

## Advisory Committee on Enforcement

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### STUDY ON APPROACHES TO ONLINE TRADEMARK INFRINGEMENTS – EXECUTIVE SUMMARY\*

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#### ABSTRACT

This study provides an overview on the current approaches to online trademark infringements, focusing specifically on possible responses to online sales of counterfeit products. It reviews the available civil, criminal and administrative remedies, highlights their weaknesses in the online environment, and presents the alternate options of liability for intermediaries and voluntary measures, and attendant need for uniform guidance.

#### I. INTRODUCTION

1. The fastest growing counterfeit trade worldwide today is online. Not only are big brands targeted but also small and medium-sized enterprises (SMEs) are significantly affected in all industry sectors internationally.

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2. In virtually all WIPO Member States, civil remedies against online infringers are available to trademark owners<sup>1</sup>. These remedies more often than not prove to be ineffective for the following reasons: (1) the identity of the infringers is often unknown to the trademark owner; (2) the anonymity problem is exacerbated by the ‘whack-a-mole’ phenomenon – in those situations where the infringer is identified and their web page is taken down, another online listing usually pops under a different URL or page almost instantly; (3) the sheer volume and velocity of online sales of counterfeits make them very time sensitive – postings are typically posted only for a few hours or days; this *tempus fugit* issue makes the timely online track and trace of counterfeit listings very difficult; (4) civil remedies are complemented with criminal and administrative measures, but these normally require a large volume of counterfeit infringements in order for authorities to take action; (5) it is not always clear what minimum contacts or links are required to find jurisdiction in a country; (6) infringers typically using more than one website in different countries raises questions of enforcement of foreign judgments; (7) currently there is no international mechanism for the voluntary arbitration of online counterfeit cases.

3. At present, the options – where they exist in Member States – are voluntary measures and some form of primary, accessory or intermediate liability for internet service providers. Effective measures can only be implemented if adequate technical and legal standards are developed and applied. This study will review these issues on a worldwide basis.

## II. CIVIL REMEDIES AGAINST INFRINGEMENT ONLINE

4. The civil remedies available to trademark proprietors against the counterfeiters include injunctions, damages and orders to destroy the infringing products. Whereas these remedies are available under the law, their efficiency is questionable, due to the nature of online markets and the hidden identities of the infringers. Moreover, the likelihood of the infringement re-occurring (through a different listing or URL) is high, at an almost non-existent cost for the infringer. Therefore, right holders have turned to intermediaries, both through voluntary enforcement programs and through litigation, to seek more effective enforcement of their trademark rights.

### A. INTERMEDIARY RESPONSIBILITY

5. Online intermediaries might be held liable for direct trademark infringement, as a result of their involvement in the online counterfeit sales. Although this liability is in principle available in some jurisdictions especially when the intermediaries use trademarks in their online advertising<sup>2</sup>, in most cases online intermediaries only provide services which allow the online infringer to sell counterfeit products. Therefore, the law’s response in most jurisdictions rests in the secondary, contributory or tortious liability of online intermediaries which have failed to meet the necessary measures when conducting their business of offering their services online.

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<sup>1</sup> The World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) sets the minimum civil, administrative and criminal standards of IP protection, but having been signed in pre-online era, its provisions are not “online-specific”. States have turned to regional or bilateral treaties in order to further regulate issues of IP, including protection of IP online (e.g. Chapter Twenty (IP), Art. 20.11 of the Canada and EU Comprehensive and Economic Trade Agreement (CETA); Chapter 18 (IP) Art. 18.10, paragraph 30 of the Republic of Korea - US Free Trade Agreement and Confirmation Letter on Limitations to ISP providers of June 30, 2007).

<sup>2</sup> In the US, liability based on s. 43(a) of the Lanham Act; *Tiffany v eBay* 600 F.3d 93 (2nd Cir. 2010) 113-114.

a) Standards of Conduct Required

6. Some jurisdictions provide for “safe harbor” exemptions from liability, if service providers are neutral or passive, do not contribute to content creation or do not have knowledge of specific infringing content. In order to escape liability, online intermediaries are bound by a “standard of behavior”. Attempts to define this standard on behalf of the intermediaries is not yet clear or uniform. One principle is however common across jurisdictions, that intermediaries are not liable for contributory infringement if they had no knowledge of the specific infringement. Equally, it is unclear what are the preventative actions to be taken by an intermediary, once a specific infringement has been notified by the right holder.

