eBay’s Secondary Trademark Liability Problem and its VeRO Program*

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I. Introduction


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Although the Internet seems custom-built for copyright infringement, trademark infringement also abounds, and nowhere is this more apparent than on eBay,* the Internet’s leading online auction site, where over one million items, many of them brand name goods, are traded each day.† As an online facilitator of services between parties exchanging brand-name goods, many which are not authentic, eBay may be liable as a contributory (or even vicarious) infringer.‡

But while secondary copyright infringers can look to section 512 of the Digital Millennium Copyright Act (“DMCA”)§ as a shield against liability, alleged secondary trademark infringers, like eBay, have no such sanctuary.** This unfortunate void has forced eBay to fashion a self-help remedy called the Verified Rights Owner Program (“VeRO”),†† which essentially deputizes the rights owners themselves to police infringing listings on eBay. But just as the fox has little incentive to act prudently while guarding the henhouse, rights owners have routinely overreached when armed with a quasi-official infringement enforcement badge.‡‡

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* eBay is located at www.ebay.com and bills itself as “The World’s Online Marketplace, enabling trade on a local, national and international basis.” About eBay, http://pages.ebay.com/aboutebay.html. eBay’s online marketplace model is comprised of sellers, who register with eBay but are otherwise externally anonymous; and buyers – also registered, who use eBay’s web interface to search for and bid on items listed by sellers.
† Id.
‡ “One infringes contributarily by intentionally inducing or encouraging direct infringement, and infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it.” *MGM Studios Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2776 (2005). Claims of vicarious infringement aimed at online service providers are routinely dismissed by courts, due to the indirect, even attenuated nature of the financial benefit commonly present, but online contributory infringement has been found in a variety of contexts. See infra Part II.B.
** This is not to say that eBay is a stranger to complaints of secondary copyright infringement, however; a survey of VeRO members indicates that complaints of copyright infringement are about as common as complaints for trademark infringement. See infra Part III.A.1.
‡‡ See infra Part III.A.2.
eBay similarly lacks any incentive to protect its sellers. As a result of its virtual monopoly on the online auction market,§§ sellers have few alternatives to eBay’s sizeable market and are forced to sue the complaining rights holder if they wish to reinstate their listings.*** eBay punishes sellers who have had listings removed under the VeRO Program, and it has scant oversight in place to rectify wrongful listing removals at the hands of overzealous rights owners.†††

This inequity could be cured legally in one of two ways: eBay could modify its VeRO Program to account for the due process it owes its selling community,‡‡‡ or Congress could enact a safe-harbor provision for online service providers under the Lanham Act similar to section 512 of the DMCA.§§§

Part II of this article examines the circumstances that led eBay to establish its VeRO Program – rampant online counterfeiting and the uncertain state of online secondary trademark liability. Part III focuses on eBay and discusses its VeRO program, demonstrating how it works, with additional insight provided by eBay’s VeRO members through a survey administered by the author. Part III also examines the adverse collateral effects VeRO has had on eBay’s selling community. Finally, Part IV concludes that eBay’s VeRO program insufficiently addresses the problem of counterfeits on its auction site. eBay’s solution defers too much to rights owners, whose judgment on questions of infringement is colored by self-interested business goals. The


*** See infra Part III.A.3.

††† Id.

‡‡‡ See infra Part IV.A.

§§§ See infra Part IV.B.
article endorses the view that the Trademark Act should be amended to supply service providers
with a DMCA-like safe-harbor provision.****

II. eBay’s Problem

A. eBay and the Problem of Counterfeiting

While it is easy to see why and how the Internet poses problems for copyright owners, the
same is not so intuitively obvious for trademark owners – unless your goods are commonly
sold in the aftermarket, the most popular aftermarket venue being the dominant online auction
site eBay.†††† The heavily traded and public eBay Inc. claimed $1.2b in revenues for 2005,
primarily through its eBay Marketplaces business (its online auction service).‡‡‡‡ eBay
Marketplaces (hereinafter “eBay,” unless otherwise noted) generates revenues by charging a fee
to sellers first when they list an item§§§§ and again when they sell the item.***** eBay’s community
is vast: over 180 million have registered an account, and seventy-one million actively buy and
sell.††††† eBay’s PayPal service, which accounts for one third of eBay Inc.’s revenue, is a clearing
house for online transactions,‡‡‡‡‡ which enables eBay to profit from the buyer side of the
transaction (although it does not guarantee it: a seller controls the method of payment and may

**** See infra Part IV.B.
†††† This is not to imply, however, that eBay has no secondary copyright problem; indeed, it does. See Appendix,
Survey Question 6. But the DMCA provides protections against secondary copyright infringement that do not exist
for trademark.
‡‡‡‡ Press release, eBay Inc. Announces Fourth Quarter and Full Year 2005 Financial Results (Jan. 18, 2006),
http://investor.eBay.com/releases.cfm. eBay’s auction site accounts for approximately two thirds of eBay’s total
revenues. The other third is accounted for by eBay’s online payments business (Paypal), which dovetails with
eBay’s auction business, enabling eBay to collect transaction fees from buyers immediately after an auction sale. Id.
Additionally, eBay recently entered the online telephony business by purchasing Skype, which allows online users
to talk with each other via voice-over Internet protocol (VoIP). Id.
§§§§ “Insertion Fees” range according to price, but are generally 1-2% of an item’s stated value. See eBay.com Fees,
***** “Final Value Fees” range between 5.25% for inexpensive items (under $25) to approximately 8% for more
expensive items. Id.
††††† See Press Release, supra note 15.
‡‡‡‡‡ PayPal “allows the transfer of money between email users and merchants, avoiding traditional paper methods
such as checks/cheques and money orders. PayPal also performs payment processing for e-commerce vendors,
auction sites, and other corporate users, for which they charge a fee.” Wikipedia, entry for “Paypal,”
or may not include PayPal as an option, although most do). Both buyers and sellers are enticed by eBay to utilize PayPal to complete their transactions.

Although eBay is not the only online auction game in town, it is the most successful. §§§§ eBay’s nearest competitors, uBid, Yahoo, and Amazon, do not operate on nearly the same scale.***** uBid is considered eBay’s largest competitor, but while sources in 2002 put uBid’s share of the online auction market at fourteen percent,†††††† that figure has since greatly dissipated.‡‡‡‡‡‡ While eBay’s competitors face the identical secondary liability problem, eBay’s substantially larger market share makes it the primary target of rights owners. And since eBay’s greatest offering to potential buyers and sellers is its unmatched user base, eBay’s de facto monopoly on the online auction market is likely only to increase due to the lack of incentives for eBay’s buyers and sellers to move out from underneath the eBay tent. $$$$

§§§§§ It is worth briefly pointing out that substantive differences as to secondary liability separate online auction businesses such as eBay and brick and mortar auction houses like Sotheby’s, where the level of service is coextensive with the luxury items it often auctions. Accordingly, Sotheby’s warrants the authenticity of the items is auctions to a far greater degree than eBay. Compare sample Sotheby’s warranty covering five years, found at Kai B. Singer, Sotheby’s Sold Me a Fake! Holding Auction Houses Accountable for Authenticating and Attributing Works of Fine Art, 23 Colum.-VLA J. L. & Arts 439, 441 (2000), with the eight-step self-examination process required by eBay before it will consider intervening in a buyer-seller dispute. eBay, About Buyer Protection Program, http://pages.ebay.com/help/tp/isgw-buyer-protection-steps.html.


‡‡‡‡‡‡ uBid is currently estimated to retain only 4 million registered users (See Hoovers, http://hoovers.com/ubid/--ID_57464--/free-co-factsheet.xhtml), whereas eBay now claims 180 million registered users. See Hoovers, http://hoovers.com/ubid/--ID_57464--/free-co-factsheet.xhtml. While “registered users” do not necessarily statistically correlate to revenue, it seems at least safe to assume that eBay retains a significantly larger share today than in 2002.

$$$$ In 2000, a very prescient Bruce Gottlieb predicted that eBay’s then-monopoly was likely to continue, due to what economists refer to as the “network effect” – the guarantee that as a site becomes more popular, it becomes very difficult for second-comers to displace the original because “buyers are more likely to find what they want as the number of sellers increases,” and “sellers are more likely to find a high bidder as the number of buyers increases.” Gottlieb, supra note 8.
What distinguishes eBay from its competitors is its vast, self-policing community model. By enabling mechanisms through which both buyers and sellers ‘rate’ the quality of completed (or uncompleted) transactions for other users to see, best practices are encouraged and uncooperative or fraudulent sellers can be avoided. Buyers can make informed choices grounded in the collective intelligence of the eBay community, choices that factor in considerations beyond the item for sale. Other online auction services do offer variants of the community self-policing model, but eBay’s larger audience makes the ratings generated there more valuable to sellers. A seller’s status is reflected literally in the form of a “feedback” score.

eBay sellers are limited in many respects as to what they may sell. Although eBay does not actively police for violations, it does implement mechanisms by which certain text within listings will trigger either review or automatic delisting. While many of the eighty-four prohibited categories are obvious (illegal drugs, guns, human parts and remains, etc.), most

++++++ An unnamed eBay executive is quoted as saying “eBay has a high degree of customer lockin. How? Well, for one, many of their customers are getting rich (he says he knows a few power sellers who have already retired). Second, the more you buy and sell on eBay, the better your ratings, and those aren’t transferable to other auction systems.” Robert Scoble, eBay executive gives us the inside scoop on eBay’s business, Scobleizer: Microsoft Geek Blogger (May 29, 2004), http://radio.weblogs.com/0001011/2004/05/29.html#a7621.
++++++ See, e.g., uBid, which puts both buyers and sellers through a multi-phase review process, intended to weed out unserious purchasers and maintain a degree of quality control. About uBid, http://ubid.com/about/trust.asp. eBay’s ratings are not “portable.” See Microsoft Geek Blogger, supra note 26.
******* For a detailed explanation of how a feedback score is arrived at, see eBay, What is feedback?, http://pages.ebay.com/help/feedback/questions/feedback.html. Additionally, because feedback is so important, additional eBay policies speak to the frowned upon practices of “Feedback extortion,” “Feedback solicitation,” and “Feedback abuse.” See eBay, Feedback Policies, http://pages.ebay.com/help/policies/feedback-ov.html. See also Calkins, supra note 25 (concluding eBay’s feedback system is prone to abuse, unreliable, and inadequately protects buyers from fraud).
+++++++ The term “delisting” in the context of this paper refers to the removal of a seller’s listing as a result of a VeRO complaint.
reflect intellectual property concerns in some way (downloadable media, counterfeit items, OEM software, authenticity disclaimers, anti-circumvention devices, etc.).

