.* at 110.

Yet these new economies usher in complex questions of both definition and regulation. Within this spectrum of views, some have expressed fear that the platform economy facilitates the avoidance of welfare-enhancing laws like long-term employment contracts, insurance, and quality control regulations.<sup>21</sup> As Lobel argues,

Proponents romantically envision the platform as a return to the days free from corporate dominance, when interactions happened directly and intimately between individuals, when design was bottom-up and relationships were based on community rather than markets. For opponents, it is a dystopian uber-capitalist development in which every interaction becomes the basis of market exchanges, privacy and leisure are lost, and Silicon Valley style-libertarians become richer at the expense of everyone else.<sup>22</sup>

Central to these questions remains the ubiquity of the brand enterprise, which affects nearly every layer of platform architecture. Trademarks are central to the success of the platform economy, but few commentators have really delved into the question of how trademark law both governs – and is governed by – the emergence of these new economies. Thus, this Article lays out a spectrum of trademark interactivity, identifying the emergence of two central forms of platform entrepreneurship, and then analyzes how the design and architecture of these new forms ushers in new challenges and opportunities for the modernization of trademark law altogether.

Trademark law plays a central, determinative role in the success or failure of the platform enterprise. At the broadest level, in Part II, this Article argues that the platform economy facilitates the emergence of what is called “macrobrands” – the rise of platform economies whose sole source of capital inheres in the value of the brand itself – the Airbnbs, Ubers, and eBays of the world.<sup>23</sup> At the narrowest level, Part III argues

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21. *Id.* at 130–37. See also Nathan Heller, *Is the Gig Economy Working?*, NEW YORKER, May 15, 2017, <https://www.newyorker.com/magazine/2017/05/15/is-the-gig-economy-working>; Collier et al., *supra* note 8.

22. Lobel, *supra* note 1, at 105.

23. Others, too, have used the macro and micro brand terminology to describe similar patterns of user engagement and marketing, albeit in a non-platform context. See, e.g., JOSE MARTI ET AL., *Brand Engagement*, in THE ROUTLEDGE COMPANION TO THE FUTURE OF MARKETING 253 (Luiz Moutinho et al. eds., 2014) (discussing the role of each structure in reaching consumers); T. Scott Gross, MICROBRANDING: BUILD A

that the platform economy, with its empowerment of the individual, has also facilitated a parallel emergence of the “microbrand” – the rise of discrete, small enterprises made up of individual businesses, each of whom have a strong interest in utilizing the basic principles of branding and trademark protection.

Indeed, this Article views the platform economy as a central opportunity to modernize existing trademark law to accord with the challenges of these new business models. As shown in Part II and Part III, the interaction between macrobrands and microbrands challenges trademark law to evolve to address the new issues presented by platform economies. At the same time, however, our existing frameworks are capacious enough to meet the challenges platforms pose, underscoring the wisdom of the basic, bedrock trademark principles in the process. In Part IV, we outline a host of suggestions to modernize, rather than displace, trademark law for the digital economy. While change can occur by legislation or voluntary measures, this Article focuses specifically on the formation of statutory safe harbors and the modification of the standards for infringement in common law. As this Article shows, these changes can both protect and encourage the vibrancy of the platform economy in an age of legal uncertainty.

## II. PLATFORM ARCHITECTURE AND THE RISE OF THE MACROBRAND

As Julie Cohen has argued, the emergence of the platform economy is deeply intertwined with the rise of informational capitalism.<sup>24</sup> Digital platforms have resulted from the intersection of three recent economic developments: the first involving the propertization of intangible resources, the second involving the dematerialization of industrial production, and the third involving the integration of systems of barter and exchange within information platforms.<sup>25</sup> As she observes, platforms do not “enter” or “expand” markets; instead, they replace them by

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POWERFUL PERSONAL BRAND & BEAT YOUR COMPETITION (2002) (discussing ways to build a personal or local brand).

24. Julie E. Cohen, *Law for the Platform Economy*, 51 U.C. DAVIS L. REV. 132, 135 (framing the rise of informational capitalism that parallels the rise of industrial capitalism) [hereinafter Cohen, *Platform Economy*]; see also JULIE E. COHEN, *Between Truth and Power*, in INFORMATION, FREEDOM AND PROPERTY THE PHILOSOPHY OF LAW MEETS THE PHILOSOPHY OF TECHNOLOGY 57 (Mireille Hildebrandt & Bibi van den Berg eds., 2016).

25. Cohen, *Platform Economy*, *supra* note 24 at 132.

rematerializing them with new forms of transactional possibility.<sup>26</sup>

Economists have referred to some platforms as “multi-sided platforms” where two or more sides engage in commercial transactions, such as Airbnb, eBay, Uber, Xbox, etc.<sup>27</sup> Many of these companies utilize a model where independent contractors, rather than hired employees, deliver requested services to the client.<sup>28</sup> Further, multi-sided platforms can be characterized by two additional elements: (1) “they enable direct interactions between two or more distinct sides,” each of whom retain some control over the key terms of the transaction, such as the terms and conditions of the purchase; and (2) “each side is affiliated with the [existing] platform,” meaning that both sides make platform-specific investments that enable them to communicate directly with one another.<sup>29</sup> Take, for example, Airbnb. Instead of directly providing short-term lodging to its customers, Airbnb facilitates transactions between those seeking such lodging, and those offering the lodging. The parties offering the lodging are not employees of Airbnb, but they are affiliated with Airbnb as “hosts.” The parties seeking the lodging are also affiliated with Airbnb as “guests.”

Today, platforms like Uber and Airbnb, while remaining part and parcel of the sharing economy, also retain a significant degree of control over their hosting activities.<sup>30</sup> Indeed, some commentators have argued that these platforms rest on an arbitrage between the regulation of established businesses, which are held to regulatory standards regarding the treatment of workers, consumers, customers, and markets, and the comparably greyer areas of platform regulation in addressing these entities.<sup>31</sup> “In the current manifestation,” commentators argue, “the platform operator has unprecedented control over the compensation for and organization of work, while still claiming to be only an intermediary.”<sup>32</sup> Because of the regulatory absence in these arenas, platforms have been able to gain an unprecedented degree of power, a

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26. *Id.*; See also Tarleton Gillespie, *The Politics of Platforms*, 12 NEW MEDIA & SOC’Y 347 (2010) (further discussion of platforms); Nick Srnicek, PLATFORM CAPITALISM (2017).

27. Andrei Hagiu & Julian Wright, *Multi-sided platforms*, 34 INT’L J. OF INDUS. ORG. 162, 162 (2015).

28. *Id.*

29. *Id.* at 163.

30. Kenney & Zysman, *supra* note 2, at 62.

31. *Id.*

32. *Id.*

power that some have argued may be even more formidable than early factories in the Industrial Revolution.<sup>33</sup> The absence of regulatory reach, coupled with the nimble path of innovation in the platform economy, has a profound effect on the reorganization of society, markets, and firms; as some have observed, “[w]hatever we call the transformation, the consequences are dramatic.”<sup>34</sup>

Network effects are central to the success of the platform enterprise, because they demonstrate that the more users subscribe to a platform, the more that platform increases in value.<sup>35</sup> As a product increases in popularity, it increases in dominance, risking the increase in barriers to entry for external entities.<sup>36</sup> An additional network effect is also created by “learning-by-doing,” leading users to prefer using the same platform because of its success in both learning the consumer’s preferences, and from the consumer’s own preferences in relying on the same tool of information.<sup>37</sup> As more and more users are drawn to the platform, it increases in its efficiency, because it is more able to process requests efficiently based on the success of its algorithms in using – and acquiring – larger and larger quantities of data.<sup>38</sup>

While these effects are often positive for the everyday user, they may also be detrimental from the perspective of other market entrants. This is because platforms can take on gatekeeping functions that can exclude forms of competition, like blocking offerings from outside sellers, or by recommending only applications and sites that exist within its ecosystem.<sup>39</sup> As a result, platforms can exclude others from markets by regulating what is and is not available, thereby distorting the reality of what the marketplace offers to the consumer.<sup>40</sup>

While much ink has been spilled in analyzing and discussing the

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33. *See id.*

34. *Id.*

35. Maurice E. Stucke & Ariel Ezrachi, *How Digital Assistants Can Harm Our Economy, Privacy, and Democracy*, 32 BERKELEY TECH. L.J. 1239, at 1244, n.26 (forthcoming 2017) (quoting Margrethe Vestager, *How competition supports innovation*, speech at Regulation4Innovation conference, at [https://ec.europa.eu/commission/commissioners/2014-2019/vestager/announcements/how-competition-supports-innovation\\_en](https://ec.europa.eu/commission/commissioners/2014-2019/vestager/announcements/how-competition-supports-innovation_en) (May 24, 2016)).

36. *Id.* at 7.

37. *Id.* at 7–8.

38. *Id.* at 8.

39. *Id.* at 18.

40. *Id.* at 22.

overall effect of platform arrangements on the labor economy and civil rights protections, fewer pieces have addressed the central role of trademark law in the platform enterprise. Yet trademark and branding practices are implicated within nearly every element of platform architecture and entrepreneurship, raising central questions for the role of regulation. Consider an example. Parking Panda is a platform that enables users to find and secure parking spots.<sup>41</sup> The term “Parking Panda” itself functions as both a trademark and a brand (we will explain the difference between the two below).<sup>42</sup> Yet given its existence as part of the platform ecosystem, Parking Panda itself does not own the garages or the parking spaces it advertises on its platform; rather, these are owned mainly by individual parking companies. These companies have their own trademarks, such as “Icon Parking” or “ABM Parking Services,” two large parking companies based in New York City.<sup>43</sup>

In the platform enterprise, trademarks function just like other trademarks in the sense that they serve informational and economic functions.<sup>44</sup> By enabling consumers to trust that their experience of a certain product can be consistently associated with a particular trademark, trademarks lower consumer search costs.<sup>45</sup> Yet trademarks play an even more central role in platform entrepreneurship because they enable consumers to identify clusters of marks with a particular platform, thereby facilitating the reduction of transaction costs that are essential to a platform’s success. For example, with the Parking Panda platform, both sets of marks, the Parking Panda’s and the parking companies’, inform consumers that their parking experience will be similar to their previous experiences, thereby enabling purchasers to rely on their previous

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41. See PARKING PANDA, *How It Works*, <https://www.parkingpanda.com/how-it-works> (last visited Jun. 29, 2017) (allowing advance parking reservation from computers or in real-time from mobile phones).

42. U.S. TRADEMARK NO. 4295552 (registered mark for “Parking Panda,” operating an online marketplace that allows drivers to find and rent parking spaces and users to rent out their parking spaces.”); See PARKING PANDA, *The Year of Parking Panda A 2016 Edition*, <https://www.parkingpanda.com/year-in-review> (last visited Jun. 29, 2017).

43. See PARKING PANDA, *Search for Parking in New York City* (last visited Jun. 29, 2017) (images on file with authors).

44. William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 369 (1987) (A trademark conveys information that allows the consumer to say to himself, “I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier.”).

45. *Id.*

decisions.

Branding, too, is an essential aspect of this enterprise.<sup>46</sup> Brands, on one hand, incorporate a business's trademark, but instead of being primarily informational in nature, they also convey an *experience* to the consumer. Particularly in a platform ecosystem, brands tell the consumer about the other individuals who buy the product, thereby creating a community of likeminded purchasers.<sup>47</sup> For example, although Parking Panda aims to help users "find and reserve parking," the company describes its mission as much more than just parking assistance:

"[t]hrough Parking Panda, drivers plan and commute smarter by booking guaranteed parking in advance. Parking Panda customers are empowered with the ability to search and compare thousands of parking options and prices in more than 40 cities throughout North America."<sup>48</sup>

Through this statement, Parking Panda attempts to create a community of "smart commuters,"<sup>49</sup> a consumer identity and experience, which is their "brand," while also having their related trademark, "Parking Panda."

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46. See Deven R. Desai, *From Trademarks to Brands*, 64 FLA. L. REV. 981, 985 (2012) ("The corporate dimension of branding creates a strategic asset that allows a corporation to forge not only a product symbol, but also a connection with consumers so that consumers look beyond price when they make a purchasing decision."); Sonia K. Katyal, *Trademark Cosmopolitanism*, 47 U.C. DAVIS L. REV. 875, 890 (2014) ("the trademark represents both a global visual receptacle and a vehicle for all of the emotive and personality characteristics that advertisers hope to associate with a particular brand."); Irina D. Manta, *Branded*, 69 SMU L. REV. 713, 734 (2016) ("Brands, and trademarks as part of them, lead consumers to purchase products that have been designed and marketed to invoke experiences and feelings in the minds of the consumers that influence what products they buy and how they experience the products. Consumers send messages about themselves through the medium of trademarks and seek social status through the same.").