7. In China, safe harbor provisions are provided in the Chinese Internet Regulation<sup>3</sup> and the standard of intermediary “indirect” liability is one of “reasonable care”<sup>4</sup>. Since 2011, courts have established that the standard of reasonable care, which excuses the service provider from indirect liability, extends beyond compliance with “notice and takedown” procedure. Service providers must take more stringent measures to end unlawful activities, such as, “publicly condemning the online seller’s unlawful activities; downgrading the seller’s ‘trustworthiness rating’ (information available on the website); limiting the use of the website (by prohibiting the seller from selling certain products) and, as a last resort, banning the online seller from using the online platform”. The shift seen in Chinese courts was also accompanied by further policy measures. The Circular of the Ministry of Commerce imposed several duties on the online intermediaries and e-commerce operators, including the duty to “improve accessibility to information on sellers, payments details, logistics, after-sale service, dispute resolution, compensation, process monitoring” and these measures were reiterated in the Administrative Measures for Online Trading by the State Administration for Industry and Commerce in 2014<sup>5</sup>.

8. In Germany, liability of online intermediaries is based on pre-internet jurisprudence, which establishes tortious liability for IP infringement under the following conditions: (1) the defendant is not liable for either primary or secondary IP infringement; (2) there must be an adequate causal link between the acts or omissions of the defendant and the IP infringement (can be on-going) and this results in “interference”; and (3) the defendant must have the means (factual or legal) to remove the cause of the on-going infringement. Specifically, in the online context, the “Störerhaftung” doctrine was developed in the “internet auction” cases. In this context it was established that platform providers in online markets are not liable for trademark infringement, unless they had actual knowledge of the infringement. Once made aware of the infringement, intermediaries can be held liable as an “interferer” and injunctive relief granted and preventative measures ordered<sup>6</sup>.

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<sup>3</sup> Article 23 of the Chinese Internet Regulation.

<sup>4</sup> Article 36 of Tort Law of the People’s Republic of China.

<sup>5</sup> M Ferrante, “E-commerce platforms: liability for trade mark infringement reflections on Chinese courts’ practice and remedies against the sale of counterfeits on the internet” (2015) 10(4) JIPPL 255, 258-259 (*E-Land International Fashion (Shanghai) Co., Ltd. v Du Guofa and Zhejiang Taobao Internet Co., Ltd*, Case No. 40, First Intermediate People’s Court of Shanghai, April 25, 2011; referring to C Jianmin “Case Comment: *Yinian (Shanghai) Garments Trading Co., LTD. v Zhejiang Taobao Network Co., LTD. and Du Guof*” (2011–12) 4 Tsinghua China L Rev 283, 287; providing the English translation for ‘Circular of Further Pushing Forward the Crackdown on Intellectual Property Right Infringement and Manufacturing and Sale of Passing-offs and Inferior Products in the Online Shopping Sector’ and Administrative Measures for Online Trading (State Administration for Industry and Commerce, 2014)).

<sup>6</sup> A Kur, “Secondary Liability for Trademark Infringement on the Internet: The Situation in Germany and Throughout the EU” (2013-2014) 37 Colum JL & Arts 525, 532-535.

9. In the Republic of Korea, “open market” operator’s accessory liability is based on previous knowledge of a specific infringement and the possibility of taking preventative measures. Whereas there is no general obligation to monitor content online, once a notice of infringement has been given, the intermediary is under the duty to prevent further listings of the same infringing products<sup>7</sup>. Unfortunately, guidance on the type of preventative measures to be taken is still lacking.

10. In the United States (US), contributory trademark infringement was highlighted in the *Tiffany v eBay* decision, which applied the “know or has reasons to know” of the infringement test (the *Inwood* test). There are two ways in which liability of service providers may be established under *Inwood*: first, if the service provider “intentionally induces another to infringe a trademark”, and second, if the service provider “continues to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement”<sup>8</sup>.

11. In the European Union (EU), safe harbor exemptions cover all liability from IP infringement by virtue of the E-Commerce Directive<sup>9</sup>.

#### b) Blocking Injunctions and Further Preventative Measures

12. In some jurisdictions establishing trademark infringement on the side of an online intermediary is difficult, particularly in cases of sales of online counterfeits, because the intermediaries do not “use a trademark,” either in “the course of trade” or “as a trademark”. Nevertheless, some jurisdictions have now recognized the possibility of issuing an injunction against an ISP (a blocking injunction), who although innocent of trademark infringement, must assist the trademark owner in stopping and preventing further infringement. The most notable developments have recently been seen in the UK<sup>10</sup>.