Additional intellectual property-related prohibitions include restrictions on keyword spamming – using terms (usually brand names) to describe a listing that misrepresent the nature of the item. eBay requires the text a seller uses to describe an item to be “directly relevant to the item being sold,” which essentially amounts to a prohibition on “passing off.” Violations of eBay’s lengthy terms of service can result in a variety of eBay-administered punishments: listing cancellation, limits on account privileges, account suspension, forfeit of eBay fees on cancelled listings, and loss of “PowerSeller” status.

Despite these code-based and community policing mechanisms, sales of counterfeit goods are common on eBay, which has led eBay to broaden its “self-policing community”

See eBay Feedback Policies, supra note 29.


Id. But see Ina Steiner, Keyword Spamming on eBay a Waste of Time, Study Shows, AuctionBytes.com (Jan. 17, 2005), http://www.auctionbytes.com/cab/abn/y05/m01/i17/s02 (noting a study of visitor patterns that showed the practice of keyword spamming to be ineffective).

An eBay seller who maintains a 98% positive feedback score.

id. See, e.g., Matthew Chapman, EBay blames users for fraud, BBC NEWS (Dec. 18, 2005), http://news.bbc.co.uk/1/hi/business/4533154.stm (reporting that shoemaker Adidas estimated that 40% of the estimated 12,000 daily eBay sales involving their goods were counterfeit). eBay is also a familiar launch point for con artistry and fraud; In the span of a few short weeks, one finds the following examples: George Warren, Sacramento Man Behind Giant eBay Fraud Goes Public, NEWS 10 (Sacramento ABC Affiliate) (May 5, 2006), http://www.news10.net/storyfull2.aspx?storyid=17360 (summarizing an elaborate art fraud played out on eBay utilizing multiple shill bidders; after the perpetrator – a lawyer – was caught and lost his license, he wrote a book entitled FAKE: Forgery, Lies & eBay); Samantha Turnbull, Family Loses $12,000 in eBay Auction Scam, NORTHERN STAR (Apr. 29, 2006), http://www.northernstar.com.au/localnews/storydisplay.cfm?storyid=3682373 (an email offering a losing eBay bidder a “second chance” to purchase the item was discovered to be a fake after the bidder wired $12,000). The Software & Information Industry Association [“SIIA”], describing VeRO as inadequate, has answered the counterfeit auction problem by filling a series of strategic lawsuits against random copyright infringing sellers of counterfeit software. Press Release, SIIA Launches Auction Litigation Program, Targets Online Auctions Selling Pirated Software, May 16, 2006, http://www.siia.net/press/releases/20060516Auction_Lit.pdf. Only two months later, SIIA claimed that the lawsuits have proven effective in stemming the tide of counterfeit auctions. See Press Release, SIIA Illegal Auction Suits Have an Impact, July 24, 2006, http://www.siia.net/press/releases/Auction_Piracy_Litigation_Impact.pdf.
to partner, through its VeRO program, with copyright and trademark holders whose goods are sold on eBay.††††††††

B. Secondary Liability Online

Despite exponential growth over the last ten years, the Internet is still in its infancy, and adverse rulings or laws can stunt both technological and business innovation.†††††††††† However, some business models unique to the Internet have wreaked havoc on the settled expectations of intellectual property rights owners, which has forced Congress and the courts to balance considerations that protect the Internet’s inherent value against legitimate complaints by rights owners whose intellectual property rights are being infringed.§§§§§§§§§§ Attempts to strike that balance have been somewhat successful: section 230 of the Communications Decency Act (“CDA”)*********** protects ISPs from torts such as defamation even if committed by an anonymous user.†††††††††††† Similarly, section 512 of the DMCA‡‡‡‡‡‡‡‡‡‡‡ protects Internet Services Providers (“ISPs”) from allegations of copyright infringement, providing they follow statutorily prescribed steps in removing infringements upon notice,§§§§§§§§§§§ and courts have effectively

†††††††††† eBay’s potential secondary liability can hardly be described as its sole interest in maintaining a counterfeit-free environment; also at stake are eBay’s credibility amongst potential users, and its duty to protect its buyers from fraudulent sales.

††††††††††† See LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY 188 (New York: Penguin 2004) (“The consequence of this massive threat of liability tied to the murky boundaries of copyright law is that innovators who want to innovate in this space can safely innovate only if they have the sign-off from last generation’s dominant industries.”).

§§§§§§§§§§§ Cf. A&M Records v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001) (finding the market harms caused by Napster, a peer to peer file sharing network populated by unauthorized copies of music files, outweighed its potential non-infringing uses), and Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417 (1984) (“The Betamax Case”) (finding the potential non-infringing uses for video-cassette recorders outweighed the market harm to a movie studio).

*********** “No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.” 47 U.S.C. § 230(c)(1) [hereinafter “CDA § 230”].

††††††††††† See Zeran v. AOL, 129 F.3d 327, 330 (4th Cir. 1997) (interpreting CDA § 230 to immunize service providers from liability for information originating from users of its service).


§§§§§§§§§§ 17 U.S.C. § 512(c)-(g).
immunized domain name registrars from contributory trademark infringement. But no comparable safe harbor exists in an online trademark liability context, and its omission becomes glaring when considering the plight of eBay and its sellers – a community whose active members amount to one quarter of the population of the United States. Before discussing the law on secondary trademark infringement, this section will recap the law on secondary copyright infringement, as its evolution is illustrative of the path trademark law might hope to take. This section also covers two eBay-specific cases, as both are helpful in placing eBay’s problem in context.

1. Contributory copyright infringement and the DMCA

Trademark and copyright law differ (but also share some similarities) in terms of how each body of law treats secondary liability. This is partly due to their differing underlying rationales: copyright law is constitutional in origin and implicitly grounded in an economic rationale, and individual monopolies are granted as incentives to create so as to enrich the public, whereas trademark protection derives from Congress’ power to regulate interstate commerce and is a subset of unfair competition law. Copyright, by its nature, encompasses a broader range of subject matter than trademark law, as copyright attaches at the moment of creation, whereas trademark rights only attach later, when a mark is used in the

************ See Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949 (C.D. Cal. 1997), aff’d, 194 F.3d 980 (9th Cir. 1999) (analogizing a domain name registrar’s limited, mechanical role in domain name infringement to the U.S. Post Office’s lack of control over the content of the mail it delivers).
†††††††††††† See Hoovers, supra note 23.
§§§§§§§§§§§§ Trade-mark Cases, 100 U.S. 82, 94–95 (1879) (“While [...] the subject of trade-marks [...] may be within the competency of legislatures whose general powers embrace that class of subjects, we are unable to see any such power in the constitutional provision concerning authors and inventors, and their writings and discoveries.”).
Although their scope often overlaps, trademark law receives far less attention from lawmakers as does copyright law.

While the case law concerning online contributory trademark infringement continues to look outside the Internet for guidance (e.g., to cases involving outdoor flea markets††††††††††††††), the awkward analogies to landlord-tenant relationships present in early online contributory copyright infringement cases have mostly disappeared.‡‡‡‡‡‡‡‡‡‡‡‡‡ Perhaps the most important of those cases was *Religious Technology Center v. Netcom* (hereinafter “RTC”).§§§§§§§§§§§§§ In RTC, an ISP, Netcom, provided Internet access to an electronic bulletin board operator, which in turn provided a venue for a user who posted allegedly infringing material belonging to the plaintiffs.************** After rejecting the proposition that Netcom was a direct infringer,†††††††††††††† the court decided genuine issues of fact remained as to whether Netcom had knowledge of the alleged infringement and whether it substantially participated in the infringement – an issue that hinged on how much control it exerted over its online service.‡‡‡‡‡‡‡‡‡‡‡‡‡ The court also found that a question of fact existed as to whether Netcom satisfied one of the elements of a vicarious infringement theory (whether it had the right and ability to control the infringing activity), but that the second required element was absent (direct financial benefit from the infringement).§§§§§§§§§§§§§§

************** Cf. 15 U.S.C. § 1051 (ability to register a mark is tied to use, or intent to use), and 17 U.S.C. § 102 (stating the threshold for copyrightability to be originality and fixation).†††††††††††††† See, e.g., Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996) (a “willfully blind” flea market operator found liable for infringing sales); *Fromont v. Aeolian Co.*, 254 F. 592 (S.D.N.Y. 1918) (a concert hall owner did not contributorily infringe a music publisher’s copyrights because his only contact with the direct infringer was through the rent paid to him by the infringing pianist).‡‡‡‡‡‡‡‡‡‡‡‡‡‡ See *Religious Technology Center v. Netcom*, 907 F. Supp. 1361, 1374 (N.D. Cal. 1995) (noting how an Internet Service Provider is unlike a landlord).§§§§§§§§§§§§§§ Id.

