



Establishing a Framework for Protecting Consumers from Third-Party Sales of Counterfeit Goods via Online Marketplaces

(FINAL November 14, 2023)

Sponsoring Committee: Anti-Counterfeiting Committee

RESOLUTION:

WHEREAS, on March 18, 2021, the International Trademark Association passed a board resolution that emphasized the need for strong anticounterfeiting enforcement mechanisms that protect consumers through statutory provisions and best practices that make it more difficult for counterfeiters to benefit from the sale of counterfeit products;

WHEREAS, on December 14, 2021, the International Trademark Association passed a board resolution that reiterated the organization's Best Practices for Addressing the Sale of Counterfeits on the Internet and further expressed support in principle for then-pending legislation to create additional legal remedies to address sales of counterfeits through the related concept of "electronic commerce platforms" in the context of U.S. law, subject to certain specifically expressed concerns about particular issues with the proposed legislation;

WHEREAS, this resolution is not designed to rescind or amend any prior resolutions that address the issue of online sales of counterfeit products;

WHEREAS, the International Trademark Association is comprised of a wide variety of brand owners, including Online Marketplaces, who are united in partnership for the best interests of users and customers to fight counterfeits;

WHEREAS, "Online Marketplaces" are defined for the purposes of this resolution as persons or entities that operate consumer-directed electronically based or accessed platforms that (A) include features that allow for, facilitate, or enable third party sellers to engage in the sale, purchase, payment, storage, shipping, or delivery of a physical consumer product; (B) are used by one or more third party sellers for such purposes; and (C) have contractual or similar relationships with consumers governing their use of the platforms to purchase physical consumer products;

WHEREAS, Online Marketplaces provide the opportunity to expand participation in the economy for both buyers and sellers, as well as increase competition to the benefit of consumers;

WHEREAS, the sale of counterfeit goods through Online Marketplaces harms consumers, brand owners, economies, and overall confidence in product authenticity;

WHEREAS, the International Trademark Association recognizes that the brand owner is in the best position to be familiar with their own intellectual property and is in the best position to determine the authenticity of suspected counterfeit goods, and Online Marketplaces must rely on information received from the brand owner regarding their respective intellectual property and to identify or confirm listings for counterfeit goods on their platforms;

WHEREAS, any framework for imposing liability on Online Marketplaces should take into account whether an Online Marketplace has taken reasonable steps to prevent and mitigate the sale of counterfeit goods, including but not limited to administration of a “notice and takedown” system that permits brand owners to submit good faith reports of counterfeit sales, as well as how brand owners have engaged to support the prevention of counterfeit goods sales, and the actions of bad actors seeking to circumvent the efforts of both Online Marketplaces and brand owners;

WHEREAS, this resolution is not intended to advocate for strict liability for Online Marketplaces;

WHEREAS, there is disparity and ambiguity as to the reasonable steps Online Marketplaces should take to combat counterfeiting based on inconsistencies in case law and legislation in various jurisdictions around the world, and harmonization of these laws would provide consistency for Online Marketplaces and brand owners, as well as advance the International Trademark Association’s goal of consumer protection;

BE IT RESOLVED, the International Trademark Association affirms the importance of protecting consumers by keeping Online Marketplaces free of counterfeit goods, as consumer protection is a long-standing priority for International Trademark Association members of all types and industries, and one that touches the work of many committees within the Association;

BE IT RESOLVED, the International Trademark Association affirms the importance of identifying clear obligations of Online Marketplaces and brand owners, with respect to Online Marketplaces avoiding the offering and sale of counterfeit goods on their platforms, and also thereby avoiding liability for such sales;

BE IT RESOLVED, that the International Trademark Association supports a framework for assessing liability of Online Marketplaces for the third-party sale of counterfeit goods according to the following:

1. The framework recognizes liability of an Online Marketplace for third-party sales of specific counterfeit goods when it:
 - a. Has intentionally induced a third party to sell those specific counterfeit goods; or
 - b. Has actual knowledge of specific counterfeit goods being offered on its website or platform, and although it has the ability to do so, does not remove their offering; or
 - c. If neither 1.a. nor 1.b. apply, has failed to take reasonable steps to prevent and mitigate the sale of counterfeit goods.