47. See Katya Assaf, *Brand Fetishism*, 43 CONN. L. REV. 83, 95 (2010) (discussing the consumer communities of brands such as Apple, Saab, Bronco, and Harley-Davidson); Deborah R. Gerhardt, *Social Media Amplify Consumer Investment in Trademarks*, 90 N.C. L. REV. 1491, 1495 (2012) ("consumers continue to serve as nodes in the social network, building ties with each other and the brand owner by contributing stories to the brand narrative.").

48. See PARKING PANDA, *About Us*, <https://www.parkingpanda.com/company> (last visited Jun. 29, 2017) (exulting the company's goals in lofty language typically associated with a nonprofit).

49. *Id.*

As this Article has suggested, the “macrobrand” in this example is “Parking Panda,” and the “microbrands” comprise the individual parking companies that operate within the Parking Panda ecosystem. Yet the legal protection of trademarks, and by extension, brands, introduces tension into the relationship between macro- and micro-brands. Trademark law encourages owners to provide a consistent level of quality in their products, to ensure consumer confidence and repeat purchases.<sup>50</sup> This is done through granting trademark owners limited exclusivity in their trademarks; for example, only one company can be known as “Parking Panda” for online parking services. In addition, trademark law rewards those owners that are active in policing their marks by granting them “strong” or even “famous” status.<sup>51</sup> Therefore, trademark owners are incentivized to police their marks against not just competitive infringement by others who might “pass off” their goods as those of another producer, but also against related or associative uses.<sup>52</sup> This has led, in some cases, to trademark over-enforcement, particularly in situations where macrobrands receive takedown requests to remove allegedly infringing material that microbrands host on the platform.<sup>53</sup>

Unfortunately, the doctrines governing trademarks and intermediary liability are both confusing and outdated, particularly as applied to platforms. This next subsection shows how this standard has played out in both the real space and online context to demonstrate the particular complexities platforms face. Special attention, too, is placed on alternative standards of contributory liability, specifically emerging from Europe and Canada, which have taken different approaches. Finally, we compare the existing approach in trademark law with that taken in the copyright context, which will lay the foundation for suggestions to reform existing law.

#### A. CONTRIBUTORY LIABILITY: *INWOOD* AND BEYOND

The dominant test of contributory liability in the platform economy is derived from the Supreme Court case of *Inwood Laboratories v. Ives Laboratories*.<sup>54</sup> This case addressed the question of whether manufacturers of generic drugs should be held liable for pharmacies that packaged and

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50. See Jordan Teague, *Promoting Trademark’s Ends and Means through Online Contributory Liability*, 14 VAND. J. ENT. & TECH. L. 461, 465 (2012).

51. *Id.*

52. *Id.*

53. *Id.* at 476.

54. *Inwood Labs. v. Ives Labs.*, 456 U.S. 844 (1982).

sold drugs under infringing packaging labels.<sup>55</sup> The Supreme Court held that a manufacturer and/or distributor could only be held liable for contributory infringement if it could be shown that they “intentionally induce[d] another to infringe a trademark, or if it continue[d] to supply its product to one whom it knows or has reason to know is engaging in trademark infringement . . . .”<sup>56</sup> Later cases have refined this standard to provide that a defendant who takes a “willfully blind” approach (meaning that an actor “suspect wrongdoing and deliberately fail to investigate”) can rise to the level of contributory infringement.<sup>57</sup> But both elements – suspicion and failure to investigate – need to be present, because courts have held that simply failing to take precautions to limit counterfeiting, for example, does not qualify as “willful blindness.”<sup>58</sup>

The *Inwood* test has served as the touchstone for contributory liability in both real and digital worlds. In *Hard Rock Café Licensing Corp. v. Concession Services, Inc.*, the Seventh Circuit found that the operator of a flea market could be held secondarily liable for a vendor who sold infringing T-shirts, reasoning that the landlord-tenant relationship carried with it special responsibilities to prevent infringement.<sup>59</sup> The Ninth Circuit, too, agreed with this approach in *Fonovisa v. Cherry Auction*, where it applied the *Inwood* test to a swap meet that included counterfeit recordings, reasoning that again, the swap meet provided a marketplace for the sale of the infringing recordings.<sup>60</sup>

These principles have translated uncomfortably to the world of Internet Service Providers (ISP), which in turn creates added instability for platforms. Here, courts have generally followed a proposition advanced by the Ninth Circuit in *Lockheed Martin v. Network Solutions*, which held that if an ISP exercises “direct control and monitoring” over the infringing

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55. *Id.* at 846.

56. *Id.* at 854.

57. *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1149 (7th Cir. 1992) (“To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate”).

58. *Id.*

59. *Id.* at 1148–50 (vacating judgment against defendant and remanding to district court for further proceedings as to whether defendant knew or had reason to know of counterfeit sales).

60. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996) (“*Hard Rock Cafe’s* application of the *Inwood* test is sound; a swap meet can not [sic] disregard its vendors’ blatant trademark infringements with impunity. Thus, *Fonovisa* has also stated a claim for contributory trademark infringement”).

conduct, it can be held liable for secondary liability.<sup>61</sup> If the ISP serves as a passive “routing service,” like domain name registrars, for example, which links domain names to the IP addresses of their web hosting servers, then the ISP can be immune from claims of contributory liability.<sup>62</sup> If, however, the ISP is able to exercise significant control over the means of infringement, like hosting providers, search engines, or an online marketplace, then the *Inwood* test will apply.<sup>63</sup> If *Inwood* is deemed to apply, the inquiry explores the question of intentional inducement and whether the ISP continued to provide services to an infringer who it constructively or actually knew was infringing.<sup>64</sup>

Both issues are difficult to resolve, however, particularly in the online context. Intentional inducement requires evidence of active involvement by an ISP, and this kind of “smoking gun” evidence is hard to come by.<sup>65</sup> For example, one popular type of trademark infringement lawsuit is in the context of keyword advertising, where plaintiffs allege that defendant ISPs have induced advertisers to infringe plaintiff’s marks through the use of keyword suggestion tools.<sup>66</sup> Some courts have held in these situations that there is no inducement because the recommendation is purely algorithmic, leaving the ultimate decision over whether to adopt the keyword in the hands of the advertiser.<sup>67</sup> The same is true for evidence of knowledge by

61. *Lockheed Martin Corp. v. Network Sols., 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* Lab.’s “supplies a product” requirement for contributory infringement.”).

62. *Teague*, *supra* note 50, at 471–72.

63. *Lockheed*, 194 F.3d at 984 (adopting the *Hard Rock and Fonovisa* test for contributory liability where an entity has “suppl[ied] the necessary marketplace”). Courts have held that each of these types of ISPs could be liable for contributory infringement because they control the infringers’ access. *See, e.g.*, *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 104 (2d Cir. 2010) (holding that, while ecommerce websites could be contributorily liable for trademark infringement, eBay was not liable), *Louis Vuitton Malletier, S.A. v. Akanoc Sols., Inc.*, 591 F. Supp. 2d 1098 (N.D. Cal. 2008) (holding a hosting provider contributorily liable for hosting websites that it constructively knew were selling counterfeit products), *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004).

64. *Inwood*, 456 U.S. at 854 (1982).

65. Rian C. Dawson, *Wiggle Room: Problems and Virtues of the Inwood Standard*, 91 IND. L.J. 549, 564 (2016).

66. *See, e.g.*, *Rescuecom Corp v. Google Inc.*, 562 F. 3d 123, 126 (2d Cir. 2009) (describing how Google’s suggestion tool works).

67. *See, e.g.*, *Rosetta Stone Ltd. v. Google Inc.*, 730 F. Supp. 2d 531, 539 (E.D. Va. 2010). However, the Fourth Circuit later vacated the decision that had dismissed the contributory liability claims, and remanded the case back to the district court. 676 F.3d

the ISP. Even if an ISP has general knowledge that their service or site is being used to infringe, without specific knowledge of infringement, however, an ISP can generally escape liability, since there is no affirmative duty to actively prevent trademark infringement from occurring.<sup>68</sup>

Although the American approach might appear predictable and uniform, it nevertheless produces unintended consequences. As one commentator has explained, because *Inwood's* knowledge standards are so unclear, it can lead to an overreaction among platforms, leading to over-responsiveness to trademark owners' notice and takedown requests.<sup>69</sup> In turn, an overreactive impulse carries a disparate impact on small businesses and smaller platforms, who are often ill equipped to defend themselves against potentially false claims of contributory infringement.

Consider a pair of cases, one from the Second Circuit and one from the Ninth Circuit, both influential circuits in the cyber-law space. The first, *Tiffany v. eBay*, decided by the Second Circuit in 2010, involved Tiffany (the luxury jewelry manufacturer) claiming that eBay infringed Tiffany's trademarks by allowing unauthorized sales through the eBay platform. While the court absolved eBay for liability based on its extensive anti-counterfeiting program, it also noted that "[w]hen it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way."<sup>70</sup> There, the court took great efforts to demonstrate eBay's good faith, illustrated by eBay's immediate actions to not only take down listings that Tiffany declared as infringing, and took affirmative steps to identify and remove counterfeit items.<sup>71</sup> At the same time, it also rejected the idea that a "generalized knowledge that its service is being used to sell counterfeit goods" establishes contributory liability.<sup>72</sup> Instead, the standard

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144 (4th Cir. 2012). Rosetta Stone and Google later settled the case. See Eric Goldman, *With Rosetta Stone Settlement, Google Gets Closer to Legitimizing Billions of AdWords Revenue*, TECH. & MARKETING L. BLOG (Nov. 5, 2012), [http://blog.ericgoldman.org/archives/2012/11/with\\_rosetta\\_st.htm](http://blog.ericgoldman.org/archives/2012/11/with_rosetta_st.htm). Recent cases involving "hosting" sites adopt a similar stance of active engagement. See *ALS Scan, Inc. v. Cloudflare, Inc.*, No. CV 16-5051-GW(AFMx), 2017 WL 1520444 (C.D. Cal. Feb. 16, 2017) (dismissing plaintiff's contributory infringement claim against defendant Steadfast, an ISP host based on a lack of sufficient allegations of inducement).

68. See *Tiffany*, 600 F.3d at 107.

69. Teague, *supra* note 50, at 475–76.

70. *Tiffany*, 600 F.3d at 109.

71. *Id.* at 100.

72. *Id.* at 107.

required some specific knowledge about which listings were infringing or likely to infringe in the future.<sup>73</sup> Because eBay responded promptly to Tiffany's notifications, Tiffany could not satisfy this standard for contributory liability.<sup>74</sup> This decision could be potentially interpreted to require platforms to implement multimillion-dollar anti-infringement programs.<sup>75</sup> This would not only push smaller platforms out of the entry marketplace, but could also push established platforms away from introducing new products, like Amazon.com's product suggestion feature – for fear of facing liability.

The second case, involving Louis Vuitton and Akanoc, a web hosting provider, demonstrates the risk from *not* being over-responsive or not mirroring the multimillion dollar efforts of eBay.<sup>76</sup> In that case, Akanoc, after receiving multiple notices from Louis Vuitton that some of its websites were selling counterfeit merchandise, forwarded the notice to the alleged infringers, rather than take down the sites. In that case, the Ninth Circuit reasoned that Akanoc was serving in a way that was analogous to the Fonovisa flea market operator, noting that hosting websites is the digital equivalent of renting real estate.<sup>77</sup> Because Akanoc had failed to remove the web sites upon notice, the court reasoned that it had been “willfully blind,” leading to a 32-million-dollar verdict in favor of Louis Vuitton.<sup>78</sup>

Although the two cases came out differently, they both left a number of questions unanswered, since both failed to specify precisely what actions platforms must take to avoid “shielding itself” from knowledge of infringement. eBay's multimillion dollar VeRo program saved it from millions in infringement damages. The decision in Akanoc seems to imply that this type of program has become the defining standard for all platforms in the future. As Jordan Teague notes,

[W]hile the eBays of the world can afford to spend millions of dollars combating counterfeiting, this may not be the case for smaller-scale market participants. Requiring ‘mom and pop’

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73. Stacey L. Dogan, *We Know It When We See It: Intermediary Trademark Liability and the Internet*, 2011 STAN. TECH. L. REV. 7, 8 (2011).

74. *See Tiffany*, 600 F.3d at 110.

75. *See Teague*, *supra* note 50. at 476.

76. *Louis Vuitton Malletier, S.A. v. Akanoc Sols., Inc.*, 658 F.3d 936 (9th Cir. 2011).

77. *Id.* at 942.