************** Id.

†††††††††††††† The court characterized Netcom’s role in the infringement as “nothing more than setting up and operating a system that is necessary for the functioning of the Internet.” Id. at 1372.‡‡‡‡‡‡‡‡‡‡‡‡‡‡ Id. at 1374.§§§§§§§§§§§§§§ Id. at 1375–77.
Recognizing that ISPs needed protection, while still cognizant of the threat the Internet posed to industries like music and publishing, that feared (and still fear) unchecked digital technology capable of unlimited replication of perfect copies, Congress fashioned the DMCA. The DMCA responded to some of those fears by placing strict limits on the circumvention of technological copyright control restrictions, a controversial area never before addressed by copyright law. For purposes of this paper, the DMCA is most noteworthy for its safe-harbor mechanism, which permits an ISP to immunize itself from liability in disputes between alleged copyright infringers and copyright owners. The immunization is accomplished through a mechanism that requires ISPs, upon notice by a complaining copyright holder, to expeditiously remove any material identified as infringing by the copyright holder. The ISP is then required to notify the customer that its page was removed as a result of the DMCA takedown request. The accused infringer then has opportunity to “counternotify” the ISP if it believes the takedown was the result of a mistake or

*************** See Raymond Shih Ray Ku, Grokking Grokster, 2005 WIS. L. REV. 1217, 1251 (2005) (noting the challenge that digital technology presents to copyright law: “unlimited number of perfect copies of sound recordings at virtually no cost”).


**************** 17 U.S.C. § 512(c)(1)(C). There is a potentially plausible argument that eBay does not conform to the DMCA because it often does not “act expeditiously to remove” as per this section. The time between a listing and sale can be as short as 24 hours; an auction can end immediately if a buyer purchases through eBay’s “Buy it Now” feature, a reality which severely limits the rights holder’s opportunity to identify infringements. Even where eBay is notified of infringements through its VeRO Program, some allege the auctions often end before eBay removes the listings. Even where eBay acts to ‘end’ the auction past the point of sale, the damage may have already occurred, as eBay has already served as a conduit between the buyer and seller, who now have an opportunity to complete the sale outside of eBay’s system (eBay explicitly prohibits this practice but lacks the enforcement capability to stop it). Email from Matthew Eckstein, Software Information Industry Association, to author (Apr. 21, 2006, 11:28:49 EST) (on file with author).
misidentification.†††††††††††††††† At that point, the ISP is required to notify the original claimant that unless it receives notice of pending legal action within fourteen days, the material will be reinstated.††††††††††††††††

This process is designed to permit the ISP to isolate itself from the substantive dispute, so the copyright holder and alleged infringer can pursue it privately. If the ISP chooses to ignore the DMCA safe harbor, the threshold for liability is the same as found in RTC: knowledge plus material contribution for contributory infringement and ability to control plus direct financial benefit for vicarious infringement.†††††††††††††††† But because most ISPs recognize that the DMCA’s safe-harbor provisions are necessary for their continued existence and carefully follow the proscribed procedural steps, questions of knowledge and control have effectively been mooted, at least for compliant ISPs. When an ISP falls outside of its traditional role as a passive service provider as contemplated by the DMCA, the recently revived doctrine of inducement can give rise to liability.*************

B. Trademark

Trademark law is grounded in a different rationale than copyright law,††††††††††††††††† but despite the Lanham Act’s silence on the subject of secondary trademark liability, common law has adopted a lexicon similar to that of secondary copyright infringement. In Inwood Labs, Inc. v. Ives Labs, Inc.,††††††††††††††††† the Supreme Court examined the relationship between a generic

†††††††††††††††† 17 U.S.C. § 512(g)(3).
††††††††††††††††† 17 U.S.C. § 512(c).
************ See Grokster, 125 S. Ct. at 2776 n.9.
††††††††††††††††† Trademark law seeks to protect three interests: (1) the mark holder’s business interests directly related to its goods and or services; (2) the mark holder’s good will and reputation as that relates to his goods and or services; and, (3) the public from confusion and deceit. See Scarves by Vera, Inc. v. Todo Imports, Ltd., 544 F.2d 1167, 1172 (2d Cir. 1976). Trademark protection is therefore construed more narrowly than the protection owed to copyright owners, since it protects a more narrow range of property interests. See Lockheed Martin Corp. v. Network Solutions, Inc., 985 F. Supp. 949, 965 (C.D. Cal. 1997), aff’d 194 F.3d 980 (9th Cir. 1999).
drug manufacturer and the pharmacists to which it sold. At issue was the degree of participation by the manufacturer necessary to establish liability for the infringing acts of the pharmacists, who mislabeled generic drugs as the plaintiff’s brand name drugs. The manufacturers were found not liable, as they did not intentionally induce the infringement, nor were they complicit after gaining knowledge of the pharmacist’s infringing acts.

Under *Inwood*, liability for contributory trademark infringement will be found where the third party either induced the infringement or had knowledge of the infringement and still acted to further the infringement.

The Seventh Circuit, in *Hard Rock Cafe v. Concession Svcs.*, extended *Inwood’s* “knowledge” prong to an alleged “willfully blind” operator of a flea market where counterfeit sales had been rampant. Where a person suspects wrongdoing and yet deliberately fails to investigate, the court stated, actual knowledge may be imputed, although in *Hard Rock Cafe* the standard was not met. Four years later, in *Fonovisa, Inc. v. Cherry Auction, Inc.*, a flea marker operator, under facts similar to those found in *Hard Rock Cafe*, was found liable for contributory trademark infringement by the Ninth Circuit under same “willful blindness” rationale articulated in *Hard Rock Cafe*. The court in *Fonovisa* also explicitly extended the manufacturer-distributor relationship in *Inwood* – where the contributory infringer supplied a *product* – to the seller-marketplace supplier relationship common to flea markets – where the contributory infringer supplied a *service*.

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*Id.* at 846.

*Id.* at 854.

*Hard Rock Cafe Licensing Corporation v. Concession Svcs., Inc.*, 955 F.2d 1143 (7th Cir. 1992).

*Id.* at 1149.

*Fonovisa*, 76 F.3d 259.

*Fonovisa* is better known for its holding with regard to contributory *copyright* infringement, where its reasoning goes farther in depth than its decision on the issue of contributory *trademark* infringement.
The principles of secondary trademark infringement developed in *Inwood, Fonovisa,* and *Hard-Rock Cafe* do not easily transfer to an online context because most online service providers rarely, if ever, have actual knowledge of infringements that take place on their servers (until they are notified). eBay would characterize the problem as one of scale: how could it possibly have knowledge of individual infringements when 2,000 items are listed on its site each second? The knowledge/willful blindness standard must be measured against administrative concerns, or else the auction-site business model – for some users, the Internet’s only practical function – could not exist.

The Central District of California recognized these concerns in *Lockheed Martin Corp. v. Network Solutions, Inc.*, where it ruled that domain name registrars are not subject to secondary liability for infringing domain names, as the service performed by Network Solutions was technical in nature and “remote” from the types of “domain uses capable of infringement.” Knowledge, the court implied, must be viewed in relation to the functional role the service provider played in the infringement, and the court was wary of imposing a duty to know of potential infringements that merely came within the purview of the service provider.

In *Gucci v. Hall & Assocs.*, however, the Southern District of New York declined to apply *Lockheed* where the alleged contributory trademark infringer was an Internet

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+++ See Lockheed, supra note 45.  
+++ Id. at 962.  
+++ Id. at 963.  
+++ Id.  
Service Provider, distinguishing an ISP’s ability to store infringing material from the highly technical and automated nature of domain name registries. The ISP in Gucci ignored two notices from the plaintiff relating the existence of trademark infringements on pages published by the ISP’s customer. The court easily found that the ISP had actual knowledge and thus was contributorily liable under the second Inwood prong. The ISP protested that such a holding would amount to “‘notice-based liability’ for trademark infringement, thereby creating a ‘trademark plaintiff’s veto.’” The court responded by citing Lockheed’s dicta that a “trademark owner’s demand letter is insufficient to resolve [the] inherent uncertainty [of infringement].” But Lockheed’s actual holding was essentially that a domain name registrar, by the nature of its function, can almost never contribute to infringement. The Gucci court’s point (and Lockheed’s point in dicta) was simply that a plaintiff’s demand does not settle the issue of whether there is actual infringement, which should go without saying. This reality forces an ISP to treat notices of trademark infringement precisely how the defendant ISP in Gucci characterized them: as a “trademark plaintiff’s veto.” As demonstrated by its VeRO program, eBay has gone forward on the presumption that notice-based liability exists in the context of online contributory trademark infringement. Based on Gucci, it would be difficult to argue it is wrong to do so.