2. Online Marketplaces should be able to demonstrate they qualify for a safe harbor to any particular claim by taking “reasonable steps” to prevent and remove particular counterfeit goods from being sold through their services. The framework identifies standards for assessing “reasonable steps,” identifying both (i) the nature of the steps and (ii) reasonableness of their implementation by a given Online Marketplace, including consideration of the resources of the Online Marketplace, the technology available to the Online Marketplace, the cost-benefit relationship of investment in the precautionary measures to the accuracy and efficacy of such measures, the degree of certainty that the goods at issue are counterfeits, the degree of the brand owner’s use of tools made available by the Online Marketplace to prevent or report counterfeit goods, and the degree of certainty in the third-party seller’s intent to offer counterfeit items. The steps against which reasonableness should be assessed may include at least the following:
 - a. Mandatory user agreements requiring buyers and sellers to refrain from engaging in violating any laws, third-party rights, and the policies of the online marketplace concerning the consequences for sales of counterfeit or suspected counterfeit goods, and requiring that sellers use images that accurately depict the goods sold on the online marketplace.
 - b. Using commercially reasonable “Know Your Customer” measures, such as verifying seller contact information and identity as reasonably available technology and applicable data disclosure and privacy laws permit, understanding that data disclosure and privacy laws vary globally.
 - c. Responsibly administering a notice and takedown system for reporting and removing listings advertising counterfeit goods that balances the ability of brand owners to submit good faith reports of sellers of and/or listings for counterfeit goods with the ability of the seller to provide good faith counternotices.
 - d. Establishing a system through which buyers and sellers on the Online Marketplace may report sellers of or listings connected to counterfeit goods, including via easily accessible click-through notices, recognizing that buyers and sellers may have imperfect knowledge of whether a good is counterfeit and may have various motives for reporting goods as counterfeits.
 - e. Implementing and enforcing policies that provide consequences for sellers found to have repeatedly offered for sale counterfeit goods, such as suspensions or permanent bans of selling goods on the Online Marketplace.
 - f. Using measures to detect suspended or banned users, consistent with national data disclosure, privacy, and related laws, for example through bank and credit card information, email addresses, or government-issued identification documentation, and block further access to the Online Marketplace by such users.

- g. Providing easily accessible information to brand owners, buyers, and sellers identifying the Online Marketplace's policies against counterfeiting and the mechanisms in place for reporting suspected counterfeit goods offered on the online marketplace.
- h. Employing and enforcing policies that facilitate the disclosure of information about suspended or terminated sellers of counterfeit goods to brand owners and law enforcement upon request for disclosure in conjunction with a valid notice and takedown, subject to applicable data disclosure and privacy laws, when the brand owner demonstrates a good faith legitimate interest in enforcing its trademark rights.
- i. Cooperating in criminal and civil investigations consistent with data disclosure and privacy laws and other due process principles, including disclosing reasonable and proportional personally identifiable information of sellers when the evidence provided by the brand owner or government is sufficient to merit disclosure under applicable balancing tests.

BACKGROUND:

Consumer and brand protection is at the heart of INTA's advocacy on the issue of anti-counterfeiting. Keeping counterfeit goods from reaching consumers is a long-standing priority for INTA members of all types and industries, and one that touches the work of many INTA committees. Recent studies have highlighted the damaging impacts of counterfeit goods, such as medicines, toys, electronic items, cosmetics, and even clothing. Counterfeits often fail to meet the quality and safety standards of original products and have been found to contain dangerous toxic chemicals or pose a risk to health, fire safety, and the environment.^{1 2 3 4}

The explosion of commercial activity worldwide facilitated by the Internet has resulted in a concomitant rise in the online sale of counterfeit goods and services. The recent COVID-19

¹ Ofori-Parku, S.S., Park, S.E. I (Don't) want to consume counterfeit medicines: exploratory study on the antecedents of consumer attitudes toward counterfeit medicines. *BMC Public Health* 22, 1094 (2022). <https://doi.org/10.1186/s12889-022-13529-7>

² American Apparel & Footwear Association (2022), Fashion Industry Study Reveals Dangerous Chemicals, Heavy Metals in Counterfeit Product, https://www.aafaglobal.org/AAFA/AAFA_News/2022_Press_Releases/Fashion_Industry_Study_Reveals_Dangerous_Chemicals_Heavy_Metals_Counterfeits.aspx

³ OECD/EUIPO (2022), Dangerous Fakes: Trade in Counterfeit Goods that Pose Health, Safety and Environmental Risks, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/117e352b-en>.

⁴ EUIPO (2019), Qualitative Study on Risks Posed by Counterfeits to Consumers, https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/reports/2019_Risks_Posed_by_Counterfeits_to_Consumers_Study/2019_Risks_Posed_by_Counterfeits_to_Consumers_Study.pdf

pandemic further exacerbated the problem, as consumers increasingly turned to online sources for purchasing consumer products, medicines, medical supplies, and other necessities.