78. *Id.* at 947.

online brokers to wage a million-dollar war against counterfeiting would likely drive these retailers out of business, undesirably narrowing consumer choice.<sup>79</sup>

In attempting to synthesize the cases in this area, Stacey Dogan argues that trademark law reveals great solicitude towards good-faith actors, but reserves the option to condemn trademark intermediaries who might act with the intent or design to sow confusion.<sup>80</sup> Dogan identifies a central synergy between the holdings of *eBay* and those in the copyright context, arguing that the variables of intent, design choices, and commercial motivation help to sort out whether the defendant would be viewed as a “good” or “bad” actor.<sup>81</sup> As she argues:

Good guys need not redesign their systems or proactively root out infringement that those systems enable; they need only respond to specific instances of infringement that they know about and can stop. They face liability under copyright or trademark law only if they fail to act in the face of such actual knowledge. Bad guys, in contrast, are liable without regard to actual knowledge; having designed their product or service to accomplish unlawful ends, they are charged with the natural consequences of its use. In both copyright and trademark law, then, good guys get the benefits of rigorous liability standards and broad safe harbors; bad guys find themselves in trouble.<sup>82</sup>

For Dogan, the emergence of a fault-based standard for intermediary liability is partially attributable to *Sony*'s dictate to avoid sublimating technological progress to the protection of copyright and trademark law, while recognizing some areas of liability for those whose core business models are specifically designed to enable infringement.<sup>83</sup>

Unfortunately for macrobrands and microbrands, this has led to an environment of uncertainty and tension, which is likely unsustainable as a long-term business strategy. In fact, this lack of certainty led five platform companies – Etsy, Foursquare, Kickstarter, Meetup, and Shapeways – to

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79. Teague, *supra* note 50, at 491.

80. Dogan, *supra* note 73, at 6.

81. *Id.* at 8–9.

82. *Id.*

83. *Id.* at 10–11.

advocate for greater certainty in the trademark enforcement area vis à vis platforms.<sup>84</sup> The platforms note in a joint statement that “[a] lack of statutory protections from trademark infringement claims has pushed Commenters to react to many complaints by unquestioningly removing content from their sites. Over the long term, this absence of protection will slow the growth of free expression and commerce that has been the hallmark of the Internet.”<sup>85</sup> This Article will revisit the solutions that the platforms propose in Part IV below. Before doing so, it is important to look at how other jurisdictions have been dealing with the same issues in order to learn from their successes and failures.

## B. COMPARATIVE APPROACHES: EUROPE AND CANADA

One of the striking features of platforms is their “glocalized” nature—platforms, while global companies, need to rely on local service providers to perform the services.<sup>86</sup> Although there have been efforts at discussing an international liability standard with respect to ISPs, the efforts have not been successful.<sup>87</sup> This has meant that individual jurisdictions have crafted their own rules and standards (as seen in the discussion above in the United States), and so it is important to understand the differing approaches. This Article will look at Europe and Canada, where the questions of liability may be similar, but the answers differ.

### 1. *European Union*

Within Europe, the answers to the difficult question of platform liability tends to be grounded in one of three directives: (1) the Electronic Commerce Directive (E-Commerce Directive), adopted in 2000,<sup>88</sup> (2) the Enforcement Directive, adopted in 2004,<sup>89</sup> and (3) the Information Society

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84. See Etsy, Foursquare, Kickstarter, Meetup, & Shapeways, *Comments in the Matter of Development of the Joint Strategic Plan for Intellectual Property Enforcement* (Oct. 16, 2015) [http://extfiles.etsy.com/advocacy/Etsy\\_IPEC\\_Comment.pdf](http://extfiles.etsy.com/advocacy/Etsy_IPEC_Comment.pdf).

85. *Id.* at 2.

86. See Leah Chan Grinvald, *A Tale of Two Theories of Well-Known Marks*, 13 VAND. J. ENT. & TECH. L. 1, 47 (2010) (discussing globalization in the context of consumers and trademark perception).

87. Graeme B. Dinwoodie, *Secondary Liability for Online Trademark Infringement: The International Landscape*, 37 COLUM. J.L. & ARTS 463, 467–68 (2014).

88. See Council Directive 2000/31, 2000 O.J. (L 178), <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32000L0031>.

89. See Council Directive 2004/48, 2004 O.J. (L 195), <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32004L0048R%2801%29>.

Directive, adopted in 2001.<sup>90</sup> The E-Commerce Directive aims to protect certain types of ISPs from liability (either direct or secondary), whereas the Enforcement Directive and the Information Society Directive may provide different grounds for national courts to hold ISPs liable.

With respect to immunizing certain types of ISPs, the E-Commerce Directive categorizes three types of ISPs: caching, conduit, and hosting.<sup>91</sup> Should the ISP fall within one of these categories, then the ISP would be immune from direct liability of infringement based on its activities with respect to its users.<sup>92</sup> For example, the Court of Justice of the European Union has held keyword advertising programs run by the likes of Google or even eBay are seemingly immune from liability.<sup>93</sup> However, even with the E-Commerce Directive attempting to harmonize the EU member country approach, individual member countries within the European Union have been able to place differing levels of liability on ISPs. For example, France has held that eBay is considered more than a mere “host,” which has meant greater responsibility on it to monitor its site for counterfeit products.<sup>94</sup>

In addition, the Court of Justice of the EU has also held that secondary

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90. See Council Directive 2001/29, 2001 O.J. (L 167), <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:167:0010:0019:EN:PDF>; Christiane Wendehorst, *Platform Intermediary Services and Duties under the E-Commerce Directive and the Consumer Rights Directive*, 5 J. EUR. CONSUMER & MKT. L. 30 (2016).

91. Council Directive 2000/31, 2000 O.J. (L 178), Art. 12–14.

92. As one commentator has observed, “The E-Commerce Directive seemed to adopt the basic idea of section 512, namely, a grant of safe harbors from liability for specific intermediary activities, and indeed closely tracked the language of the DMCA in places—particularly with regard to the descriptions of those activities and the conditions for limiting liability.” Miquel Peguera, *The DMCA Safe Harbors and their European Counterparts: A Comparative Analysis of Some Common Problems*, 32 COLUM. J.L. & ARTS 481, 482 (2009).

93. Dinwoodie, *supra* note 87, at 482–84 (discussing the Google France and L’Oreal cases). The caveat is that search engines must not have participated actively in the infringement. Case C-324/09, L’Oreal SA v. eBay Int’l AG, 2011 E.C.R. I-6011, P113; P115. This is left up to the national courts to decide. See *id.* There are indications that even using a keyword suggestion tool would be exempt from liability, as German courts have held. See Annette Kur, *Secondary Liability for Trademark Infringement on the Internet: The Situation in Germany and Throughout the EU*, 37 COLUM. J.L. & ARTS 525, 531 (2014).

94. Teague, *supra* note 50, at 473. See also Peguera, *supra* note 92, at 499–512 (discussing a number of other European court cases along similar lines, including the French *eBay* case).

liability standards are to be assessed at the national level.<sup>95</sup> This now allows each member country to apply its own laws with respect to secondary liability, which do differ. For example, the United Kingdom has a more stringent standard to meet in order to be liable as an “accessory,” whereby a plaintiff must prove that the defendant “conspired with the primary party or procured or induced his commission of the tort . . . .”<sup>96</sup> This is contrasted with Germany, which takes a slightly less stringent approach, finding liability if there was a “willful adequate causal contribution to the infringing acts of any third party; the legal and factual possibility of preventing the resulting direct infringements; and the violation of a reasonable duty of care to prevent these infringements.”<sup>97</sup>

Even though the European Union has introduced “notice-and-action” procedures, these are not formalized.<sup>98</sup> As such, much of the procedures that are in place are privately regulated, such as the efforts of the European Commission working with brand owners and Internet platforms regarding the sale of counterfeit goods.<sup>99</sup> However, even with these informal procedures, combined with the legal uncertainty across European Union member countries of the application of the E-Commerce Directive safe harbors, ISPs are leery of taking additional measures that may lead to more “effective self-regulatory measures.”<sup>100</sup>

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95. See Case C-238/08, *Google France v. Louis Vuitton Malletier S.A.*, 2010 E.C.R. I-2467, Para 107, I-2511., <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A62008CJ0236>.

96. Dinwoodie, *supra* note 87, at 485 (quoting *L’Oreal SA v. eBay Int’l AG*, 2011 E.C.R. I-6011).

97. Matthias Leistner, *Structural Aspects of Secondary (Provider) Liability in Europe*, 9 J. INTEL. PROP. L. & PRAC. 75, 78–79 (2014).

98. See Council Directive 2000/31, 2000 O.J. (L 178) on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (Directive on electronic commerce), <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32000L0031&from=EN>. (obligating member states to exempt intermediaries from liability in situations listed in Section 4, but not requiring any specific “notice and action” procedure, like in the DMCA). Except some member states have enacted provisions statutorily, like France. See Peguera, *supra* note 92, at 490–91.

99. See EUROPEAN COMMISSION, ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS [https://ec.europa.eu/growth/industry/intellectual-property/enforcement\\_en](https://ec.europa.eu/growth/industry/intellectual-property/enforcement_en) (describing the European Commission’s efforts in coordinating voluntary agreements among brand owners).

100. European Economic and Social Committee and the Committee of the Regions, *Online Platforms and the Digital Single Market Opportunities and Challenges for Europe* (May 25, 2016) at 9, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016DC0288>.

## 2. Canada

In Canada, the picture is less clear than in the European Union and the United States. As a relatively small market, Canada has seen comparatively little litigation about trademarks and platform liability.<sup>101</sup> This could be due to the smaller percentage of Canadians who have used such platforms, as compared to Americans, or that Canada is simply a smaller market than the United States.<sup>102</sup> In the area of keyword advertising, where litigation in the United States has been quite active, Canada had its first case only in 2015.<sup>103</sup> And even in this case, the litigation was between two competitors regarding whether the defendant's purchase of the plaintiff's trademarks as keywords was likely to confuse Internet users.<sup>104</sup> Another reason for the lack of intermediary trademark infringement lawsuits is that Canada does not have a secondary liability regime for online uses of trademarks.<sup>105</sup>

However, this may be changing, as a recent case involving Google's role as a global search engine shows. In *Google v. Equustek Solutions*,<sup>106</sup> the defendants had previously been found to be guilty of passing off its electronic devices as the plaintiff's.<sup>107</sup> The lower court judgment had

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101. For example, one commentator has compared Canada's 2014 Gross Domestic Product to that of the state of Texas. See Mark J. Perry, *Putting the Ridiculously Large \$18 Trillion US Economy Into Perspective by Comparing State GDPs to Entire Countries*, AEI IDEAS, (June 10, 2015), <http://www.aei.org/publication/putting-the-ridiculously-large-18-trillion-us-economy-into-perspective-by-comparing-state-gdps-to-entire-countries/>.

102. For a quick comparison (but not necessarily scientific), compare <http://www.statcan.gc.ca/daily-quotidien/170228/dq170228b-eng.htm> (Canada) with <http://www.pewinternet.org/2016/05/19/the-new-digital-economy/> (U.S.).

103. Michelle Kerluke, *Canadian trademarks and keyword advertising: the unsettled debate over trademark keywords*, PhD diss., Univ. of British Colum. (2016), <http://hdl.handle.net/2429/58805>, at ii.

104. *Vancouver Community College v. Vancouver Career College* (Burnaby), 2015 BCSC 1470.

105. See Michael Geist, *No Monitoring & No Liability: What the Supreme Court's Google v. Equustek Decision Does Not Do*, MICHAEL GEIST (Jun. 29, 2017) <http://www.michaelgeist.ca/2017/06/no-monitoring-no-liability-supreme-courts-google-v-equustek-decision-not> (discussing the response to the Equustek decision by the music industry, which interpreted the Canadian Supreme Court to hold that "facilitating" infringement was liable in Canada, an interpretation that Professor Geist believes is incorrect).

106. *Google Inc. v. Equustek Solutions Inc.*, 2017 S.C.C. 34, <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/16701/index.do>.