C. Hendrickson

Despite the fact that it concerned only copyright issues, Hendrickson v. eBay is important for establishing that eBay, as a service provider, is entitled to

*************** Id. at 416.
†††††††††††††††††††††† Id. at 411.
§§§§§§§§§§§§§§§§§§§§§ Id.
§§§§§§§§§§§§§§§§§§§§§ Id. at 417–18.
†††††††††††††††††††††† The plaintiff in Hendrickson also sued for trademark infringement, but the court, in a pretrial order, ruled that if eBay were found liable for trademark infringement, it was merely an innocent infringer, since it
the protection of the DMCA. Hendrickson, the owner of the copyright to the documentary movie Manson, sued eBay for secondary copyright infringement after his attempts to expunge pirated copies of his movie from the site failed. eBay argued that as a service provider it was protected by the DMCA. The court sided with eBay, which it found was protected by the DMCA, and held that Hendrickson’s failure to strictly comply with the DMCA’s procedural formalities was fatal to his claim.

The court analyzed each of the three prongs necessary for an ISP to qualify for DMCA safe-harbor protection: The actual knowledge prong was satisfied, as eBay did not have actual knowledge of the infringement prior to the notification. The third prong was effectively satisfied by Hendrickson’s failure to provide adequate notice – to “substantially comply” with section 512(c)(3)(A)(iii). The court rejected Hendrickson’s argument that it was “not his job” to identify allegedly infringing listings – merely informing eBay of the existence of infringing activity is not enough under the DMCA; more specificity is required.

had no knowledge of the direct infringement. Fara S. Sunderji, Note: Protecting Online Auction Sites from the Contributory Trademark Liability Storm: A Legislative Solution to the Tiffany Inc. v. EBay Inc. Problem, 74 FORDHAM L. REV. 909, 926 (2005). Treatment as an innocent infringer reduces a plaintiff’s remedy to an injunction against future infringement. 15 U.S.C. § 1114(2).


Id. at 1088.

Id. at 1084.

Id. at 1089–92.

The DMCA safe harbor provisions reflect both theories of secondary liability for copyright – contributory and vicarious. The first provision requires the ISP to show that it does not have actual knowledge of infringing activity, and that it respond expeditiously to remove infringing material upon obtaining actual knowledge (17 U.S.C. § 512(c)(1)(A)(i)-(iii)). The ISP must also show it does not “receive a financial benefit directly attributable to the infringing activity” if it has the “right and ability to control such activity.” 17 U.S.C. § 512(c)(1)(B). Finally, the ISP must show that it responded expeditiously to remove infringing material upon receiving notification of the infringement. 17 U.S.C. § 512(c)(1)(C).


Id. at 1089–92.

Id. at 1090.
The court’s analysis of the second prong – the test for vicarious liability – is the most interesting aspect of Hendrickson. The court reasoned that because eBay does not have the “right and ability to control” infringing activity, there was no need to address whether it received a “direct financial benefit” as a result of the infringement. The court declared that just because eBay has the ability to remove or block access to infringing material stored on its website (and even acknowledged that it does), does not mean that eBay has the “right and ability to control” the infringing activity as per the DMCA. To rule otherwise, the court continued, would “defeat the purpose of the DMCA, and render it internally inconsistent.” The court then declined to analyze whether eBay received a direct financial benefit.

But if an online auction site does not have the “right and ability to control” infringing content, then what type of online service provider does? The right and ability to control is inherent in every service provider to some degree. The question should be to what degree. Contrary to the court’s assertion, reading the prong as I suggest here would not defeat the purpose of the DMCA, because vicarious liability includes a second factor which will not be present in every instance: whether the online service provider received a “direct financial benefit” from the infringement. **eBay’s fee structure does not discriminate**

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*** Id. at 1093. Hendrickson has since been followed on this point. See CoStar Group, Inc. v. LoopNet, Inc., 373 F.3d 544, 552 (4th Cir. 2004) (declining to apply vicarious copyright liability to a passive owner of an ISP).

*** Id. at 1093–94.

**** Id. at 1093. Congress has defined the purpose of the DMCA as “[facilitating] the robust development and world-wide expansion of electronic commerce, communications, research, development, and education.” S. Rep. 105-190, at 1 (105th Congress, 2d Session 1998).

between genuine and infringing items,\footnote{See Hendrickson, 165 F. Supp. 2d at 1088.} so it is plausible to argue that eBay receives a direct financial benefit from infringing sales.\footnote{Albeit in the context of a copyright vicarious infringement analysis, the Ninth Circuit in Napster found a “direct financial benefit” on less tangible basis than is present in eBay’s auction site model – namely, the court found that Napster, a peer-to-peer file sharing service, enjoyed a financial benefit even if it was a speculative future benefit contingent on its increased user base. Napster, 239 F.3d at 1023.} 

While the court took for granted that eBay was a “service provider” under the DMCA,\footnote{“[T]he term ‘service provider’ means a provider of online services or network access, or the operator of a facilities therefor.” 17 U.S.C. § 512(k)(1)(B).} such a label carries almost no weight in trademark law. Analysis of the type of service provided dominated the courts’ attention in both Lockheed and Gucci, but is unnecessary in a pure copyright context, because the DMCA precludes the need to make function-based distinctions for online service providers. While Hendrickson was an important victory for eBay, the victory remains hollow so long as eBay (and, by extension, all e-commerce sites that deal in used goods) remains unable to immunize itself from contributory trademark infringement. Tiffany v. eBay may have a significant say in whether this will occur.

D. Tiffany v. eBay

Tiffany sued eBay in 2004,\footnote{Tiffany v. eBay, No. 1:04cv04607 (S.D.N.Y. filed July 14, 2004) (Tiffany complaint found at 2004 WL 2237672).} claiming that eBay facilitated the sale of a “substantial amount” of counterfeit Tiffany merchandise and thus was liable for contributory trademark infringement.\footnote{Tiffany contends that two if its employees, during 2003 and 2004, removed more than 19,000 listings for counterfeit Tiffany merchandise. Tiffany complaint, ¶37.} Over the course of 2004, Tiffany purchased 186 items claimed to be “genuine” Tiffany jewelry through eBay, and concluded that only five percent of these items were genuine.\footnote{Tiffany v. eBay, No. 1:04cv04607 (S.D.N.Y. filed July 14, 2004) (Tiffany complaint found at 2004 WL 2237672).} Tiffany implicitly argues that the job of policing eBay’s auctions for counterfeits should be eBay’s and not imposed externally through the VeRO Program, which Tiffany derides as having been instituted for eBay’s “own convenience and
eBay counters that Tiffany is “unwilling or unable to take any responsibility for their own IP rights.”

Analyzing Tiffany through the Lockheed/Gucci framework, the issue boils down to whether knowledge of these infringements can be imputed to eBay (as in Gucci) in full consideration of the nature of eBay’s role as a service provider (as in Lockheed). While Tiffany did notify eBay of trademark infringements occurring on its site, the notice merely requested that eBay take care of the “immense problem” of counterfeit Tiffany merchandise. Tiffany’s complaint fails to allege that eBay refused to remove any specific listing upon request, unlike the notice Gucci received, which identified particular pages it claimed contained infringements. If this were a copyright case, Tiffany would have committed the same error that proved fatal to the plaintiff in Hendrickson: failure to identify specific infringements. eBay provides a mechanism (VeRO) by which infringements can be identified, but Tiffany argues that VeRO is insufficient and an unnecessary and costly imposition on the rights owner. It believes, as did the plaintiff in Hendrickson, that the onus is on eBay to police for infringements.

eBay will attempt to frame the issue in terms of feasibility – it will argue that like the domain name registrar in Lockheed, the task of discerning whether one particular item amongst

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Id. ¶38.

Id. ¶35.

Id. ¶35.


It is worth noting that Tiffany’s suit was filed in the same court that decided Gucci, the Southern District of New York.

Tiffany implicitly concedes by the argument’s lack of inclusion in the complaint that eBay’s conduct does not fall under Inwood’s inducement prong.

Tiffany complaint, ¶31.

Id. ¶31–32.

See Gucci, 135 F. Supp. 2d at 411.
literally millions infringes is administratively beyond its scope. eBay’s business model is predicated on providing the necessary technological architecture through which users can buy and sell, and a court-imposed duty to review these listings for intellectual property violations prior to posting could effectively kill the online auction business model.

eBay also will argue that the rights holder should absorb the administrative burden of policing infringement since it is better placed to make the close-call decisions that arise on questions of infringement.

Under the DMCA, the question as to the nature of eBay’s role as a service provider would not arise, as Hendrickson shows, but it is certain to arise in the Tiffany case due to trademark law’s different approach to contributory infringement. Tiffany would argue that eBay is inherently unlike a domain name registrar and more like the ISP in Gucci. Indeed, eBay is perhaps most like the flea market operator in Fonovisa, which was held liable under the willful blindness standard of knowledge, where it deliberately ignored infringing activity. A domain name registrar has no need to engage in content considerations in order to perform its function, whereas eBay would be an empty shell without its content.

In deciding the key issue in Tiffany – whether Tiffany’s generalized notice of infringement to eBay constituted “knowledge” as developed in the Inwood, Hard Rock Cafe, and

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\textit{Katie Hafner, EBay sales challenged over a flood of fakes, NEW YORK TIMES} (Jan. 29, 2006) (opining that a Tiffany win would trigger other lawsuits against eBay, and eBay’s business model would be threatened due to the impossible task of policing a site that has 60 million items for sale at any given time).