UNCTAD reported in May 2021 that the “*dramatic rise in e-commerce amid movement restrictions induced by COVID-19 increased online retail sales’ share of total retail sales from 16% to 19% in 2020*”.⁵ This increase is forecast to reach an overall 8% growth in retail ecommerce sales worldwide by 2024 representing 21.8% of all global retail sales.⁶

According to OECD research, the number of businesses engaged in business to consumer (B2C) e-commerce is constantly growing and between 2018 and 2020, online retail sales, a subset of the B2C total, rose by 41% in major economies, compared to less than a 1% rise in total retail sales.⁷ It has been predicted by Forrester that by 2023 “68% of B2C e-commerce will come from [online] marketplaces”.⁸ Undeniably, online marketplaces play a crucial intermediary role in the retail purchasing behaviors of consumers.

Yet even before the COVID-19 pandemic, the OECD reported that “E-commerce platforms represent ideal storefronts for counterfeits and provide powerful platform[s] for counterfeiters and pirates to engage large numbers of potential consumers.”⁹

This was reconfirmed in Europol’s Intellectual Property Crime Threat Assessment 2022 published in March 2022, stating, “*counterfeiting now relies heavily on the digital domain to source components and distribute their products...to consumers via online platforms, social media, and instant messaging services. The COVID-19 pandemic has further entrenched this development.*”¹⁰

The sheer magnitude of the problem due to the ease of offering counterfeits for sale through online marketplaces has generated numerous court cases focusing on whether liability for the infringing actions extends beyond the bad actor to those providing the online marketplace for the infringing sales. Given the complexities of the technology and the perpetual innovation taking place on the Internet, courts have grappled with the question of “contributory liability.” Some court decisions have been inconsistent in large part due to the absence of a consensus on which legal standards are appropriate. As a result, brand owners and online marketplaces

⁵ UNCTAD, Estimates of Global E-Commerce 2019 And Preliminary Assessment of Covid-19 Impact

On Online Retail (2020), https://unctad.org/system/files/official-document/tn_unctad_ict4d18_en.pdf

⁶ <https://www.trade.gov/impact-covid-pandemic-ecommerce>

⁷ OECD/EUIPO (2021), Misuse of E-Commerce for Trade in Counterfeits, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/1c04a64e-en>.

⁸ Forrester, 2022 Online Marketplace Tracker Global, (2022),

<https://www.forrester.com/report/2022-online-marketplace-tracker-global/RES178130>

⁹ OECD (2018), Governance Frameworks to Counter Illicit Trade, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/9789264291652-en>.

¹⁰ EUIPO & Europol (2022), Intellectual Property Crime Threat Assessment 2022, Publications Office of the European Union, Luxembourg.

continue to face tremendous uncertainty and enormous legal and other costs in trying to address this issue.

INTA has taken steps over the last 16 years to help address this uncertainty regarding contributory liability and best practices, beginning with a 2007 Board resolution regarding the liability of landlords who allow their premises to be used for the sale of counterfeits

In 2008, following the INTA Board's approval of a comprehensive report and several of the recommendations of INTA's Anti-Counterfeiting Committee that focused on the online sale of counterfeits, two task forces were formed to explore cooperative efforts between brand owners, online marketplaces, search engines, and payment providers. What emerged in 2009 were Best Practices that INTA and several Internet-related companies endorsed as voluntary measures and policies that could be put in place to help to deter online sales of counterfeits. Importantly, the implementation and enforcement of such best practices have been cited in various court cases as an indication that an auction site had taken reasonable precautions to attempt to keep their site from becoming a tool for counterfeiters.

In 2010, INTA's president created a special task force on contributory liability with the objective to recommend to the INTA Board of Directors the position INTA should take as to the following questions: (1) What constitutes constructive knowledge for purposes of determining whether a marketplace site should be held liable for counterfeiting and infringing activity on its site; and (2) where such liability could be found, what actions should the marketplace site undertake to avoid such liability? The members selected for the task force represent the spectrum of stakeholders in the debate, i.e., online platform companies, branded goods companies, private practice firms and the academic community.

The initial work of the task force included reviewing key cases dealing with contributory liability and exploring possible legal standards and preparing a draft Board resolution to focus its discussions. With the intention that the resolution is to apply worldwide, the task force needed to take into consideration that that the concept of "constructive knowledge" evolved from common law and is not well-understood or applied in civil code jurisdictions.