107. *Equustek Solutions Inc. v. Jack*, 2014 BCSC 1063, <https://www.canlii.org/en/bc/>

ordered the defendant to stop its sales, however, the defendant did not comply. Google, which was not a party to the lawsuit, had removed the defendant's websites from the search results that would show up in a search on google.ca, but Canadians could still access defendant's websites on other Google sites. This led the plaintiff to ask the court to compel Google to block the defendant's sites on a global basis, which it granted.<sup>108</sup>

The secondary liability implications stem from the lower court's statement that, "Google is an innocent bystander but it is unwittingly facilitating the defendants' ongoing breaches of this Court's orders. There is no other practical way for the defendants' website sales to be stopped. There is no other practical way to remove the defendants' websites from Google's search results."<sup>109</sup> Google appealed the case all the way to the Canadian Supreme Court.<sup>110</sup> Although most commentators have focused on the free speech and forum-shopping implications stemming from Canadian Supreme Court decision,<sup>111</sup> language that the Supreme Court

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bcsc/doc/2014/2014bcsc1063/2014bcsc1063.html. In this case, defendants had been former distributors of plaintiffs' products and were accused of a number of infringements of the plaintiffs' intellectual property. First, defendants were accused of using the plaintiffs' trade secrets to design and manufacture a similar product that competed with the plaintiffs'. In addition, before selling their own product, defendants passed off plaintiffs' products as their own by covering up the trademarks on the actual product. And in selling their own product, defendants advertised using plaintiffs' products, but would deliver orders using their own product. *Id.* at paras 3–9.

108. *Equustek*, 2014 BCSC 1063, at paras 10, 159.

109. *Id.* at para 156.

110. *Google Inc.*, 2017 S.C.C. 34, <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/16701/index.do>.

111. Mike Masnick, *Canadian Supreme Court Says It's Fine To Censor The Global Internet; Authoritarians & Hollywood Cheer*, TECHDIRT (June 28, 2017), <https://www.techdirt.com/articles/20170628/11273937689/canadian-supreme-court-says-fine-to-censor-global-internet-authoritarians-hollywood-cheer.shtml>; Howard Knopf, *Google Suffers Severe Setback from the Supreme Court of Canada, Excess Copyright* (June 28, 2017), <http://excesscopyright.blogspot.ca/2017/06/google-suffers-severe-setback-from.html>; EFF, *Top Canadian Court Permits Worldwide Internet Censorship* (Jun. 28, 2017), <https://www.eff.org/deeplinks/2017/06/top-canadian-court-permits-worldwide-internet-censorship>; Daphne Keller, *Ominous: Canadian Court Orders Google to Remove Search Results Globally*, CTR. FOR INTERNET & SOC'Y BLOG (Jun. 28, 2017) <http://cyberlaw.stanford.edu/blog/2017/06/ominous-canadian-court-orders-google-remove-search-results-globally>; Michael Geist, *Global Internet Takedown Orders Come to Canada: Supreme Court Upholds International Removal of Google Search Results*, MICHAEL GEIST (June 28, 2017), <http://www.michaelgeist.ca/2017/06/global-internet-takedown-orders-come-canada-supreme-court-upholds-international-removal-google-search-results/>.

uses does appear to support opening the door to secondary liability in the online trademark infringement context.<sup>112</sup> In fact, the Canadian music industry appears to have interpreted the Supreme Court language in this manner, issuing a press release that celebrates the decision.<sup>113</sup> However, there are varying interpretations, in particular, Michael Geist's counter-argument that the Supreme Court did not open this door.<sup>114</sup>

Notwithstanding these developments in secondary liability, there is a parallel claim of negligence for failing to act on knowledge of wrongdoing that could be made. The kernel of this argument is found in *Louis Vuitton v. Lin*, where a landlord was held liable for knowingly allowing counterfeit products to be sold at their premises.<sup>115</sup> Similar to the "swap meet" cases of *Hard Rock* and *Fonovisa* in the U.S. discussed above, the court held that the landlord had a duty to investigate serious allegations of wrongdoing.<sup>116</sup> While this argument has not been made with respect to platforms, some commentators believe that this line of reasoning could be plausibly extended to the online context.<sup>117</sup> However, given the application by U.S. courts of the swap meet cases to platform infringement cases, this does seem like it can be a likely extension by the Canadian courts in the future.

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112. *Google Inc.*, 2017 S.C.C. 34, at para 53 ("This does not make Google liable for this harm. It does, however, make Google the determinative player in allowing the harm to occur."). See also Adam Bobker & Janice Calzavara, *Leave to Appeal to SCC: Google Inc v Equustek Solutions Inc (BCCA)*, BERESKIN & PARR (Mar. 7, 2016) <http://www.bereskinparr.com/index.cfm?cm=Doc&ce=downloadPDF&primaryKey=733> (discussing the lower court case).

113. Press Release, Music Canada, Music Canada applauds Supreme Court of Canada decision confirming that Internet intermediaries can be ordered to deindex illegal sites worldwide (June 28, 2017) <https://musiccanada.com/news/music-canada-applauds-supreme-court-of-canada-decision-confirming-that-internet-intermediaries-can-be-ordered-to-deindex-illegal-sites-worldwide/> ("Today's decision confirms that online service providers cannot turn a blind eye to illegal activity that they facilitate; on the contrary, they have an affirmative duty to take steps to prevent the Internet from becoming a black market.").

114. See Geist, *supra* note 105 ("The music industry may have wanted the Supreme Court of Canada to establish an affirmative duty on Google to monitor content, but the ruling is unequivocal that there is no such requirement as a result of the Equustek decision.").

115. This was a procedurally complicated case, with the first case holding in favor of Louis Vuitton on a default judgment. 2007 FC 1179 (CanLII). The second case was where the defendant asked the court to set aside the default judgment. 2008 FC 45.

116. 2008 FC 45, ¶16.

117. See James L. Bikoff et al., *Hauling in the Middleman: Contributory Trade Mark Infringement in North America*, 5 J. INTELL. PROP. L & PRAC. 332, 340 (2010).

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The existing situation becomes somewhat circular: because of the indeterminacy of the law, many parties have resorted to out-of-court settlements as a more viable option, leaving many gaps and stasis in existing common law frameworks.<sup>118</sup> In addition, operating in the “shadow of the law” leaves many smaller business entities and individuals vulnerable to legal claims that may or may not be accurate representations of more well-resourced entities’ legal rights.<sup>119</sup> At the same time, solely leaving these issues up to legislative bodies can result in a statutory framework that may leave little room for judicial refinement, overlooking the importance of restoring frameworks to protect innovation and dynamism, a point this Article returns to in Part IV.<sup>120</sup>

### III. PLATFORM DECENTRALIZATION AND THE MICROBRAND

On the platform, everyone gets to be an entrepreneur. Scholars have written extensively about the culture of “micro-entrepreneurship,” particularly in the developing world.<sup>121</sup> In some countries, like Bolivia, for example, individuals engage in entrepreneurial activities at three times the rate in the United States.<sup>122</sup> Such entrepreneurial engagement also creates opportunities for small and medium-size businesses to market themselves more effectively, particularly since the platform economy can function as a powerful tool for digital marketing.<sup>123</sup> App builders can create on platforms like Android, iOS, Amazon Web Services, and others.<sup>124</sup> Idle time can be taken up by serving as a driver for Lyft or Uber, vacant space by renting on Airbnb. Some individuals, virtually, provide goods through platforms like app stores, YouTube, or Amazon self-publishing. Agencies cater to “influencers” on YouTube, transforming individuals into stars with substantial followings. Irrespective of the specific platform, all of them direct themselves towards a single goal: encouraging everyone to

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118. Teague, *supra* note 50, at 484–85.

119. See Leah Chan Grinvald, *Policing the Cease-and-Desist Letter*, 49 U.S.F. L. REV. 409, 412 (2015).

120. See Teague, *supra* note 50, at 485.

121. Karl Loo, *How the Gig Economy Could Drive Growth in Developing Countries*, FORBES (Mar. 23, 2017, 12:04PM) <https://www.forbes.com/sites/groupthink/2017/03/23/how-the-gig-economy-could-drive-growth-in-developing-countries/#3db6d56a4a49>.

122. *Id.*

123. *Id.*

124. Kenney & Zysman, *supra* note 2, at 1.

contribute.<sup>125</sup> The most optimistic picture, then, suggests that the everyday individual can be readily transformed into an entrepreneur, able to take advantage of scheduling flexibility and able to monetize their personal and professional assets towards this goal.<sup>126</sup>

In turn, the mini-entrepreneur facilitates the emergence of the microbrand. Even in digital space, platforms enable the transformation of an everyday citizen into a brand. As one study observes, “[t]he similarities between the online presentation of people and products, individuals and brands, are striking: the same interfaces and tactics apply to both, making them even more exchangeable than before.”<sup>127</sup> Some people have lives on social media for the purposes of communication, others for the purposes of promotion, connection, and still others for the purposes of expression.<sup>128</sup> Yet a platform’s marriage to self-branding transforms and synergizes all of these purposes into one singular purpose of micro-entrepreneurship.

Even in this context, however, the governing indeterminacy over contributory liability contributes to a particular confusion even within the microbrand ecosystem. This next Part explores how the existing frameworks of contributory liability contribute to a growing divide between small and large entities, and show how the architecture of platforms contributes to this disparate impact.

#### A. MICROENTREPRENEURSHIP AND THE MICROBRAND

Nearly every prominent platform encourages the “self-branding” of entrepreneurs, enabling ordinary citizens to essentially become corporate entities by building a consumer following. Much of these views are inextricably linked to a conception of the self that is intertwined with the idea of commodification. Under this approach, linked to the idea of “possessive individualism,” we all own ourselves, as property, and therefore our capacity to contribute is linked metaphorically to the notion of property.<sup>129</sup>

Airbnb, for example, explicitly uses language about creating a micro-brand: “Your brand, or micro-brand, is what makes your listing unique and helps you stand out from the competition. Branding your listing is of

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125. *Id.* at 2.

126. *Id.*

127. José van Dijck, ‘You have one identity’: performing the self on Facebook and LinkedIn, 35 MEDIA, CULTURE & SOC. 199, 207 (2013).

128. *Id.* at 211.

129. Ilana Gershon, *Selling Your Self in the United States, Political and Legal*, 37 ANTHROPOLOGY REV. 281, 288 (2014).

utmost importance! Proper branding ensures that your listing resonates with your target market and attracts ideal guests.”<sup>130</sup>

In another typical example, a pair of Brown University students started a company, Teespring, that will only agree to produce shirts when pre-orders reach a minimum threshold, thereby eliminating risk for the average producer, enabling them to scale production quickly and effectively.<sup>131</sup> The model is again a “microbrand”: the production of “products that are tailored towards individual affinities[,] rather than consumption for the mass market.”<sup>132</sup> The company has received tens of millions in venture capital financing, and hundreds have earned more than six figures from their micro-production (not including launching at least ten millionaires).<sup>133</sup> In another context, some entrepreneurs in the consignment economy have grown so large that they have received venture capital investment.<sup>134</sup>

Even when some kinds of mini businesses are not known for their profit, they still create new formations of platform entrepreneurship.<sup>135</sup> Influencers, for example, have been touted as the new brands, described as “the golden children of marketing strategies right now.”<sup>136</sup> Some studies argue that consumers trust influencers far more than they trust advertisements or even celebrity endorsements.<sup>137</sup> Here, too, platforms have emerged to provide a springboard to match influencers with particular brands.<sup>138</sup> MuseFind, for example, exists as a platform that assists brands to find relevant influencers for their target audience, and then monitors their performance in marketing a brand.<sup>139</sup> Often, the effectiveness of an influencer campaign depends on how “authentically”

130. AIRBNB GUIDE, *Good Design is Good Business* <https://www.airbnbguide.com/good-design-is-good-business/>.

131. Marcus Wohlsen, *These Guys Made a T-Shirt. Now Silicon Valley Is Giving Them Millions*, WIRED (Nov. 18, 2014) <https://www.wired.com/2014/11/guys-made-t-shirt-now-silicon-valley-giving-millions-2/>.

132. *Id.*

133. *Id.*

134. Kenney & Zysman, *supra* note 2, at 66.

135. *Id.*

136. Deborah Weinswig, *Influencers are the New Brands*, FORBES (Oct. 5, 2016, 9:30AM) <https://www.forbes.com/sites/deborahweinswig/2016/10/05/influencers-are-the-new-brands/#618c60217919>.

137. *Id.* (citing study by MuseFind that shows 92% of consumers trust influencers more than other forms of marketing).