\textit{Or rather the absence of a statutory provision that offers contingent blanket protections to “service providers,” as provided by the DMCA. 17 U.S.C. § 512(c).}

\textit{See Lockheed, 985 F. Supp. at 957 (absolving domain name registrar Network Solutions of trademark liability because designating host computers is a “purely ‘nominative’ function”)}.
Fonovisa cases – a court likely will focus some of its analysis on eBay’s VeRO Program.*
VeRO is essentially a procedure-regulating system, along the same lines as the DMCA, and under the DMCA as interpreted by Hendrickson, we know that a generalized notice of infringement is insufficient to impose secondary liability.† The court might conclude that VeRO’s requirement that infringements be explicitly identified is reasonable given the massive size of eBay, the broad deference it grants rights owners, and the imposition of what likely would be debilitating costs to eBay that would result if it held otherwise, Tiffany’s “immense problem” notwithstanding.‡ Of course, VeRO is not the DMCA – eBay instituted VeRO without Congress’ help.§ The court likely will confine itself to the issue of VeRO’s reasonableness only with regard to Tiffany (and rights owners generally) and eBay. The issue of VeRO’s effect on eBay sellers is addressed below.

III. eBay’s Solution

A. Verified Owner’s Rights Program (VeRO)

While eBay expressly forbids its sellers from directly infringing others’ copyrights and trademarks,** the legal question remains open as to whether eBay shares liability with its sellers as a contributing or vicarious infringer. Two extreme possibilities exist: either eBay is akin to a common carrier like AT&T and incurs no liability, or it is like a flea market operator that is

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* See infra Part III.
† See Hendrickson, 165 F. Supp. 2d at 1089–92.
‡ It is perhaps helpful to view Tiffany through an economic lens. Under a dichotomy proposed by Lori Jones, courts in cases pitting IP owners versus internet entities are essentially forced to choose between protecting e-commerce or intellectual property. Under this formulation, only where the entity takes money out of the economy do the courts rule against the Internet (e.g., Napster, Grokster). Conversely, where the infringing activity boosted the economy, or benefited the Internet generally, the courts permit the activity to continue. Lori L. Jones, The Online Copyright Auction: How High Will the Bidding Go? 2 J. HIGH TECH. L. 45, 64–65 (2003).
§ Although to be fair, there is no indication from Congress of any urgency with regard to the problem of online contributory trademark infringement.
liable upon constructive notice of an infringement.†† VeRO represents an effort by eBay to
categorize itself as the former.

VeRO is a procedural mechanism established by eBay to “[protect] the intellectual
property rights of third parties” while “providing its users with a safe place to trade.”‡‡ VeRO
“membership” is attained by alleging an infringement to eBay via a “Notice of Copyright
Infringement” (“NOCI”) form on eBay’s site.§§ The NOCI form requires rights owners to assert
under penalty of perjury: (1) ownership of a right or mark, and (2) a “good faith belief” that the
listing they are complaining over constitutes an infringement.”*** The NOCI form provides
“reason codes” that reduce infringement claims to simplified one-sentence complaints.†††
Membership apparently does not require any substantive threshold other than this claim.

Evidently, VeRO can even be exploited fraudulently by anyone clever enough to submit a NOCI
form filled out using information from a throwaway email account and prepaid-for-in-cash cell
phone,‡‡‡ as eBay apparently does not ascertain whether the applicant is indeed the owner of the
rights it claims.§§§ Members can choose not to identify themselves as members, although some

†† See Fonovisa, supra note 50.
§§ Despite its name, the Notice of Copyright Infringement form also covers trademark infringement. Notice of
*** Id.
††† The reason codes are as follows: 1.1. Trademark owner doesn’t make this type of product; 1.2. Item(s) is an
unlawful replica of a product made by the trademark owner [knock offs]; 1.3. Item(s) is an unlawful importation of
product bearing trademark; 2.1. Listing(s) contains unlawful comparison to trademark owner’s brand name; 2.2.
Listing(s) contains unlawful use of trademark owner’s logo; 3.1. Software offered for sale in violation of a license;
3.2. Item(s) is a bootleg recording of a live performance; 3.3. Item(s) is an unlawful copy of media (software, games,
movies, etc.); 3.4. Item(s) is unlawful duplication of printed material; 3.5. Item(s) is an unlawful copy of another
copyrighted work (paintings, sculptures, etc.); 4.1. Listing(s) uses unauthorized copy of copyrighted text; 4.2.
Listing(s) uses unauthorized copy of copyrighted image; 4.3. Listing(s) uses unauthorized copy of copyrighted
image and text; 5.1. Item(s) infringes a valid patent (requires patent registration number); 5.3. Item(s) violates a
celebrity’s right of publicity; 5.4. Listing(s) content violates a celebrity’s right of publicity. Id.
‡‡‡ See Mojo, Eliminate eBay competition... [sic] (forum post), Front Page Hosting (Nov. 19, 2004),
§§§ See AP, supra note 75.
Once membership has attached, VeRO members have available to them the VeRO Reporting Tool, which is software designed to automate the process of alleging infringements to eBay.****

Upon receipt of a NOCI, eBay removes the allegedly infringing listing apparently with little or no review of the validity of the complaint.†††† eBay then notifies the seller by email that its listing has been removed.§§§§ The accused seller has few options after the listing has been removed. If the complaint is based entirely on copyright, eBay will include in the notice that the seller has an opportunity to counternotify, as per the DMCA.***** eBay then will contact the VeRO member and inform it of the counternotification and impending reinstatement of the listing unless it informs eBay within fourteen days that it has filed an action against the seller.†††††

eBay instructs accused sellers to contact the complaining rights holder to work out the dispute. eBay will restore a listing upon the acquiescence of the VeRO member who made the original complaint.|||| eBay will provide the seller whose listing has been removed with an email address of the VeRO member but no other identifying information.§§§§§ A removed listing


‡‡‡‡ Phone conversation with eBay’s general counsel Jay Monahan, May 19, 2006 (notes on file with author).

§§§§ Alorie Gilbert, Software takes aim at auction fakes, CNET, May 5, 2003, http://news.com.com/Software+takes+aim+at+auction+fakes/2100-1017_3-999876.html?tag=nl (“When [eBay] gets a complaint, it cancels the auction and notifies the seller of the objection. It is up to the seller to prove that the sale is legitimate for it to be relisted.”).

***** 17 U.S.C. § 512(g).

††††† Id.


§§§§§ eBay, What is VeRO and why was my listing removed because of it?, http://pages.ebay.co.uk/help/policies/questions/vero-ended-item.html.
can be reinstated only if the seller can convince eBay the removal was in “error,” a threshold eBay sellers have had little success in meeting.

eBay penalizes sellers who have had listings removed through its VeRO Program. Initially a “black mark” attaches to their accounts, and additional black marks can lead to account suspension. Reinstating a suspended account can be difficult. Because eBay sellers rely heavily on the goodwill that attaches to their accounts through eBay’s community trust features, inaccurate or wrongful VeRO complaints can pose a significant threat to honest sellers’ livelihoods.

1. How rights owners are using VeRO

Given the fact that eBay’s VeRO Program defers to rights owners, it is not surprising that most rights owners are generally pleased with VeRO, or at least see it as an improvement. Tiffany remains a prominent exception, because it does not believe that policing for infringements is its job. It is not difficult to find eBay sellers complaining about VeRO, but in order to find out how other VeRO members see and use VeRO, I created a survey and sent it to over 300 VeRO members. Sixty members responded, and their replies

[Footer notes]

****** eBay, Why eBay May Remove Your Listing, http://pages.ebay.com/help/tp/listing-ended.html. It may be of some significance that the “error” language only recently replaced language that permitted relisting upon a finding of “mistake by the rights owner… in reporting your listing.” (emphasis mine). See http://tinyurl.com/nrzmq. The new language is perhaps indicative of eBay’s admission of the ambiguity that exists in determining liability; eBay’s new wording relies on a general conception of error (which, to the user, could be anyone’s fault) whereas the previous language admitted that the delisting was entirely due to action by the rights holder.


§§§§§§ See Appendix, Survey Question 8 (68 percent of responding VeRO members answered that they were satisfied with the VeRO Program).

**** See supra, Part II.D.

†††††† A search on Google (http://www.google.com) for “VeRO” + “eBay” leads mostly to pages of sellers complaining about the program.

†††††† See Appendix. Over 800 VeRO members have opted to be listed eBay, and eBay claims that over 5,000 VeRO members exist. See eBay, supra note 129.
were illuminating. Although the full results of the survey are set out in the Appendix, the results of three questions are most noteworthy.

Question Five asked, “How often do you report infringements to eBay?” While 60 percent remove listings “Hardly ever” or “Once a month,” 37 percent use the program quite frequently – 8 percent answered “More than five times a day.”

Question Six asked, “What is your most common legal reason for reporting infringements to eBay?” The offered responses were “Copyright,” “Trademark,” “Patent,” and “Publicity Rights.” That “Copyright” (31, or 51 percent) and “Trademark” (27, or 45 percent) ran neck and neck did not come as a surprise, but this response underscores the need for a trademark safe harbor, as complaints for trademark infringement are apparently nearly as common as copyright complaints. Of those surveyed that identified their industry segment as “Movies, Television, & Radio” or “Music,” all twelve identified their legal reason as copyright. Not surprisingly, those identifying their industry segment as “Sporting Goods & Memorabilia,” “Apparel & Handbags,” or “Jewelry, Sunglasses, & Watches,” answered that trademark was the most common basis for complaint. Of the twenty-two members surveyed who claim to use VeRO frequently (“Once a week or more”), twelve remove most commonly for trademark reasons, and ten for copyright reasons. One person claimed to use VeRO to remove over 500 listings in a day.