After much debate, the task force reached consensus that an online marketplace should be subject to liability for the sale of specific counterfeit goods when it has actual knowledge or constructive knowledge of such goods on its website and does not remove such goods from its site. However, the task force could not reach consensus as to whether the scope of the resolution should cover both counterfeiting and trademark infringement and whether with respect to constructive knowledge to include legal standards of willful blindness and/or reasonable anticipation. The Executive Committee of the INTA Board of Directors was consulted on April 21, 2011, and it was agreed that the resolution should only focus on counterfeiting and that the standards for liability based on constructive knowledge should be further clarified by the task force.

In its further consideration of standards for determining liability based on constructive knowledge, the task force agreed in 2011 that the long-established concept of willful blindness should be a standard. However, the majority of the task force considered that the concept of "reasonable anticipation," which has been rejected by a number of courts as being too onerous of a burden on Internet platforms, is too vague a concept and does not provide online marketplaces with enough guidance as to how to avoid liability. Wanting more than one standard to be available to the courts for determining liability based on constructive knowledge, the task force developed an alternative standard, that is, whether or not a marketplace site had taken "reasonable precautions" to prevent third-party sales of counterfeit goods.

To provide further guidance on what "reasonable precautions" might be considered, the task force drew heavily on the 2009 Best Practices endorsed by INTA as discussed above. Such actions by an online marketplace also were cited in the court's decision in *Tiffany v. eBay* case as being examples of actions that may mitigate or remove any liability by an online marketplace. *Tiffany v. eBay* is still the governing law in the United States as of the date of this proposed resolution. The reasonable precautions in the resolution also take into account the Memorandum of Understanding drafted by the European Commission, which is intended for signature by online marketplace providers and brand owners.

The task force completed its draft Board resolution on August 8, 2011; however, the draft resolution was never submitted to the Board due to a lack of consensus at the time. Since 2011, INTA's committees have continued their study on the topic of intermediary liability, including by formation of a Contributory Liability Subcommittee within the Emerging Issues Committee during the 2016-2017 term, creation of a project team on the topic of "Secondary Liability as a Tool for Online Anticounterfeiting" within the Anti-Counterfeiting Committee's Online Counterfeiting Project Team in 2017, and completion of a project assessing the need for a law analogous to the U.S. Digital Millennium Copyright Act for brand owners within the Enforcement Committee's Cross-Committee Task Force in 2018. Each of these projects ended with a lack of consensus between stakeholders and no legislative proposals or Board resolutions. In the interim, calls for legislation related to intermediary liability have steadily increased. Many jurisdictions have proposed (and in some cases, passed) e-commerce legislation within the past few years, and INTA has submitted comments in several of these jurisdictions (including in China in 2018, India in 2019, and the United States in 2021). In 2019, INTA provided comments to the U.S. IP Enforcement Coordinator in response to a report directing the U.S. Department of Commerce to assess the state of liability for trademark infringement, including online marketplaces' implementation of best practices. To date, INTA's comments to legislators and policymakers have focused on issues that align with INTA's Best Practices, including as updated in 2017 and 2021, but without taking a direct position on intermediary liability. Nonetheless, INTA members and legislators are increasingly looking to INTA for a more direct position on the topic; legislation on the issue continues to proliferate globally (as detailed further below), and counterfeiters continue to become more elusive and better at evading enforcement mechanisms put in place by Online Marketplaces and others. At the same time, consensus between stakeholders continues to build on this topic.

Accordingly, in 2020, the President of INTA tasked INTA's Anti-Counterfeiting, Enforcement, and Internet Committees with reassessing INTA's position on intermediary liability. The work of these committees is ongoing, but the results thus far have included the 2021 update to INTA's Best Practices and formation of a task force within the Anti-Counterfeiting Policy Global Project Team. Like the task force created in 2010, the current task force represents various stakeholders, including online platform companies, branded goods companies, and private practice firms.

In 2023, the task force conducted a survey of laws relating to intermediary liability in twenty-eight jurisdictions, including Australia, Canada, the Dominican Republic, Egypt, El Salvador, the European Union, Hong Kong, India, Indonesia, Kenya, Mauritius, Mexico, New Zealand, Nigeria, Pakistan, Panama, Peru, the Philippines, Russia, Singapore, South Africa, South Korea, Sri Lanka, Taiwan, Tanzania, Thailand, the United Arab Emirates, and the United States.

At a top level, the survey revealed that 53% of jurisdictions have laws that hold intermediaries liable for counterfeiting. This indicates a growing recognition of the need to regulate the conduct of online intermediaries and also that there exists a large number of countries globally without liability laws in place where INTA can play a vital role in advocating for greater harmonization and seeking balanced legal regimes that protect the interests of intellectual property as well as considering the various roles of all stakeholders in online sales.