138. *Id.*

139. *Id.*

she is viewed by the target audience, leveraging an economy of trust between the consumer and the influencer.<sup>140</sup>

Alice Marwick, in her book *Status Update*, explains that the concept of “self-branding” has become an essential Web 2.0 strategy, something that is firmly instilled in today’s business culture.<sup>141</sup> The idea, at its simplest, is to match marketing strategies with the individual entrepreneur, “a way of thinking about the self as a salable commodity that can tempt a potential employer.”<sup>142</sup> Social media, here, is essential to enable widespread self-promotion.<sup>143</sup> She quotes an article by Tom Peters that appeared in *FAST COMPANY*, titled “The Brand Called You,” that relates:

The main chance is becoming a free agent in an economy of free agents, looking to have the best season you can imagine in your field, looking to do your best work and chalk up a remarkable track record, and looking to establish your own micro equivalent of the Nike swoosh. . . . The good news—and it is largely good news—is that everyone has a chance to stand out. Everyone has a chance to learn, improve, and build up their skills. Everyone has a chance to be a brand worthy of remark.<sup>144</sup>

Here, several factors—the rise of megacorporate brands, coupled with an entrepreneurial mindset and project-based work cultures—all contribute to the individualistic, decentralized world of the microbrand.<sup>145</sup>

In some cases, because microbranding is linked to a changeable, fluid, human personality, as opposed to a fixed product, it creates new vulnerabilities, requiring even greater brand management, surveillance and enforcement.<sup>146</sup> Some individuals set up Google alerts to let them know when they are mentioned online; others use Twitter and other software to let them know when they are being replied to or retweeted; others spend

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140. *Id.*

141. ALICE E. MARWICK, *STATUS UPDATE* 164 (2013).

142. *Id.* at 166.

143. *Id.*

144. *Id.* at 165 (quoting Tom Peters, *The Brand Called You*, *FAST COMPANY* (Aug. 31, 1997) <https://www.fastcompany.com/28905/brand-called-you>).

145. *Id.* At the same time, however, as Marwick warns us, the benefits of self-branding can tend to privilege a certain demographic—white, wealthy males who have considerable independence relative to female or minority demographics, who may have less flexibility to devote time to self-branding opportunities. *See id.* at 180–81.

146. Gershon, *supra* note 129, at 290.

hours combing social media looking for references to their name or brand.<sup>147</sup> Marwick quotes Glenda Bautista, who served as head of product for video at AOL who describes an endless chain of self-policing and policing of others, constantly asking others to take photographs, and peppering commentary with references to high-status individuals, even when their relationships are remote.<sup>148</sup> As Marwick explains, this process “requires continually imagining oneself through the eyes of others, creating a ‘dual gaze’ of internalized surveillance.”<sup>149</sup> Through this process of surveillance and monitoring, self-branding produces an “edited self,” someone who appears to be “an entrepreneur whose product is a neatly packaged, performed identity.”<sup>150</sup> In other contexts, like Uber, entrepreneurs are incentivized through ratings and other reputational tools to encourage effective performance, unlike cab drivers who are typically anonymous and unknown to the passenger.<sup>151</sup>

While at first glance it may seem that self-branding and trademark law rarely intersect, the truth is that they draw upon similar concerns regarding property, identity, and association. The endless cycle of self-branding and brand monitoring affects trademark enforcement in two primary ways. First, it may incentivize microbrands to spend significant resources of time and money to enforce their trademarks, due in part to the constantly changing brand environment they inhabit. Second, the constant pull of brand monitoring may lead macrobrands, in turn, to internalize the same range of additional costs faced by microbrands, leading, again, to trademark surveillance and overenforcement. Finally, these disparities in turn, can contribute to a widening divide between smaller and larger platforms that may have different abilities and resources to address enforcement, thus impacting the path of platform innovation.

#### B. MICROBRANDING AND CONTRIBUTORY LIABILITY

In the context of platforms, many scholars and commentators have raised the question of whether there is a hierarchical distinction between the “platform owner” and the entrepreneurs and contractors that facilitate

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147. Marwick, *supra* note 141, at 190.

148. *Id.* at 190–91.

149. *Id.* at 191.

150. *Id.* at 195.

151. Jonathan V. Hall & Alan Krueger, *An Analysis of the Labor Market for Uber’s Driver-Partners in the United States* 32 (Nat’l Bureau of Econ. Research, Working Paper No. 22843).

this economy.<sup>152</sup> The same question, we argue, might also be posed in the trademark arena, that is, whether our system of contributory liability, as well intended as it might be, facilitates the formation of an unequal system that extends the benefits of trademark protection and enforcement to a few, but radically undervalues the contributions of the mini entrepreneurs that characterize platform vitality. The absence of statutory safe harbors in the trademark context often has a particularly deleterious effect on smaller ISPs and related platforms, who may face different challenges based on their limited legal resources.<sup>153</sup> Many smaller ISPs do not have automated systems to respond to 512 notices, and therefore an attention to the diversity of ISP platforms is especially critical in considering how to design better systems of notification and enforcement.<sup>154</sup>

According to Stacey Dogan, existing trademark frameworks unwittingly encourage aggressive behavior through two central mechanisms.<sup>155</sup> The first involves the oft-mentioned trope that trademark owners must police their marks.<sup>156</sup> The existing lack of clarity regarding trademark owner's duty to police can lead to overenforcement, lending further strength to the perception that "stronger" marks receive more protection, and "weaker" marks get less. As Dogan explains, although trademark owners are required to take certain steps to enforce their marks, the confusion regarding the required level of notice to prospective defendants encourages them to take an "object first, analyze later" approach.<sup>157</sup> As a result, many trademark owners take an approach that objects to all third party uses of their marks, even when confusion does not result.<sup>158</sup> Dogan concludes, therefore, that many cases of trademark bullying involves value maximizing choices—trademark owners object, not because they risk "losing their marks if they fail to object, but because their rights will be more valuable if their objection succeeds."<sup>159</sup>

Consider dilution protections, as one example. Even though the

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152. Kenney & Zysman, *supra* note 2, at 67.

153. See Kickstarter, Makerbot, Meetup, & Shapeways, *Additional Comments in the Matter of Section 512*, Docket No. 2015-7, at 3 (Feb. 23, 2017).

154. See *id.*, at 3–4.

155. Stacey Dogan, *Bullying and Opportunism in Trademark and Right-of-Publicity Law*, 96 B.U. L. REV. 1293, 1318 (2016).

156. *Id.* (explaining that, in reality, their responsibilities are much more limited—they do not lose their rights by failing to object to uses that are non-infringing).

157. *Id.* at 1318–19.

158. *Id.* at 1319.

159. *Id.*

strongest, most famous marks carry the least risk of losing their distinctiveness, the law's existing framework directs courts to consider the extent to which a mark holder engages in "substantially exclusive use of the mark," thereby indirectly encouraging trademark holders to overpolice their marks to satisfy this standard.<sup>160</sup> Similar concerns regarding exclusivity also carry over into the standard for infringement, as well. This leads trademark owners to police their marks for anything remotely appearing similar, as a function of preserving the value of a mark, rather than guarding against a true risk of confusion.<sup>161</sup>

These harms become even more apparent when we turn to the architecture of platforms. Due to the absence of trademark safe harbors, ISPs cannot institute a counter notice procedure for solely trademark-related claims; and as a result, users do not have the ability to challenge the notification and keep their work online.<sup>162</sup> Etsy, for example, has observed that its number of trademark-related takedown notices is greater than the copyright-related ones that it has received.<sup>163</sup> It offers examples of the notices it has faced: one involving a graphic designer using the trademarked name of a television show on a set of custom party invitations; an artist using a trademarked cartoon character in a humorous oil painting; or a small business owner who repackages food packaging into purses and liquor bottles into drinking cups.<sup>164</sup> Even though each of these instances might be the subject of strong arguments for non-infringing uses, each of them was the subject of a takedown notice.<sup>165</sup>

Because of the absence of clear safe harbors in the ISP context with respect to trademark law, commentators have argued that many ISPs will not challenge trademark requests in order to avoid becoming embroiled in costly litigation.<sup>166</sup> As a recent filing by Etsy and other platforms concluded, "[t]he result is that a trademark claim – even one built on a weak foundation – can be an effective way to permanently quash the

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160. *Id.*

161. *Id.* at 1321 (quoting 2 J. THOMAS MCCARTHY, MCCARTHY TRADEMARKS AND UNFAIR COMPETITION § 11.91 (4th ed.): "[t]he only way a trademark owner can prevent the market from being crowded with similar marks is to undertake an assertive program of policing adjacent 'territory' and suing those who edge too close").

162. *See* Etsy, Foursquare, Kickstarter, Makerbot, Meetup, Shapeways, & Stratasys, *Comments in the Matter of Section 512*, Docket No. 2015-7, at 3 (Apr. 1, 2016).

163. *Id.* at 3.

164. *See* Etsy, et al., *supra* note 84, at 3.

165. *Id.*

166. *See* Etsy, et al., *supra* note 162, at 3.

speech or economic activity of others.”<sup>167</sup> In such cases, because of the complexity of trademark law, and the David vs. Goliath status of the user vs. the trademark owner, respectively, ISPs may not even provide the user with an opportunity to challenge the assertion of infringement.<sup>168</sup> Here, small businesses, individual entrepreneurs, and ordinary creators might be most affected by such notices, simply because they lack the resources and channels to challenge their targeting.<sup>169</sup> And smaller ISPs, since they may be unable to afford the legal resources required to investigate a claim, may err on the side of over-accommodation as a result.<sup>170</sup> Over the long term, these abusive practices can have the effect of actually undermining support for intellectual property altogether. As Etsy and others have noted, “[a] steady stream of examples of abuse can reduce the legitimacy of rightsholders as a whole in the eyes of the public, thus reducing public support for enforcement even in legitimate cases of infringement.”<sup>171</sup>

Further, because of the absence of trademark-related safe harbors, many platforms have reported situations where a rightsholder conflates both copyright and trademark-related requests in the same notice, knowing that the absence of a safe harbor in trademark requests will make it much more likely that an ISP will respond by taking down the content.<sup>172</sup> For example, a rightsholder might object to content that includes a character (protected by copyright) and its name (that is protected by trademark).<sup>173</sup> The 3D printing company, Shapeways, for example, has found that in 2015, 76% of the copyright takedowns include trademark-related claims.<sup>174</sup> A year later, Shapeways noted that although the number of overlap claims had significantly reduced overall, it still found that the majority of its most defective takedown claims were trademark-related.<sup>175</sup>

Yet consider the result of this overlap. Since Shapeways does not generally accept counter notices for non-copyright claims, this means that the majority of its users targeted by takedown requests are unable to

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167. *See id.*

168. *See id.*

169. *See id.* at 4.

170. *See id.*

171. *See id.* at 5.

172. *See Etsy, et al., supra* note 162, at 5.

173. *Id.* (“For example, a rightsholder may request the removal of user content consisting of a copyright-protected character and its trademark-protected name.”).

174. *See* SHAPEWAYS, 2016 Transparency Report, at <https://www.shapeways.com/legal/transparency/2016>.

175. *See id.*

respond to these allegations.<sup>176</sup> As a result, this loophole essentially enables a rightsholder to evade the counter-notice requirements under the DMCA, since trademark law does not allow for the same process, thereby risking overenforcement and abuse.<sup>177</sup> “Even if a user intends to challenge the copyright portion of the request, the trademark portion often remains unchallengeable, resulting in the targeted content staying down.”<sup>178</sup> Since the vast majority of such cases are resolved privately, “OSPs are largely left to create their own patchwork of policies, hoping that their decisions strike a reasonable balance between enforcement and expression. This results in an uneven, largely undocumented shadow dispute resolution process that breeds an under appreciation for the scope of the problem and a lack of uniform rules to help guide their resolution,” commentators observe.<sup>179</sup>

In such cases, it is important to distinguish between abusive trademark enforcement and enforcement that seeks to execute legitimate trademark rights.<sup>180</sup> While the latter goal is clearly deserving of support, the former scenario – overenforcement – has a deleterious effect on startups and smaller platforms that may lack the resources to respond properly to a dispute. In such situations, the assertion of overbroad trademark rights, facilitated by an overreliance on automated systems of enforcement, may produce false positives without significant human oversight.<sup>181</sup> In some cases, these complaints can be sent by a rightsholder who uses these notices to undermine a competitor or to censor critical commentary.<sup>182</sup> For example, a recent filing noted an incident where a political action committee requested a takedown of material that parodied Hilary Clinton’s campaign logo.<sup>183</sup> Or a similar situation where another candidate, Ben Carson, requested takedown requests regarding merchandise that used Carson’s name on items relating to his candidacy.<sup>184</sup> Often, these claims involve a mixture of trademark and copyright claims, further muddying the waters of potential defenses, but

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176. *See id.*

177. *See id.*

178. *Etsy, et al., supra* note 162, at 5.

179. *Id.* at 5.

180. *See id.* at 2.

181. *See SHAPEWAYS, supra* note 175.

182. *See id.*

183. *See id.* at 3.

184. *See id.*

they can often involve politically oriented speech worthy of protection.<sup>185</sup> The collective effect of these claims, however, limits the potential circulation of the free flow of information and ideas, further amplifying how smaller platforms become implicated in a system of overbroad (and inconsistent) regulation.