Question Seven asked “Who is responsible for identifying and reporting infringements to eBay?” and offered as choices “Staff member,” “In-house counsel,” “Outside counsel,” “Online specialist (e.g., Net Enforcers, et al),” and “Other.” This result was the biggest surprise, as 45 of the 60 VeRO members surveyed (75 percent) answered that a staff member – as opposed to a lawyer – was responsible for identifying and removing infringing listings. While some
infringements, *e.g.*, counterfeits, are relatively easy to spot, many are not and might require a more trained legal eye. Whether this result explains the myriad examples of overreaching by VeRO members is debatable. But since this tendency to overreach rarely triggers negative consequence for rights owners, perhaps both lawyers and non-lawyers push the envelope as to what constitutes an infringement in equal measure.

2. **How rights owners are overusing VeRO**

   Within the online auction infringement universe, three common scenarios dominate. The first is counterfeit goods.******** Where an item is obviously counterfeit, there is no debate as to its legality, except where the item’s authenticity cannot be discerned easily from the photograph and/or description. The more sophisticated counterfeiters can get around this, meaning that an infringement could escape detection until delivery of the item. eBay’s terms of service are largely focused on keeping potential counterfeits off its site by restricting the language that can be used in item descriptions. For example, a seller might honestly describe a handbag with a missing label in the following way: “Looks like it might be a Kate Spade” – but eBay prohibits such listings.†††††††† In these situations, where a question of authenticity exists, eBay understandably imposes a burden of proof on the seller to prove that an item is genuine.‡‡‡‡‡‡‡‡

   While the majority of eBay listing removals concern counterfeit goods, the most contentious removals involve items whose copyright may no longer apply. The first-sale

******** These four responses were offered because they mirrored the four bases upon which removal can be granted as listed in the NOCI form, which is what an eBay member fills out when petitioning eBay to remove a listing. See eBay, *supra* note 126.

****** The Trademark Counterfeiting Act of 1984 defines the term “counterfeit mark” to mean “a spurious mark (A)(i) that is used in connection with trafficking in goods and services; (A)(ii) that is identical with, or substantially indistinguishable from, a mark registered for those goods and services on the principal register in the United States Patent and Trademark Office and in use, whether or not the defendant knew such mark was so registered; and (A)(iii) the use of which is likely to cause confusion, to cause mistake, or to deceive[.]” 18 U.S.C. § 2320(d)(1)(A)(i)-(iii).


‡‡‡‡‡‡‡‡ *Id.*
doctrine, which terminates a copyright owner’s exclusive distribution right after the first sale, is a commonly cited defense by eBay sellers. Both new and used items are sold on eBay; but even where an item appears new, it may already have been sold, which is where the question of the legality of a particular listing can get confusing. eBay sellers claim that many removals of this sort are pretextual – they believe that the true goal of the complaining VeRO member is to kill off prices they see as undercutting their own. In many cases involving the first-sale doctrine, courts have been quick to recognize illegitimate price discrimination dressed in copyright garb. One survey taker admitted removing listings despite knowing that the items were likely originally purchased at yard sales and would only permit the listing to be reinstated if pressed on the point by a seller with knowledge of the law.

Like the counterfeit problem, it is often difficult to discern from either the picture or the description whether an item has been sold previously. An item may have been sold multiple times while remaining inside its original packaging. Again, eBay pushes the burden of proof onto the seller. A scan of a receipt included in the description page for the item can negate a VeRO member’s claim of unauthorized distribution. Even murkier is the fact that items are often sold multiple times between authorized distributors. Over the course of an email exchange between the author and a bulletin board poster whose listing had been removed

********* “Notwithstanding the provisions of section 106(3) [17 U.S.C. 106(3)], the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.” 17 U.S.C. § 109(a).

††††††††† Evidence of this even arose in the Survey, where one survey taker claimed the need for recourse where “someone is selling the product at below market value.” The same commenter suggests that the situation may be even more complex, claiming that the practice of listing items with below market prices is “sometimes done by competitors to disrupt and devalue […] legitimate distribution channels […]” (comments to survey on file with author).
‡‡‡‡‡‡‡‡‡ See Quality King Distrib. v. L’anza Research Int., 523 U.S. 135 (1998) (noting that the court’s duty was relegated to interpreting the Copyright Act and not giving consideration to policy questions on price discrimination).
§§§§§§§§§ Phone call between author and survey taker (identification withheld by request), Apr. 10, 2006 (notes on file with author).
repeatedly by a VeRO member, it became clear that he was sold the item as an authorized distributor by another authorized distributor.†††††††††† The first-sale doctrine does not apply to these situations because the item did not “enter the market.”††††††††††

The other common complaint for wrongful removal involves trademark’s nominative fair use doctrine.§§§§§§§§§§ It is often necessary when truthfully describing an item to use the trademark of another without authorization. eBay sellers have constant need to make nominative fair use mentions of another’s trademark, since the items they sell often are either actual once-sold products made by the trademark owner or were manufactured to be interoperable with products made by the trademark owner. Typical of how this problem plays itself out is the recently filed Mohl v. Dymo complaint, in which the seller of generic printing labels meant to work in the defendant’s printers had his listings removed by the trademark holder, despite the seller’s explicit disclaimer of endorsement or sponsorship.***********

Because trademark and copyright issues often arise simultaneously, complaining parties can essentially circumvent the DMCA by including a trademark claim in their complaint, removing the possibility that the recipient could counternotify, which then would force the ISP to restore the allegedly infringing page.††††††††††† Likewise, nothing prevents the rights holder from

*********** eBay tutorial, supra note 146.
†††††††††† Email exchange with anonymous bulletin board poster, April 2006.
§§§§§§§§§§ See Sebastian Int’l, Inc. v. Longs Drug Stores Corp., 53 F.3d 1073, 1074 (9th Cir. 1995) (“Resale by the first purchaser of the original article under the producer’s trademark is neither trademark infringement nor unfair competition.”); See also Donna Young, Nevada Law Aims to Halt Drug Diversion by Wholesalers, American Journal of Health-System Pharmacists (Jan. 15, 2002), http://www.ashp.org/news/ShowArticle.cfm?id=2744 (a Nevada law aimed to curb illicit sales of counterfeit drugs by limiting wholesalers from distributing to other wholesalers, as it had become impossible to trace an item’s pedigree in order to determine whether it had “entered the market” and thus been “first sold”).
§§§§§§§§§§ New Kids on the Block v. News America Publishing, 971 F.2d 302 (1992) (holding that a commercial user is entitled to use a trademark holder’s mark providing that the product or service is not readily identifiable without the use of the trademark; only so much of it is used as is reasonably necessary to identify the product or service; and sponsorship or endorsement is not implied).
*********** See Rene v. Mohl, infra note 176.
††††††††††† See generally Tabberone Disney Lawsuit, http://tabberone.com/Trademarks/DisneyLawsuit/disneylawsuit.html. Disney utilized VeRO to allege both
then backing off the trademark claim after its purpose of thwarting the DMCA has been achieved.‡‡‡‡‡‡‡‡‡‡‡ eBay does advise its sellers that they have a right to counternotify,‡‡‡‡‡‡‡‡‡‡‡ but only notifies the seller when the complaint pertains solely to copyright.************

3. How sellers are being misused by VeRO

When an eBay seller receives a VeRO takedown notice and fails to successfully argue the legitimacy of the sale to either eBay or to the rights owner, its sole recourse, aside from simply eating the loss and moving on, is to sue the rights holder. For a few mostly obvious reasons, this rarely occurs: (a) the sellers are legally and financially mismatched against the more leveraged rights holders; (b) only rarely will an item removed by a VeRO member be expensive enough to justify the cost of a lawsuit in order to have that item restored; and (c) in most cases, where the removed item’s cost would not justify filing a lawsuit, a lawsuit aimed at settling a legal principle carries few guarantees. These realities lead to rampant overreaching by VeRO members.

Anecdotal evidence of this abounds on fora and weblogs that deal in eBay-related news and web technology issues. One site hosts a bulletin board on which eBay sellers who believe they have had a listing wrongfully removed regularly add war stories.††††††††††† “Julie” had her account suspended after receiving a VeRO takedown noticed issued by Juice Plus, which had

trademark and copyright infringement, and then, in correspondence, argued that Tabberone’s items (pillows and other fabric items made from fabric bearing Disney characters) were “unauthorized derivatives,” making no mention of any trademark issue. Tabberone’s subsequent counternotification failed, however, because of the presence of the trademark complaint. Id.

‡‡‡‡‡‡‡‡‡‡‡ Email from Tabberone proprietor Karen Dudnikov to the author, May 7, 2006 (recounting experience with VeRO members including trademark complaints alongside more substantive copyright claims, only to detach it at the lawsuit stage).


************ See Gilbert, supra note 132.

thwarted Julie’s attempt to sell recently purchased but unopened vitamins. When Chaitanya Marvici attempted to sell physical copies (which she lawfully possessed) of McAfee VirusScan 2004, it took her two weeks to have her account reinstated after having those sales removed as a result of a VeRO takedown.

An eBay seller of scuba gear, books, and manuals received a VeRO removal notice because, as the complaint was later explained to him, he was copying the manuals and selling the copies on eBay. It took three months for the seller to reinstate the listing after finally convincing the VeRO member that he was selling the actual manual and not a copy.