Of the twenty-eight jurisdictions surveyed, twenty-three jurisdictions (82%) impose liability on online marketplaces where the marketplace "induces or encourages" third-party counterfeit sales. Twenty-five jurisdictions (89%) impose liability on online marketplaces where the marketplace has "actual knowledge" of third-party counterfeit listings and fail to remove those listings, while eighteen jurisdictions (64%) impose liability where the marketplace has "constructive knowledge" of such counterfeit sales and fails to take action. These findings are reflected with the inclusion of board resolution sections 1a. and 1b. Six jurisdictions (21%) impose liability on online marketplaces where the marketplace fails to enact policies to decrease counterfeiting. This indicates that mandatory requirements for platforms to reduce counterfeiting has not been included in existing legislation relating to intermediary liability and is consistent with the board resolution wording which does not impose strict obligations on platforms for failing to reduce counterfeit products.

Remarkably, eight jurisdictions¹¹ (29%) surveyed currently have proposals or pending laws concerning intermediary liability for counterfeiting, further demonstrating the need for INTA to take a position and provide input on such policies before they are implemented.

After reviewing the results of the survey, this current resolution was drafted. This resolution builds on the 2011 draft resolution but reframes the approach to one establishing a "framework" for assessing liability of online marketplaces based on inducement, actual knowledge, or failure to take reasonable steps (per feedback from the Internet and Data Protection Committees). The

¹¹ These jurisdictions include India, Kenya, Mexico, Philippines, South Korea, Taiwan, Thailand, and the United States.

current resolution draws from the 2021 INTA Best Practices for guidance on “reasonable steps.” It is important to note that the list of examples of reasonable steps is not an exhaustive list. An online marketplace may choose to implement all, some or none of these particular examples and may have other precautionary measures in place not on the list in the proposed resolution for the court’s consideration. Moreover, with the rapidly evolving technology applied to the Internet, there must be flexibility under the standard so that it remains current and pertinent.

These examples of reasonable steps also are not intended to restrict legitimate commercial transactions, nor impose strict liability. Moreover, INTA acknowledges the necessity of good faith reporting by brand owners, and partnership with the Online Marketplaces, in order for Online Marketplaces to be able to avoid liability under the framework above. In this regard, INTA expects brand owners to take reasonable measures to verify information submitted in good faith reports of sellers of and/or listings for counterfeit goods.

An important element in the cooperation of Online Marketplaces in criminal and civil investigations is the disclosure of reasonable and proportional personally identifiable information of sellers of counterfeit goods in order to enable enforce of intellectual property rights. INTA appreciates that such disclosure takes place within a framework of applicable data disclosure and privacy laws, and also that data disclosure and privacy laws are not intended to stop Online Marketplaces or others from screening out criminal activity. To the contrary, prevention of fraud is given as an explicit example by the European Commission for a company to process personal data¹². In its Board Resolution on Reasonable Data Access for Enforcement Purposes of 15 November 2021, INTA resolved that applicable laws should provide for mechanisms to enable rights holders to obtain access to personally identifiable information for purposes of enforcing the rights holder’s intellectual property rights, provided that (i) such access is limited to that portion of the data that is reasonably necessary to allow the rights holder to identify and contact the alleged infringer and prosecute or resolve an infringement issue, (ii) it is ensured that any restrictions imposed on such access be proportional to the potential harm associated with release of the specific personal data and balance the interests of the rights holder and the data subject, and (iii) Online Marketplaces should be shielded from liability when they appropriately disclose personal data to rights holders who request access and demonstrate a good faith legitimate interest in enforcing such rights.

Finally, it should be noted that this resolution explicitly does not define “counterfeit,” as the task force intends for the term to be defined by courts and legislatures in accordance with local law.

In conclusion, the Anti-Counterfeiting Committee crafted this resolution, incorporating feedback from various other INTA committees and informal industry groups, with the intention of striking an appropriate balance of interests, and with consumer protection at its heart. The Committee believes this is an important step in the development of effective policy on behalf of the various

¹² See “What does “grounds of legitimate interest” mean? (europa.eu), at: https://commission.europa.eu/law/law-topic/data-protection/reform/rules-business-and-organisations/legal-grounds-processing-data/grounds-processing/what-does-grounds-legitimate-interest-mean_en.

interests represented within INTA. The Anti-Counterfeiting Committee therefore respectfully requests that this resolution be passed.