#### IV. REFORMING PLATFORM ARCHITECTURE THROUGH TRADEMARK MODERNIZATION

Platforms, then, present us with a curious paradox: as much as platforms disrupt conventional business models and challenge classic assumptions about regulation, they also can enable a rise in regulation characterized by increases in permitting, licensing, and protection.<sup>186</sup> In other words, the absence of law facilitates the rise of platforms, but the rise of platforms requires a regulatory system to sustain its growth. In sum, at the same time that platforms challenge established theories of the market, they also facilitate increased regulation.

The same can also be said regarding how our intellectual property system intersects with platform architecture. Particularly regarding trademark law, platforms provide us with the opportunity to look for ways to harmonize the interaction of microbrands and macrobrands while encouraging the development and protection of platform enterprises. As Rob Merges has argued in the platform context, intellectual property rights confer on their owners merely an *option* to enforce their rights.<sup>187</sup> This suggests that at times, the law may need to regulate the ex post policing of intellectual property enforcement in flexible and careful ways to ensure a balance between competition and regulation.<sup>188</sup> Drawing in part from these observations, this final Part explores a number of ways in which trademark law can be modernized to better address the challenges presented by platform architecture. Here, acknowledging that there is no “silver bullet” to resolve these complex issues, this Article analyzes a variety of potential improvements to the law from different angles. While change can occur by legislation or through an adoption of voluntary measures by platforms themselves, this Article’s suggestions include the formation of statutory safe harbors among platforms, a “notice-and-notice” system, as well as a

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185. *See id.*

186. Lobel, *supra* note 1, at 90.

187. *See* Robert P. Merges, IP Rights and Technological Platforms 18 (Dec. 1, 2008), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1315522](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1315522).

188. *See id.* at 10.

variety of changes to the common law, including the application of a materiality of harm requirement and clarification of the duty to police.

#### A. SAFE HARBORS

“True” statutory safe harbors are rare in trademark law.<sup>189</sup> By “true” we mean categories of unauthorized trademark use that is deemed to be non-infringing, or what some commentators refer to as “categorical exemptions.”<sup>190</sup> This has likely been a conscious decision, as judges to date have been lukewarm to the idea of categorical exemptions or “bright line rules” in trademark law.<sup>191</sup> The reason for this is that trademark law has traditionally been context-driven, with a focus on minimizing, or avoiding altogether, consumer confusion.<sup>192</sup> Any attempts by judges to create shortcuts through the lengthy, time-consuming, and expensive analysis of the likelihood of confusion have been met with resistance.<sup>193</sup>

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189. This is the case, except for two very narrow statutory safe harbors for “innocent” publisher or domain name registrar. 15 U.S.C. §1114(2). One could argue that the exclusions from actionable dilution in Section 43(c)(3) of the Lanham Act are akin to a safe harbor. However, it is a very narrow one, limited to nominative or descriptive fair use in comparative advertising or social commentary (like parody, satire or criticism), news reporting, or any noncommercial use. 15 U.S.C. § 1125(c)(3). However, these types of uses may still be subject to trademark infringement claims. In addition, there is still the potential for a dilution claim where a judge determines that the defendant’s use is not within one of these categories. *See, e.g.,* *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.*, No. 10 Civ. 1611 (PKC), 2012 WL 1022247, \*16–\*20 (S.D.N.Y. Mar. 22, 2012) (finding in favor of plaintiff Louis Vuitton that defendant Hyundai did not use the Louis Vuitton marks within the scope of one of these exceptions and had no intent to do so). *See also* William McGeeveran, *Rethinking Trademark Fair Use*, 94 IOWA L. REV. 49, 104–109 (2008) (providing a critique of the dilution safe harbor).

190. William McGeeveran, *The Trademark Fair Use Reform Act*, 90 B.U. L. REV. 2267, 2272 (2010); Lisa P. Ramsey, *Increasing First Amendment Scrutiny of Trademark Law*, 61 SMU L. REV. 381 (2008).

191. McGeeveran, *supra* note 190, at 2268 (“Traditionally, trademark law has eschewed per se exceptions”).

192. Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WIS. L. REV. 625, 658 (2011).

193. For example, in *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, where the Tenth Circuit attempted to draw a somewhat bright line where the existence of a utility patent on a product configuration would prevent trade dress. 58 F.3d 1498 (10th Cir. 1995) (“Where disputed product configuration is part of claim in utility patent, and configuration is described, significant inventive aspect of the invention, so that without it the invention could not fairly be said to be the same invention, patent law prevents its protection as trade dress, even if configuration is nonfunctional.”). The Supreme Court blurred this bright line in *Traffix Devices, Inc. v. Marketing Displays, Inc.* by turning the rule into a part of the evidentiary assessment. 532 U.S. 23, 29 (2001) (“A utility patent is

However, there is a real need for such categorical exemptions in trademark law, particularly in today's world of "trademarking everything"<sup>194</sup> in the online world. As noted previously, some platforms themselves have argued for the need for safe harbors (as well as for a better defined system within which to operate, which we address below in our "notice-and-notice" proposal) due to the overwhelming nature of trademark infringement notices that may or may not be valid.<sup>195</sup> These platforms have argued that the creation of statutory safe harbors would increase accountability and public awareness, as well as encourage a greater uniformity of guiding principles to address trademark disputes in the ISP context.<sup>196</sup>

But a categorical exemption would also benefit macro- and micro-brands in particular ways. On the macrobrand side, it would mean that platforms are no longer required to respond to every instance of perceived infringement. In addition, macrobrands would be able to provide clearer guidance to the microbrands within their ecosystem about what is and what is not acceptable.<sup>197</sup> Since most of the trademark disputes occur extra-judicially, having clear guidelines would assist all within the platform ecosystem in deciding which claims are valid, and which involve trademark over-enforcement (and perhaps even bullying).

In terms of specific categorical exemptions, there is a rich body of literature already on the topic, as we are not the first scholars or commentators to argue for trademark safe harbors. Due to space limitations, we will mention just a few here as examples.<sup>198</sup> Eric Goldman has called for a safe harbor for Internet search providers, which would exempt such search providers from infringement liability for activities like keyword advertising.<sup>199</sup> Lisa Ramsey has argued that categorical safe

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strong evidence that the features therein claimed are functional").

194. See generally Lisa P. Ramsey, *Trademarking Everything? Why Brands Should Care About Limits on Trademark Rights*, presentation at The 2015 Works-in-Progress Intellectual Property Colloquium, United States Patent & Trademark Office, Alexandria, VA (Feb. 6, 2015).

195. See *Etsy, et al.*, *supra* note 162, at 2.

196. See *id.*

197. Some platforms do try to provide guidance. See, e.g., *Etsy.com*, <https://www.etsy.com/teams/7722/discussions/discuss/13810041/>.

198. Due to space, we are not able to discuss all the many innovative proposals here. On safe harbors, see Ramsey, *supra* note 190, at 455–56. (arguing for categorical safe harbors to protect speech); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507 (2005) (arguing for safe harbors for Internet search providers).

199. Goldman, *supra* note 198, at 588–595.

harbors should be legislatively adopted for certain uses of trademarks, or even for certain types of defendants, such as ISPs.<sup>200</sup> Bill McGeveran has crafted and argued for an entire “Trademark Fair Use Reform Act” that would exempt trademark uses within communicative works from both infringement and dilution claims.<sup>201</sup>

Unfortunately, though, categorical exemptions would really only work for the clear-cut cases. There are many uses of trademarks that fall in the middle and for this, we would propose a new system for trademark owners, macrobrands, and microbrands, to use in the online platform ecosystem.

#### B. “NOTICE AND NOTICE”

The secondary liability standard is one of the leading causes for platform uncertainty in dealing with claims of trademark infringement, as we outlined above. Exacerbating this uncertainty is a lack of a second type of safe harbor (as opposed to the first type that we just discussed, categorical exemptions), one that would immunize platforms and other online entities from any trademark infringing behavior by their users. As Part III mentions, “notice and takedown” has become the unintentional default regime for trademark claims (even though the DMCA only applies to claims of copyright infringement) because copyright owners are including claims of trademark infringement within the same notice to the ISPs.<sup>202</sup> Particularly after the Second Circuit decision in *eBay*, platforms are extremely reluctant to ignore the trademark claims, even where the platform may believe the user had a good argument for non-infringement.<sup>203</sup>

Although some of the platforms themselves advocate for a DMCA-like safe harbor and process, they caution that it is not as simple as replacing the term “copyright” with “trademark.”<sup>204</sup> Due to the differences between

200. Ramsey, *supra* note 190, at 455–56.

201. McGeveran, *supra* note 190, at 2303–2317 (arguing for safe harbors for titles of communicative works, news reporting and news commentary, and where trademarks are used in political speech).

202. See Etsy, et al., *supra* note 84, at 3. In fact, depending on the platform, trademark claims may outnumber the copyright-related ones. See ETSY, 2014 Transparency Report (Jul. 14, 2015), [https://blog.etsy.com/news/files/2015/07/Etsy\\_TransparencyReport\\_2014.pdf](https://blog.etsy.com/news/files/2015/07/Etsy_TransparencyReport_2014.pdf).

203. See Etsy, et al., *supra* note 84, at 3 (discussing various examples of trademark uses that are abusive due to the likelihood that the user had a good non-infringement argument).

204. *Id.* at 5. Some commentators are also in favor of using the DMCA as a backdrop

the rights underlying copyright and trademark, we believe that a “notice and takedown” system is too blunt of an instrument, as it lacks the ability to take into account the nuanced analysis that is required of claims of trademark infringement.<sup>205</sup> For example, while copyright law provides for a relatively discrete examination of “substantial similarity,” trademark law requires consideration of many more factors beyond similarity, including the marketing channels used, likelihood of “bridging the gap” between the goods of the defendant and the plaintiff, the defendant’s intent, and evidence of actual confusion.<sup>206</sup> In the case of counterfeit merchandise, it becomes extremely difficult to tell whether the merchandise is actually fake or not.<sup>207</sup> And deferring to the plaintiff’s determination opens up a host of potential problems that may facilitate abusive takedown requests, without independent examination.<sup>208</sup> Therefore, we suggest that the

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for trademarks. See Elizabeth K. Levin, *A Safe Harbor for Trademark: Reevaluating Secondary Trademark Liability After Tiffany v. eBay*, 24 BERKELEY TECH. L.J. 491, 521–22 (2009) (arguing for a trademark statute that would parallel the DMCA). Other commentators argue for a somewhat modified system. For example, Frederick Mostert and Martin Schwimmer argue for an “expedited dispute resolution process” that combines the notice-and-takedown of the DMCA with due process akin to the current UDRP system. Frederick W. Mostert & Martin B. Schwimmer, *Notice and Takedown for Trademarks*, 101 TRADEMARK REP. 249, 271–80 (2011). It would appear, though, that many practitioners are in agreement with the ISPs that some type of solution is needed. Jason R. Brege & Kelli A. Ovies, *Taking Down Trademark Bullying: Sketching the Contours of a Trademark Notice and Takedown Statute*, 12 WAKE FOREST J. BUS. & INTELL. PROP. L. 391, 407 (2012).

205. Maayan Perel & Niva Elkin-Koren, *Accountability in Algorithmic Copyright Enforcement*, 19 STAN. TECH. L. REV. 473 (2016). See also Teague, *supra* note 50, at 488–89.

206. Teague, *supra* note 50, at 489.

207. *Id.*

208. This has been seen in the copyright context. One study of the notices filed with Chilling Effects, renamed to Lumen (an online depository of DMCA notice-and-takedowns) noted a substantial number of notices from competitor to competitor, or from a big business to a blogger or hobbyist. See Jennifer M. Urban & Laura Quilter, *Efficient Process or Chilling Effects - Takedown Notices under Section 512 of the Digital Millennium Copyright Act*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 621, 651 (2006). More recent research led by Professor Urban sheds much-needed light into takedown practices. In part two of her three part, ground-breaking empirical research, Professor Urban shows that 70 percent of notices sent to social media sites contained questionable underlying legal claims. See Jennifer M. Urban, et al, *Takedown in Two Worlds: An Empirical Analysis*, 64 J. COPYRIGHT SOC’Y 483, 510 (2017). Although this high number includes problematic take-down notices from one particular individual, even without this individual’s notices included in the sample, the percentage of problematic notices were approximately 36 percent. See *id.* For the full description of all three parts of Professor Urban’s study, see Jennifer M. Urban, et al., *Notice and Takedown in*

United States needs to adopt a “notice and notice” framework, borrowing from Canada’s recent adoption of such system in the copyright context.<sup>209</sup>

Unlike a notice and takedown format, which requires an ISP to take down the infringing content upon notice, a notice and notice framework would only require the ISP to forward the notice to the alleged infringer.<sup>210</sup> As one commentator argued, a notice-and-notice regime places the emphasis where it should be: on the alleged primary wrongdoer, and takes a more moderate approach to self-regulation by returning “intermediaries to their natural role as middlemen,” restoring the responsibility to the courts for enforcement.<sup>211</sup> It also respects the privacy and expressive freedoms of end users more effectively than in a notice and takedown regime.<sup>212</sup>

In an ideal world, these notices from trademark owners would contain allegations of infringement for only those uses that were not within one of the categorical safe harbors as previously discussed. In such a world, then, compliance with the notice-and-notice framework would provide the ISP with immunity from secondary liability of its users’ infringement. Even in a less-than-ideal world, compliance with the notice-and-notice framework provides more clarity surrounding procedures, even where the alleged infringements are not valid.