“A Atomic Video” had his offer of a DVD copy of the rarely seen 1961 film Door-to-Door Maniac (starring Johnny Cash as a guitar-instructor turned homicidal killer) taken down by representatives of Johnny and June Carter-Cash despite that the film had entered the public domain after the copyright holder’s failure to renew. The representative for Cash’s estate explained that the takedown was based on Cash’s “right to publicity,” and eBay apparently accepted this argument. Besides the obvious overreach by the Cash estate representative, the highly instructive exchange of correspondence between Atomic

************** If perhaps difficult to follow, due to a lack of clear formatting. See Atomic Video, supra note 167.
Video, eBay, and the Cash estate indicate an almost aggressive unwillingness on eBay’s part to understand the entirely valid point made by Atomic Video. The item remains unlisted.

Mike Meadors and Karen Dudnikov are perhaps the poster children for wrongful VeRO removals. The married couple go by the username Tabberone on eBay, selling, among other things, tissue box covers, fleece blankets, pillows, aprons, and eyeglass cases made by Dudnikov from fabric she purchases by the yard.†††††††††††††† The fabrics are emblazoned with famous trademarks: Peanuts, Disney, Coca Cola, NASCAR, Major League Baseball, to name but a few. Springs Global, one of the fabric companies from which Dudnikov purchases, is licensed by these and other trademark owners to produce these trademark-bearing fabrics.‡‡‡‡‡‡‡‡‡‡‡‡‡‡ Are Dudnikov’s subsequent creations not, then, protected by the first-sale doctrine?§§§§§§§§§§§§§§ A long and growing list of trademark holders say no – they are derivative works – and have resorted to removing various Tabberone listings through VeRO. As there exists no counternotification procedure for trademark violations like that found in the DMCA, eBay simply complies with the VeRO request, and the only remaining course of action for an eBay seller who believes it has been wrongfully delisted is a lawsuit against the rights holder,*************** which is what Meadors and Dudnikov have done repeatedly, although neither has any prior legal background or training. Meadors and Dudnikov have sued and forced favorable settlements from Disney, M&M/Mars, Major League Baseball Properties, Shabby Chic, Robert Yates Racing, United Media (Peanuts), Vittoria North America, Wiggles Touring Pty Limited, Sanrio, Weight Watchers, and

§§§§§§§§§§§§§§ See Precious Moments v. La Infantil, 971 F. Supp. 66 (D.P.R. 1997) (finding that first sale doctrine permitted defendant bedding manufacturer to utilize lawfully acquired fabrics imprinted with the plaintiff’s copyrighted work).
*************** One unexplored legal avenue in this triangular rights holder-seller-eBay arrangement is eBay’s liability to their sellers, as I have not found any instance where a delisted seller sued eBay, either individually, or joined in a larger suit, for its part in the listing removal.
Fleurville.†††††††††††††††† Despite their impressive list of victories, Meadors and Dudnikov continue
to receive VeRO takedown notices and continue to file federal actions to force reinstatement of
their eBay listings.††††††††††††††††

Perhaps encouraged by Meadors and Dudnikov’s success, eBay seller Rene Mohl
recently filed suit against VeRO member Dymo after Dymo used VeRO to remove Mohl’s
listings for Dymo-compatible printer labels. In his complaint,†††††††††††††††† Mohl describes events
that allegedly occurred after his discovery and subsequent sale of generic Dymo-compatible
printing labels:†††††††††††††††† Dymo repeatedly offered to contract with Mohl in a licensor-licensee
arrangement (where Mohl would sell Dymo brand labels),†††††††††††††††† but Mohl spurned Dymo
because the prices he was getting from his suppliers were cheaper.†††††††††††††††† A day after the
last rebuke, Dymo issued a VeRO complaint, and Mohl’s listing was removed.††††††††††††††††

IV. Possible Solutions

A. What eBay Could Do

†††††††††††††††† In this context, “favorable settlement” most often means that the item was relisted, and often Meadors
and Dudnikov have managed to recoup costs. Tabberone’s Trademark page,
http://tabberone.com/Trademarks/trademarks.html. Dudnikov and Meadoers have lost twice: one suit against the E!
Network was dismissed for improper service (See Tabberone’s Hall of Shame - E! Entertainment Television,
(licensor of the Bratz line of dolls, characters, games, toys, etc.) was lost when the judge ruled in a preliminary
motion that Dudnikov was not the lawful possessor of the item. Dudnikov email to author, May 9, 2006.
Interestingly, the judge ruled against Dudnikov on a number of ancillary claims, including a claim for a perjurious
†††††††††††††††† Most recently (February 2006), Meadors and Dudnikov filed suit against a British company (Sevenarts
Ltd) which holds the copyright and trademarks to famed Russian art deco artist Erté.
†††††††††††††††† Rene v. Mohl, Complaint (M.D. FL.), available at
http://www.citizen.org/documents/MohlComplaint.pdf [hereinafter “Mohl Complaint”]. Unlike the pro se Meadors
and Dudnikov team, Mohl has chosen to be represented by lawyers, specifically the Public Citizen Litigation Group,
a non-profit public interest advocacy firm.
†††††††††††††††† The listing that was removed by Dymo was titled “X2375 POSTAGE LABEL compatible with
DYMO 99019-EBAY,” and the description of the listing similarly did not suggest endorsement by or affiliation with
Dymo. See Mohl Complaint, ¶24.
†††††††††††††††† Id. ¶17, 25.
†††††††††††††††† Id. ¶25.
†††††††††††††††† Id. ¶26.
eBay sellers’ listings are subject to what amounts to arbitrary removal by rights owners, who have little incentive to tread cautiously so long as the consequences of such overreaching remain so remote. Without a procedural mechanism for trademark claims such as that found in the DMCA, eBay is forced to take unreasonable steps to protect against liability, but eBay could take steps to improve conditions for its sellers.

eBay could provide its sellers with the right to counternotify to restore removed listings, including removals for trademark claims. Since eBay would remain liable for continued infringements under such a plan, it could require counternotifying sellers to agree to indemnify eBay. eBay could take more seriously sellers’ concerns over spurious takedown requests and better train its staff to recognize these spurious takedown requests. eBay could demand a higher degree of certification from its VeRO members in order to prevent fraudulent takedown requests.

eBay presently implements filtering mechanisms to help identify potential infringements, so intellectual property policing does not rest entirely in the hands of rights holders. But eBay is less than forthcoming about its methodologies. Greater transparency would perhaps permit the highly informed selling community to contribute to finding a solution. An online dispute resolution system is an intriguing option.

***************

See Mojo Comment, supra note 127.

††††††††††††††††† According to eBay, eBay staff use “common sense” in identifying potential infringements and exercise “good faith judgment” on whether to remove a listing. Phone conversation with eBay counsel, May 19, 2006 (notes on file with author).

‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡‡ In late 2004, Online Testing Exchange conducted a survey concerning the VeRO Program which eBay invited some of its sellers to take. See VeRO-Verified Rights Owners On-Line Survey, http://www.tabberone.com/Trademarks/Vero/OnLineSurvey/survey.html. While results from the survey are presumably only known to eBay (who likely commissioned it), the 26th question is interesting as it asks the survey taker their level of interest in potential additional services related to VeRO that eBay claims to have been considering. The suggestions include the aforementioned online dispute resolution system as well as offering its sellers the ability to file a counternotification regardless of type of infringement. Although there is no cause to doubt the survey’s authenticity, it must be noted that the survey was apparently reconstructed by the aforementioned Meadors and Dudnikov (See Part III.A.3) for formatting purposes, who were invited to take it by eBay. The changes to VeRO contemplated by the survey have not been acted upon by eBay.
The implementation of some of these suggestions could be accomplished at a relatively low cost to eBay. But others, such as offering sellers the ability to counternotify, could give rise to additional liability for eBay under present law, and so seems unlikely to be put into practice. After receiving notice of an infringement, the conscious act of restoring a listing it knew to be a claimed infringement effectively would make eBay a potential direct infringer. It also remains uncertain whether a counternotification not recognized by statute (such as the DMCA counternotification) could effectively indemnify eBay, especially as eBay would remain the more attractive, deeper-pocketed target in the eyes of a trademark holder.

B. What Congress Could Do

While these suggestions would be a step in the right direction, eBay would be served best by an amendment to the Lanham Act such as the one suggested by Fara Sunderji. Sunderji proposed a trademark statute nearly identical to the DMCA specifically directed toward “Online Auction Sites/Houses,” which would provide a safe harbor to any online auction site which did not have “actual knowledge” of the infringement, moved expeditiously to remove the listing after receiving knowledge, and “did not receive a financial benefit directly attributable to the infringing activity in a case in which the online auction site [had] the right and ability to control the instrumentality used to infringe.” This provision mirrors section 512(c) almost perfectly. But Sunderji stops short in that he does not provide for a counternotification provision such as that found in section 512(g). This would at least afford some protection to honest sellers from overreaching rights owners, as it would thrust

See Sunderji, supra note 86, at n.313–17.

Sunderji would define an online auction site as one that “includes, but is not limited to, a website that allows third parties to offer their goods for sale on the online auction’s website at fixed prices or to the highest bidder.” Id. at n.317.

Id. at n.313.

See DMCA counternotification process, supra notes 62, 63.
the burden of suing onto the rights owner who made the original claim. I would also track the DMCA’s misrepresentation provision, which provides a cause of action for sellers whose listings have been removed by anyone knowingly misrepresenting a claim of infringement and provides for damages, costs, and attorney’s fees.

