

Santa Clara University

The Fine Line Between Battling Online Counterfeiters & Engaging in IP Trolling

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Associated Paper

Eric Goldman, *A SAD New Category of Abusive Intellectual Property Litigation*, COLUM. L. REV. FORUM (forthcoming 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4381824

Conflicts Disclosure

Case: 1:21-cv-01739 Document #: 80 Filed: 08/16/21 Page 1 of 67 PageID #:2486

**UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

EMOJI COMPANY GmbH,)	
Plaintiff,)	Case No. 21-cv-1739
)	
v.)	Judge: Hon. John Robert Blakey
)	
THE INDIVIDUALS, CORPORATIONS,)	Magistrate Judge Jeffrey Cole
LIMITED LIABILITY COMPANIES,)	
PARTNERSHIPS, AND)	JURY TRIAL DEMANDED
UNINCORPORATED ASSOCIATIONS)	
IDENTIFIED ON SCHEDULE A HERETO,)	
Defendants.)	

DECLARATION OF DEAN ERIC GOLDMAN

I, Eric Goldman, declare that:

1. I am Associate Dean for Research and a tenured full professor at Santa Clara University School of Law in the Silicon Valley. I joined the Santa Clara University School of Law full-time faculty in 2006, was tenured in 2008, and was promoted to full professor in 2012. Before that, I was an assistant professor at Marquette University Law School in Milwaukee, Wisconsin from 2002-2006. My primary areas of expertise are Internet Law, Intellectual Property Law, and Advertising & Marketing Law.



SAD Cases

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

EMOJI COMPANY GmbH,

Plaintiff,

v.

THE INDIVIDUALS, CORPORATIONS,
LIMITED LIABILITY COMPANIES,
PARTNERSHIPS, AND
UNINCORPORATED ASSOCIATIONS
IDENTIFIED ON SCHEDULE A HERETO,

Defendants.

Case No. 21-cv-1739

Judge



COMPLAINT

Plaintiff, EMOJI COMPANY GmbH, by undersigned counsel, hereby complains of the

Why Rightsowners Use the SAD Scheme

- **The pretext: stop Chinese counterfeiters beyond the reach of US courts**
 - Ex parte TROs prevent asset dissipation/evidence destruction
 - Equitable relief is appropriate to stop counterfeiters
- **The frequent (& sad) reality: online marketplace vendors pay undeserved settlements**

How the SAD Scheme Works

- **Step 1: File complaint against defendants listed on Schedule A**
- **Step 2: File Schedule A and seal it**
- **Step 3: Obtain ex parte TRO**
- **Step 4: Submit TRO to online marketplaces**
- **Step 5: Marketplace freezes vendor's account/cash**
- **Step 6: Vendor settles to resuscitate business**
- **Step 7: Rightsowner drops vendor from lawsuit**
- **Step 8: Rightsowner gets default judgment against remaining no-show defendants and executes against frozen cash**

SAD Scheme Case Study

2/17/2021 Amazon.com: This Is Going To Make Me Poop Coffee Mug 2020 | Quarantine Funny Hilarious Gag Gift Novelty Tea Cup | Gifts For Her, Gifts For Him, Cute Mug | Emoji Gifts Birthday Present: Kitchen & ...

amazon Deliver to Bensenville 60106 Home & Kitchen Hello, Sign in Account Returns & Orders

All Best Sellers Prime Today's Deals Customer Service New Releases Books Find a Gift Fashion Kindle Books Gift Cards Toys & Games Support Black entrepreneurship

Amazon Home Shop by Room Discover Shop by Style Home Décor Furniture Kitchen & Dining Bed & Bath Garden & Outdoor Home Improvement

Shop the Kids' Store by age

Home & Kitchen > Kitchen & Dining > Dining & Entertaining > Novelty > Drinkware > Coffee Mugs



Roll over image to zoom in



This Is Going To Make Me Poop Coffee Mug 2020 | Quarantine Funny Hilarious Gag Gift Novelty Tea Cup | Gifts For Her, Gifts For Him, Cute Mug | **Emoji** Gifts Birthday Present

Brand: Coffee Mug

Price: \$12.99 + \$6.99 shipping

Get \$50 off instantly. Pay \$0.00 ~~\$42.99~~ upon approval for the Amazon Rewards Visa Card. No annual fee.

Material	Ceramic
Color	Black
Brand	Coffee Mug
Capacity	10.88 Ounces

About this item

- ✔ This mug features printing on both sides and it is home and restaurant use, dishwasher and microwave safe. 100% pure white ceramic with

\$12.99

+ \$6.99 shipping

Arrives: Feb 24 - March 2

Fastest delivery: Feb 22 - 25

In Stock.

Qty: 30

Ships from 1 Milion

Sold by 1 Milion

Have one to sell?

Statistics (Estimates)

- **Volume: 3,200+ cases**
- **Where: 88% in N.D. Ill. & 7+% in S.D. Fla.**
- **IP Type: 88% trademarks, 6% copyright, 6% patents**
- **When: 70% filed after 2019**
- **How Resolved: 70% defaults, 28% stipulated judgments**
- **Number of defendants: 600,000+**
- **Foregone filing fees: \$250M+**



Components of the SAD Scheme's Success

- Robo-pleading
- Bypassing service
- Bypassing jurisdiction
- Misjoinder
- Sealing defendants' identities (and sometimes the plaintiff's identity)
- Dismissing resisting defendants
- Non-individualized adjudication
- Extra-judicial resolution
- Limited error correction

Possible Solutions

- **Judicial education**
- **Changes in online marketplace behavior**
- **Existing FRCP**
 - Defendant classes
 - Attorneys' fee awards
 - Bonds
- **Statutory revisions**
 - Scaled filing fees
 - Stronger presumptions against sealed defendant identities

Open Questions (Selected)

- Why N.D. III.?
- To what extent are a small number of law firms driving the practices?
- Why aren't judges regularly pushing back?
- To what extent have online marketplaces intervened into SAD Scheme cases?
- Average defendants per case?
- Number & prevalence of variations on the Schedule A scheme?
- What adverse consequences are merchants and marketplaces experiencing?
- Impact of the INFORM Act?

Schedule A Cases

Proposed orders in trademark cases brought against "Schedule A" defendants should conform, to the extent feasible, to the templates posted below. When a plaintiff submits a proposed temporary restraining order, preliminary injunction order, or default order to the court's Proposed Order Inbox, plaintiff should also submit a document that shows, in red text, any differences between Plaintiff's proposed order and the relevant template order.

To the extent that a proposed temporary restraining order, preliminary injunction order, or default order requests relief beyond the relief authorized in the templates, the plaintiff's motion should support that request with citations to legal authority consistent with Seventh Circuit precedent.

[TRO Template Schedule A Cases](#)

[Preliminary Injunction Template for Schedule A Cases](#)

[Default Judgment Template for Schedule A Cases](#)