There are still some persistent questions, however. First, however, is the tricky question of who would qualify for the safe harbor and thereby should comply with a notice-and-notice regime. The DMCA, like the European Union E-Commerce Directive, categorizes ISPs into different types, depending on the service they provide. The DMCA’s four categories are: (1) transitory digital network communications (the traditional service that ISPs provide, as in access to the internet for users);

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*Everyday Practice* (University of California, Berkeley, Public Law Research, Working Paper), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2755628](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2755628).

209. See *Notice and Notice Regime*, OFF. OF CONSUMER AFF. (Jan. 20, 2015), <http://www.ic.gc.ca/eic/site/oca-bc.nsf/eng/ca02920.html>.

210. Teague, *supra* note 50, at 488.

211. Christina Angelopoulos & Stijn Smet, *Notice-and-Fair-Balance: How to reach a Compromise Between Fundamental Rights in European Intermediary Liability*, 8 J. of Media L. 266, 295 (2016).

212. *Id.* It is worth noting that there is a difference in enforcement strategy between counterfeiting and trademark infringement due to the fact that counterfeiters will often simply ignore notices. The notice-and-notice proposal here does encompass these two different types of infringement, although recognizing that there are other approaches to handle pure counterfeiting. See, e.g., Frederick Mostert & Marin Schwimmer, *Notice and Trackdown*, IP MAGAZINE, June 2011, at 18–19.

(2) system caching (this is where an ISP has made an automatic copy of a user's material in order to enable it to transmit); (3) information residing on systems or networks at direction of users (for example, where an ISP stores material on its system, but unlike in category (2), the storage is at the request of the user, and not an automatic technical process like caching); and (4) information location tools (this refers to services provided by search engines).<sup>213</sup>

While it would be handy to pull in these categories from the DMCA into our new framework, there would be a number of problems with such wholesale importation. First, due to the nature of trademarks and ISPs, an ISP's services could be categorized under more than one category.<sup>214</sup> For example, an e-commerce platform could fall into both the system caching, and potentially into the information location tool categories due to how they provide their retail services. This is problematic because for each category, the DMCA provides different conditions under which the ISP must follow in order to qualify for the immunity.<sup>215</sup> More concerning is that some categories, such as "information location tools" would be overbroad, as it does not distinguish between the different services that such ISPs offer, such as paid advertising services (like keyword ads) and organic services (where the ISP is simply indexing websites based on the natural searches and hits by users).<sup>216</sup>

One solution to these problems is to meld together the categories provided by the DMCA and by the EU E-Commerce Directive, as suggested by one commentator. Jordan Teague recommends that ISPs should be categorized according to how they interact with trademarks.<sup>217</sup> Teague identifies three different ways in which ISPs interact with trademarks: (a) where an ISP uses trademarks to identify products for sale (including directing users to similar products); (b) hosting content that contains trademarks; and (c) informational index trademark uses.<sup>218</sup> Teague then proposes that a trademark safe harbor framework would categorize ISPs into the following non-mutually exclusive types: "(1) information location tools; (2) advertising platforms; (3) online brokers;

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213. 17 U.S.C. §512(a)–(d).

214. Teague, *supra* note 50, at 486.

215. For example, 512(d) requires information location tools to comply with the notice and takedown process, whereas 512(b) has a different set of requirements for system caching services.

216. Teague, *supra* note 50, at 486.

217. *Id.*

218. *Id.* at 486–487.

and (4) passive hosts.”<sup>219</sup> This melds together the concepts from the DMCA and the EU E-Commerce, as it brings into the trademark context the recognition that ISPs are often actively interacting with trademarks (online brokers, advertising platforms) and sometimes they are passively storing the information (passive hosts).

With the categories identified, we can turn our attention to the procedures that would be undertaken by such ISPs in a notice-and-notice framework. As briefly outlined above, the trademark notice-and-notice system would be distinguished from the existing copyright notice-and-takedown one because the ISP would not be required to takedown any material. Upon receipt of the notice, the ISP would simply forward onto the user the notice it received from the trademark owner. It would be up to the user to takedown any material that was claimed to be infringing. Thus, the ISP would be immune from any secondary liability if it ended up that the user was in fact infringing another’s trademark.<sup>220</sup>

While this sounds fairly straightforward, the lessons from Canada’s implementation of the notice-and-notice regime for copyright infringement claims are helpful to heed. In particular, the potential for abuse needs to be carefully considered. Canada’s legislation requires a number of items to be placed within the notice, but leaves it up to regulation as to specific language or template to be used.<sup>221</sup> Canada’s Minister of Canadian Heritage and Official Languages decided to allow

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219. *Id.* at 487.

220. Under the notice-and-takedown framework that is currently in place (and used for both copyright and trademark infringement claims), ISPs are required to act as the de facto judge to determine whether material is infringing or not. Due to the vague secondary liability standards, ISPs have stated that they err on the side of caution, oftentimes taking down material that they believe could have a plausible claim of non-infringement. *See* Etsy, et al., *supra* note 84, at 3–4. Another major shift in the notice-and-notice regime is that the ISPs would no longer need to serve as the de facto judge in the infringement analysis, with the hope of lowering error costs, as well as costs to the ISPs.

221. Canada Copyright Act, R.S.C. 1985, c-41.25(2) (“(2) A notice of claimed infringement shall be in writing in the form, if any, prescribed by regulation and shall(a) state the claimant’s name and address and any other particulars prescribed by regulation that enable communication with the claimant; (b) identify the work or other subject-matter to which the claimed infringement relates; (c) state the claimant’s interest or right with respect to the copyright in the work or other subject-matter; (d) specify the location data for the electronic location to which the claimed infringement relates; (e) specify the infringement that is claimed; (f) specify the date and time of the commission of the claimed infringement; and (g) contain any other information that may be prescribed by regulation.”).

the implementation of the law without issuing any regulations.<sup>222</sup> In addition, the legislation provides that the ISP can face statutory damages of a minimum of CAN\$5,000 (and up to \$10,000) if they do not forward the notice to the alleged infringer.<sup>223</sup> The combination of these two items, a lack of regulation and a statutory damages award, has led to subscribers receiving abusive notices that claim they could be subject to a substantial fine (some notices claimed that the subscriber could face a \$150,000 fine) and face suspension of their Internet accounts.<sup>224</sup> Both of these claims are false, as Canadian law limits the statutory damages award for non-commercial infringers to C\$5,000 and there is no such provision regarding account suspension in the Canadian Copyright Act.<sup>225</sup> These abusive notices have led some subscribers to pay the fines, as well to an overall sense of confusion.<sup>226</sup>

Any notice-and-notice regime adopted in trademark law should likely include provisions regarding a form notice template with required language.<sup>227</sup> Serious thought needs to be given to drafting the form notice template that uses clear, non-legalese language, as well as governmental

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222. Michael Geist, *Canada's Copyright Notice Fiasco: Why Industry Minister James Moore Bears Some Responsibility*, MICHAEL GEIST (Jan. 12, 2015) <http://www.michaelgeist.ca/2015/01/canadas-copyright-notice-fiasco-industry-minister-james-moore-bears-responsibility/>.

223. Canada Copyright Act, R.S.C. 1985 c-41.26(3). Although the law does not specifically state this, it could be reasonably assumed that the statutory damage award would be per instance. This would mean that for each notice that an ISP failed to forward, the ISP could face a statutory damage award of between \$5000 and \$10,000. This could quickly add up to an expensive proposition, as ISPs report that they have been receiving thousands of notices each day. See Claire Brownell, *Pirates in your neighbourhood: How new online copyright infringement laws are affecting Canadians one year later*, FP TECH DESK (Feb. 12, 2016 at 4:57 PM) <http://business.financialpost.com/fp-tech-desk/pirates-in-your-neighbourhood-how-new-online-copyright-infringement-laws-are-affecting-canadians-one-year-later>.

224. Michael Geist, *Canadians face barrage of misleading copyright demands*, TORONTO STAR (Jan. 9, 2015) [https://www.thestar.com/business/tech\\_news/2015/01/09/canadians\\_face\\_barrage\\_of\\_misleading\\_copyright\\_demands.html](https://www.thestar.com/business/tech_news/2015/01/09/canadians_face_barrage_of_misleading_copyright_demands.html).

225. *Id.*

226. Nicole Bogart, *No, you do not have to pay a 'settlement fee' if you get an illegal download notice*, GLOBAL NEWS (Jan. 13, 2017) <http://globalnews.ca/news/3179760/no-you-do-not-have-to-pay-a-settlement-fee-if-you-get-an-illegal-download-notice/>.

227. The ISPs in Canada are attempting to mitigate the lack of any required notice by including a "wrapper" that indicates to the user that the enclosed notice is merely an allegation of infringement, as well as directing the user to resources. Telephone Interview with Martin Simard, Director, Copyright and Trade-mark Policy Directorate (June 3, 2017) (notes on file with authors).

(or nonprofit) resources for the recipient of the notice to turn to with questions or concerns.<sup>228</sup> While the goal of a notice-and-notice system is to take the platform out of the role of enforcing trademark owners' rights, the pendulum should not swing so far to where users are left without any protections. As we can learn from the Canada example, it is likely that loopholes will exist in any legislation, even with well-thought out statutory language. Any notice-and-notice legislation should take this into account and build into the system a way in which regulations could be easily implemented to cover any unforeseen loophole that has a negative impact on users and the system as a whole.

We do note, however, that one of the major downsides to the above proposals in Section A and B is that we are calling for legislative action. And as seen in recent years, legislative changes, particularly where they do not ratchet up protection for trademark owners, will be difficult to get passed by the U.S. Congress. In addition, even if some of the proposed changes are taken under consideration by Congress, there is still a lengthy process before any changes would become effective. Some changes are needed in the short term. Therefore, this next subsection explores some common law changes that judges could undertake now through their interpretation of the Lanham Act and prior case law.

### C. COMMON LAW CHANGES

Trademark scholarship and commentary is filled with suggestions as to how to reform trademark law in order to take into account the concerns facing trademark users.<sup>229</sup> The two suggestions we proffer here are (1) requiring a materiality of harm and (2) clarifying the duty to police. These two changes in the way judges approach trademark infringement cases can go a long way in mitigating some of the negative externalities that the

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228. See, e.g., Innovation, Science and Economic Development Canada, Office of Consumer Affairs, Notice and Notice Regime, Frequently Asked Questions, <https://www.ic.gc.ca/eic/site/oca-bc.nsf/eng/ca02920.html> (last visited on July 23, 2017).

229. For a small sampling of such work, see generally Graeme Dinwoodie, *Developing Defenses in Trademark Law*, 13 LEWIS & CLARK L. REV. 99 (2009) (arguing for courts to adopt stronger affirmative trademark defenses); Gerhardt, *supra* note 47 (suggesting a consideration of consumer investment in brands); Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010) (advocating that only source confusion should be presumed material in trademark litigation cases); Ramsey, *supra* note 190 (arguing that descriptive marks and slogans should be considered unconstitutional); Alexandra J. Roberts, *Tagmarks*, 105 CAL. L. REV. 599 (2017) (proposing a reconsideration of the registration of hashtags); Rebecca Tushnet, *Running the Gamut from A to B: Federal Trademark and False Advertising Law*, 159 U. PA. L. REV. 1305 (2011) (proposing a materiality standard for trademark law).

platform architecture, as it intersects with trademark law, produces.

1. *Materiality of Harm Requirement*

Trademark infringement doctrine is a species of tort law. The wrongful behavior is the infringement of a trademark. As with any tort, there needs to be an injury to the plaintiff that was caused by the defendant. In current trademark infringement cases, the injury caused by the defendant is the “likelihood of confusion” that the defendant’s unauthorized use of their trademark could cause.<sup>230</sup> This “likelihood of confusion” analysis involves a multifactor test, which takes into account a number of different variables, such as the differences in the marketing channels of the plaintiff’s and defendant’s products, the type of product, etc.<sup>231</sup> Unlike other types of torts, missing from the analysis is an examination of whether defendant’s use has, in fact, injured the plaintiff through a reduction in sales of plaintiff’s products because there was actual confusion. Although actual confusion may be assessed as part of the multifactor test, it is not required for a fact finder to determine that a likelihood of confusion exists.<sup>232</sup> This is problematic because a defendant’s guilt rests on speculation of what consumers would think and at no time is the plaintiff required to show what consumers have done in response to defendant’s use.