Although the rationales for protecting trademark and copyright differ, the two converge in the context of the Internet often enough that a single, or compatible, sui generis solution is justified. Is the nature of each right (copyright and trademark) so different from the other as to justify such potentially differing outcomes for claims that are quite similar and often overlap? Put another way, if eBay is worth protecting by statute (the DMCA) when it hosts content that infringes copyright, what is it about trademark law that would justify a different outcome? It is often said that trademark is a narrower right than copyright, and if so, eBay should be provided with at least as much protection as is afforded to secondary copyright infringers.

The DMCA’s stated goal of encouraging development on the Internet is thwarted by the threat of secondary trademark liability. If the Hendrickson court is correct that Congress intended to promote the Internet by protecting online service providers, it seems likely that it did not intend to leave online service providers awkwardly exposed in disputes involving trademarks, as currently is the case.

Id. 17 U.S.C. § 512(f).
Id. Section 512(f) has been of limited utility to alleged copyright infringers, the sole successful exception being Online Policy Group v. Diebold, Inc., 337 F. Supp. 2d 1195 (N.D. Cal. 2004) (finding that Diebold inappropriately threatened copyright violations, violating section 512(f), for alleging infringement where plaintiffs linked to internal Diebold emails which admitted security flaws in its electronic voting software).
See Lockheed, supra note 45.
APPENDIX

Survey of eBay VeRO members, administered by Scott Pilutik, April 10-17, 2006

To get some perspective on how eBay’s VeRO Program was being utilized by rights holders, I created a survey designed to find out who was using VeRO (types and size of entities), for what reasons (copyright or trademark), how often it was being used, and whether the users were satisfied with VeRO. Additionally, space was provided for general comments. Full results from this survey are included below.

On its site, eBay lists entities who have become VeRO members. Inclusion on this list is not mandatory for VeRO membership, but over 800 entities have elected to be listed. I was easily able to procure 319 email addresses* of the 800+ listed entities, and I emailed each, requesting they take my survey. I supplied my contact information (email and phone) inside the email to ensure survey participants of the validity of my purpose and to avoid the appearance that my request was merely spam. A link in the email brought the user to my survey, which I created online using PHPSurveyor† and hosted on my own site‡. PHPSurveyor works with MySQL (a database) so that the answers can be viewed relationally. It permits the survey taker to determine, for example, “of people who answered X to Question 3, how many also answered Y to Question 4?”

Of the 319 solicitations I received 60 responses, for a reply rate of 18%§.

---

* Each listed member has a link to their own page on eBay, where some, but not all, elect to state its Intellectual Property policy. Some, but not all, include provide contact information, as well.
† “PHPSurveyor is a set of PHP scripts that interact with MySQL to develop surveys, publish surveys and collect responses to surveys.” http://www.phpsurveyor.org/index.php. Essentially, the user is confronted with a series of questions, answerable by way of pulldown menus, text entry boxes, or check boxes. Each survey taker is uniquely identified so that responses can be viewed relationally.
‡ The precise URL was http://www.tikk.net/vero/index.php?sid=2&newtest=Y.
§ The reply rate was actually slightly higher (21%) if one considers that of the 319 solicitations, 51 emails never reached their target, as they were sent to bad or non-existing addresses.
The survey was designed with two purposes in mind: (1) to elicit responses ensuring control – that the replies were not mainly from one particular segment or another, whether those segments could be described by organization size or industry; and (2) to elicit honest responses as to the form and manner in which VeRO members were removing eBay listings.

The first purpose was successfully sought by questions One, Two, Three, and Four, where I established the member organization’s size, nationality, industry segment, and length of VeRO membership. Those surveyed were able to choose industry segments from a list identical to eBay’s industry segment categorizations.

The second purpose was accomplished by asking a series of questions related to how VeRO was used. Question Five (“How often do you report infringements to eBay?”) sought to determine the frequency of VeRO use, relative merely to the limited survey sample. 30 percent answered “Hardly ever,” and another 30 percent answered “Once a month.” The remaining 40 percent remove eBay listings with some frequency – nine (9) members answered “Once a week,” eight (8) answered “Once a day,” and three (3) members replied that they remove eBay listings for infringements more than five times a day.

Question Six sought to discover the most common legal bases underlying the VeRO members listing removal. The responses of the vast majority of those surveyed were split almost evenly between “Copyright” (30, or 50 percent), and “Trademark” (27, or 45 percent), while only one member answered “Publicity Rights” and no member answered “Patent.” eBay’s NOCI form only offers these four possibilities as a basis for removing an eBay seller’s listing.

Question Seven sought to discover who – which individual – within the VeRO member’s organization, was responsible for identifying and reporting infringements to eBay. A large majority, 75 percent, replied that staff members – non-lawyers – determined questions of
infringement. 10 percent of respondents replied that the job of identifying infringements fell to lawyers, either in-house or outside counsel (4 and 2, respectively). 3 percent (2) outsource to third party online specialists, such as “Net Enforcers.” 10 percent (6) replied “Other.” Of those six, one responded that the CEO (of a small 1-5 employee company) identified and reported infringements, and one responded with “Customers,” perhaps misunderstanding the question (although I believe this intended to convey a technique somewhat common amongst larger companies, who openly solicit their users to report infringements).

Question Eight merely sought to gauge general satisfaction or dissatisfaction with the VeRO Program – most (68 percent, or 40) responded that they were satisfied. 19 percent (11) were not satisfied, and 13 percent (8) chose not to answer.

Question Nine†† sought general comments from the members about eBay’s VeRO Program. Nearly half (49 percent, or 29) of those surveyed took the opportunity to give their general impressions, or relate in more detail their satisfaction or dissatisfaction.

Results:

1. What is the size of your organization (number of employees)?

<table>
<thead>
<tr>
<th>Size</th>
<th>No answer</th>
<th>1-5</th>
<th>6-20</th>
<th>21-50</th>
<th>51-200</th>
<th>200+</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>3</td>
<td>20</td>
<td>12</td>
<td>7</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>6-20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51-200</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. What country are you (the rights holder) based in?

See “NOCI Form,” supra note 124.
†† Comments on file with author, available by request.
3. When reporting an infringement to eBay through the VeRO Program, which category best describes the good or service you most commonly report?

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>4</td>
<td>7%</td>
</tr>
<tr>
<td>Apparel &amp; Handbags</td>
<td>5</td>
<td>8%</td>
</tr>
<tr>
<td>Arts, Crafts, &amp; Photography</td>
<td>5</td>
<td>8%</td>
</tr>
<tr>
<td>Computers &amp; Networking</td>
<td>5</td>
<td>8%</td>
</tr>
<tr>
<td>Electronics</td>
<td>3</td>
<td>5%</td>
</tr>
<tr>
<td>Food Services &amp; Restaurants</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Health &amp; Beauty</td>
<td>2</td>
<td>3%</td>
</tr>
<tr>
<td>Home &amp; Garden</td>
<td>2</td>
<td>3%</td>
</tr>
<tr>
<td>Jewelry, Sunglasses, &amp; Watches</td>
<td>4</td>
<td>7%</td>
</tr>
<tr>
<td>Movies, Television, &amp; Radio</td>
<td>9</td>
<td>15%</td>
</tr>
<tr>
<td>Music</td>
<td>3</td>
<td>5%</td>
</tr>
<tr>
<td>Music Equipment</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Organizations</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Publishing</td>
<td>5</td>
<td>8%</td>
</tr>
<tr>
<td>Sporting Goods &amp; Memorabilia</td>
<td>6</td>
<td>10%</td>
</tr>
<tr>
<td>Travel &amp; Transportation</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5</td>
<td>8%</td>
</tr>
</tbody>
</table>

4. How many years have you been a VeRO member

Average: 3.01 years

5. How often do you report infringements to eBay?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>2</td>
<td>3%</td>
</tr>
<tr>
<td>Hardly ever</td>
<td>18</td>
<td>30%</td>
</tr>
<tr>
<td>Once a month</td>
<td>18</td>
<td>30%</td>
</tr>
<tr>
<td>Once a week</td>
<td>9</td>
<td>15%</td>
</tr>
<tr>
<td>Once a day</td>
<td>8</td>
<td>13%</td>
</tr>
<tr>
<td>Five times a day</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>More than five times a day</td>
<td>5</td>
<td>8%</td>
</tr>
</tbody>
</table>

6. What is your most common legal reason for reporting infringements to eBay?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Copyright</td>
<td>31</td>
<td>51%</td>
</tr>
<tr>
<td>Trademark</td>
<td>27</td>
<td>45%</td>
</tr>
<tr>
<td>Patent</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Publicity Rights</td>
<td>1</td>
<td>2%</td>
</tr>
</tbody>
</table>
7. Who is responsible for identifying and reporting infringements to eBay?

<table>
<thead>
<tr>
<th></th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Staff member</td>
<td>45</td>
<td>75%</td>
</tr>
<tr>
<td>In-house counsel</td>
<td>5</td>
<td>8%</td>
</tr>
<tr>
<td>Outside counsel</td>
<td>2</td>
<td>3%</td>
</tr>
<tr>
<td>Online specialist</td>
<td>2</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>10%</td>
</tr>
</tbody>
</table>

8. Are you satisfied with the VeRO program?

<table>
<thead>
<tr>
<th></th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No answer</td>
<td>7</td>
<td>12%</td>
</tr>
<tr>
<td>Yes</td>
<td>41</td>
<td>68%</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
<td>20%</td>
</tr>
</tbody>
</table>