Mark McKenna has argued that a presumption of harm is not warranted where a defendant’s use of a mark is on goods that do not compete with the plaintiff’s.<sup>233</sup> Additionally, Graeme Austin has argued that, “as a legal policy matter, equating trademark rights with what consumers might become confused about cannot be sufficient.”<sup>234</sup> Rebecca Tushnet has long advocated for a return of a materiality element in trademark infringement cases, similar to that found in false advertising cases. She argues, “[r]egardless of what message consumers receive from the words and images in an ad, a far more important issue is what messages affect their decisions in identifiable ways.”<sup>235</sup> This materiality

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230. See Landes & Posner, *supra* note 44, at 302.

231. 4 J. THOMAS MCCARTHY, MCCARTHY TRADEMARKS AND UNFAIR COMPETITION § 23.19 (5th ed.).

232. *Id.*

233. Mark P. McKenna, *Testing Modern Trademark Law’s Theory of Harm*, 95 IOWA L. REV. 63, 70–71 (2009).

234. Graeme W. Austin, *Tolerating Confusion about Confusion: Trademark Policies and Fair Use*, 50 ARIZ. L. REV. 157, 175 (2008).

235. Tushnet, *supra* note 229, at 1344.

would look at “whether consumers *care* whether a particular use of a trademark is made with the permission of the trademark owner. Often they do not.”<sup>236</sup>

The practical implementation of this standard would be that the fact finders in a trademark infringement case would need to answer the question of whether a consumer would buy or perhaps pay more for a particular product based on a belief that the product was made by, or affiliated, sponsored, or endorsed by, the trademark owner.<sup>237</sup> If the answer is no, then the defendant’s use of a mark that is either the same or similarly confusing to the plaintiff’s is not material, and therefore, causing no harm. The case would be resolved in favor of the defendant. And this would still be true even if the defendant’s use was likely to cause confusion.

The reintroduction of a materiality element would go a long way to rebalancing the relationship between the macrobrands and microbrands because a good deal of online trademark infringement claims deal with non-source-related confusion, such as sponsorship, affiliation or endorsement (such as in keyword advertising). In such cases, Mark Lemley and Mark McKenna advocate that where confusion is over the source of the product, there should be presumed materiality (although a rebuttable presumption), and other types of confusion should be presumptively immaterial.<sup>238</sup> This would strictly limit the types of actionable infringement claims that trademark owners could allege against microbrands in their notices to macrobrands, which could result in a more balanced relationship between the two. In the context of macro and microbrands in the platform ecosystem, this solution seems particularly appropriate to consider and employ.

## 2. Clarification of the “Duty to Police”

Although the Lanham Act does not explicitly require trademark owners to “police” their marks, over a half-century’s worth of court cases does appear to place some type of burden on an owner to ward against infringing uses of their trademark.<sup>239</sup> The specifics of this duty, however,

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236. *Id.* at 1366 (emphasis in original).

237. *Id.* at 1368.

238. Lemley & McKenna, *supra* note 229, at 445–46.

239. Jessica M. Kiser, *To Bully or Not to Bully: Understanding the Role of Uncertainty in Trademark Enforcement Decisions*, 37 COLUM. J.L. & ARTS 211, 224–26 (2014) (tracing the genesis of the duty to police).

remain unclear.<sup>240</sup> What is clear, though, is the *perception* by some trademark owners that this “duty” requires them to pursue possible infringers aggressively or else “lose their mark.”<sup>241</sup> This perception is fueled by judicial statements such as this one from a 2003 Federal Circuit opinion, “Trademark law requires that the trademark owner police the quality of the goods to which the mark is applied, on pain of losing the mark entirely.”<sup>242</sup> However, the actual loss of one’s mark is extremely rare<sup>243</sup> and is therefore not a valid reason for over-enforcement.

The real driver for aggressive enforcement is the reward, as well as a lack of consequences for over-stepping the legal boundaries. Courts have taken as probative evidence aggressive enforcement strategies as proxies for a “strong” mark.<sup>244</sup> As one of us has argued in previous works, this aggressiveness can often cross the line into abusiveness where the parties in the dispute are imbalanced.<sup>245</sup> It is easy for a mark owner to slide into abusiveness, as trademark law lacks any mechanisms to hold trademark bullies accountable. There are virtually no consequences for over-enforcement.<sup>246</sup> But the rewards are great, as a strong or famous trademark is granted a larger scope of protection. Trademark owners whose marks are considered strong may bring infringement actions against defendants using the same or similar marks on unrelated products. In addition, owners of famous trademarks may bring dilution actions where defendants are using marks that can be associated with the famous mark, but is not even causing a likelihood of confusion. This enlarged scope of protection can provide some trademark owners with the ability to claim almost complete exclusivity over all uses of their marks. Given this lack of understanding

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240. *Id.*

241. For example, the president of Monster Cable has been quoted as saying, “We have an obligation to protect our trademark; otherwise we’d lose it” as a rationale for the company’s trademark bullying. Benny Evangelista, *Monster Fiercely Protects Its Name: Cable Products Company Sues Those Who Use M-Word*, S.F. GATE., Nov. 8, 2004, <http://www.sfgate.com/bayarea/article/Monster-fiercely-protects-its-name-Cable-2675907.php>. See also Jessica M. Kiser, *Brands as Copyright*, 61 VILL. L. REV. 45, 73 (2016) (“This duty to police serves as a justification for bully-like behavior by trademark owners”); Irina D. Manta, *Bearing Down on Trademark Bullies*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 853 (2012).

242. *Nitro Leisure Prod., LLC v. Acushnet Co.*, 341 F.3d 1356, 1367 (Fed. Cir. 2003).

243. Kiser, *supra* note 241, at 73.

244. See *id.*

245. Grinvald, *supra* note 119, at 417–18.

246. *Id.*

of the duty to police one's trademark, the potential rewards, and the lack of consequences for over-enforcement, it is easy to understand aggressive (and perhaps even abusive) enforcement in the online space where uses of trademarks are ubiquitous.<sup>247</sup> Trademarks appear everywhere online, from blogs to reviews, to sales of used product listings.<sup>248</sup> An industry of "brand management" has arisen to help trademark owners police their trademarks online, which gives owners the ability to note any use of their mark.<sup>249</sup> Unfortunately, while not every use of a trademark is infringing, it may appear infringing to an over-zealous policer as long as it is unauthorized.<sup>250</sup> What this does is place trademark owners into overdrive in sending cease-and-desist letters or including trademark claims within take-down notices to platforms. As discussed above in Parts II and III, this places not only a serious burden on the platform, but risks unbalancing the ecosystem of the macrobrands and microbrands.

Related to this Article's suggested materiality requirement, but not mutually exclusive, is the proposal that judges make concerted efforts to clarify the "duty to police" one's trademark. A number of other commentators have previously noted this clarification is needed.<sup>251</sup> We agree with these commentators and further argue that what is needed are judicial pronouncements that would negate the effect of the Federal Circuit's 2003 statement as quoted above (and others like it).<sup>252</sup> Ideally,

247. In addition, Jessica Kiser's work in the emotional attachment to marks provides additional grounds to understand why trademark owners would want to be aggressive in their policing. *See generally* Kiser, *supra* note 241 at 73.

248. Eric Goldman, *Online Word of Mouth and its Implications for Trademark Law*, in *TRADEMARK LAW & THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH* 411–12 (Dinwoodie & Janis eds., 2008); Deborah R. Gerhardt, *Social Media Amplify Consumer Investment in Trademarks*, 90 N.C. L. REV. 1491, 1524–26 (2012).

249. *See, e.g.*, CAPTERRA, Top Brand Management Software Products, <http://www.capterra.com/brand-management-software/> (last visited Jun. 7, 2017) (listing 104 different brand management software).

250. *See* Kiser, *supra* note 241 at 73.

251. *See* Xiyin Tang, *Against Fair Use: The Case for a Genericness Defense in Expressive Trademark Uses*, 101 Iowa L. Rev. 2021, 2063 (2016); *See* Kiser, *supra* note 241, at 73.; Dogan, *supra* note 155, at 1319; Kenneth L. Port, *Trademark Extortion Revisited: A Response to Vogel and Schachter*, 14 CHI-KENT J. INTELL. PROP. 217, 219 (2014); Jeremy N. Sheff, *Fear and Loathing in Trademark Enforcement*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 873, 877–79 (2012); Deven R. Desai & Sandra L. Rierison, *Confronting the Genericism Conundrum*, 28 CARDOZO L. REV. 1789, 1791, 1834–42 (2007).

252. Nitro Leisure Prod., LLC v. Acushnet Co., 341 F.3d 1356, 1367 (Fed. Cir. 2003).

there would be leadership on this issue from one of the circuits active in trademark law, such as the Second, Seventh, or Ninth Circuits. Consider, as an example, this pronouncement from Thomas McCarthy:

The question is not how often or how assertively the trademark owner has enforced its mark, but what has been the marketplace loss of strength, if any, resulting from a failure to enforce. The real question is public perception of plaintiff's mark, not a battle count of how often it has threatened to sue or in fact sued.<sup>253</sup>

As to McCarthy's argument that it is the public perception that matters in these cases, courts must stop rewarding bad behavior. Instead of accepting the fallacy that a lack of third party use automatically equates to high levels of trademark strength or fame, as some trademark owners argue, courts should require stronger evidence of such acquired distinctiveness. Although surveys are notoriously problematic,<sup>254</sup> courts should require plaintiffs who argue strength or fame to conduct a consumer survey of how consumers view their trademark. Currently surveys are not required, although there are indications that some judges expect surveys, particularly from large trademark owners.<sup>255</sup> A consistent application of this heightened level of evidence for claims of strength or fame could go a long way in lowering the expectations of some trademark owners for their "reward" in over-policing their marks.

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Of course, the downside to relying on judges as vehicles of change is that it is haphazard, as judicial change is reliant on good cases being brought before a judge so inclined to interpret the Lanham Act and prior case law the way we (and others) suggest that it could be interpreted. However, incremental change does have an effect, and one influential case can have enormous ripple effects, as we saw with the Second Circuit's *eBay* case.

Another downside is that, as we have noted above, a good portion of all trademark-related disputes occur outside of a courtroom and so there will be many instances where the law does not directly reach. However, as William Gallagher has shown in his qualitative empirical study of

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253. 4 J. THOMAS MCCARTHY, MCCARTHY TRADEMARKS AND UNFAIR COMPETITION § 11:91 (5th ed.).

254. *See id.* § 15:42.

255. *See id.* § 32:195.

intellectual property lawyers, these informal disputes are settled in the “shadow of the law.”<sup>256</sup> Therefore, even a handful of good cases that apply a materiality of harm requirement or clarify what it means to adequately police one’s trademark will be helpful in guiding lawyers as they assist their clients. Ideally these “good” cases would feed into lawyers’ advice to their clients to *not* bring claims of infringement that rest on trademark uses outside the realm of core trademark concerns (i.e., source confusion).

## V. CONCLUSION

As suggested throughout this Article, at the same time that the absence of law has facilitated the rise of platforms, there is now a growing need for sophisticated legal systems to sustain the possibilities for platform innovation and protection. This is particularly true of trademark law, where the platform has both challenged established theories of contributory liability at the same time that it has facilitated the need for increased regulation.

This Article has argued that trademarks play a particular role in the design and formation of nearly every aspect of a platform, producing two central formations: macrobrands and microbrands. In turn, the formation of these two systems, and the intersection between them, both challenge and transform trademark law as a result, opening up new questions and opportunities. In order to protect the vitality and innovation of the platform ecosystem, trademark law must begin to reinvent itself in addressing contributory liability. Rather than turning to copyright law and the DMCA as an example of how to govern online infringement, this Article instead argues for the employment of additional tools – a notice and notice system, in particular – in order to restore intermediaries to their original roles and limit the significant administrative costs associated with enforcement. By considering both legislative reform and common law adjustments, trademark law can facilitate an even greater level of growth and innovation within the platform ecosystem.

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256. William T. Gallagher, *Trademark and Copyright Enforcement in the Shadow of IP Law*, 28 SANTA CLARA COMPUTER & HIGH TECH. L. J. 453, 456 (2011).