13. In the UK, there is no specific legislative provision like s. 97(A) of the Copyright, Designs and Patents Act (CDPA) for copyright, stipulating for the issuing of blocking orders in the case of trademark infringement. Courts have nevertheless found the power to issue blocking orders in online trademark counterfeit cases based on the broad powers of s. 37 of the Senior Courts Act 1981.

14. In the case of *Cartier*<sup>11</sup>, the court established the conditions to be met for the court to exercise discretion to issue a blocking injunction against an ISP on the basis that services were being used to infringe a trademark; defined the principles for website blocking injunctions; and reviewed the circumstances to take into consideration in the proportionality analysis. The court decided that if the blocking order is proportionate, the cost of its implementation rests with the ISPs<sup>12</sup> and not the right holder. This follows from the policy choice made in the Information Society Directive<sup>13</sup> and Enforcement Directive<sup>14</sup>, and the reasoning of placing the costs with

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<sup>7</sup> *Adidas*, Supreme Court Decision 2010Ma817, December 4, 2012.

<sup>8</sup> *Tiffany v eBay* 600 F.3d 93 (2nd Cir. 2010) 104-106; *Inwood Laboratories, Inc. v Ives Laboratories, Inc.*, 456 U.S. 844 (1982).

<sup>9</sup> Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (E-Commerce Directive), Articles 12-15.

<sup>10</sup> See “Website Blocking Injunctions: the UK Experience” in WIPO/ACE/12/10 Rev.

<sup>11</sup> *Cartier International AG & Ors v British Sky Broadcasting Ltd & Ors* - Dismissing all appeals and affirming the Decision of Arnold J [2014] EWHC 3354 (Ch); [2015] Bus LR 298; [2015] 1 All ER 949; [2015] 1 All ER (Comm) 641; and the Decision of Arnold J [2014] EWHC 3915 (Ch); [2015] 1 All ER 1027; [2015] 1 All ER (Comm) 718; and Decision of Arnold J [2014] EWHC 3794 (Ch).CA in *Cartier* [80].

<sup>12</sup> Majority of CA in *Cartier* [145], [150] (Kitchin LJ and Jackson LJ), agreeing with Arnold J. Lord Justice Briggs dissented and held that the cost of implementation for a particular blocking order, should always fall upon the right holder making the application for it.

<sup>13</sup> Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (Information Society Directive).

ISPs, rests on seeing ISPs as the “lowest cost avoiders”. In certain cases, these costs can be imposed on the right holder, but this was not the case here.

c) Voluntary Measures - Cooperation with Online Intermediaries

15. In response to an increase in online sales of counterfeit products, right holders sought voluntary cooperation from the online intermediaries, which has in some measure proved to be successful, albeit not fully effective in stopping online counterfeit sales.

16. Firstly, online intermediaries have developed their own “notice and takedown” policies (e.g. Alibaba, Auction, eBay, Gmarket, Interpark, Rakuten or 11th Street), which allow for right holders to notify an infringement of their IP rights and the intermediary to take down the infringing content or listings of the counterfeit products. These industry practices have also been further detailed, encouraged by administrative authorities in Denmark, France, the Netherlands and the EU, through the adoption of “voluntary collaboration practices”<sup>15</sup>. Other procedures, such as “notice and staydown” or “notice and trackdown”<sup>16</sup> have also been proposed. Specifically, as to the notice and trackdown measures, these would allow the disclosure of data of the potential counterfeiters (e.g. users of the domain names under which counterfeit sales occur), which would assist the right holders with the enforcement of their rights. Such measures have already been adopted in China and have been announced as exploratory policy in the UK.

17. Secondly, codes of advertising practices have developed in order to discourage illegal content online by reducing advertising revenue from right holders to online platforms, which allow illegal content or counterfeit sales (also referred to as “advertising misplacement”)<sup>17</sup>. Thirdly, some voluntary measures and practices target payment processors for online traders<sup>18</sup>.

18. While one of the main objectives of voluntary measures, codes of practice or other soft law mechanisms is to increase the effectiveness of IP rights enforcement online, it is important to balance such measures against other fundamental rights, such as freedom of expression and data protection.

B. JURISDICTION AND ENFORCEMENT OF JUDGMENTS

19. With civil remedies against online infringers two other issues arise, which at present are only identified briefly, but affect enforcement of IP rights online substantially. The first is the issue of jurisdiction. At present it is unclear, how strong of a connection must there be with a specific jurisdiction in order for a court to accept jurisdiction. Online counterfeit cases will have

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<sup>14</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (Enforcement Directive).

<sup>15</sup> French Charter for the fight against the sale of counterfeit goods on the internet between IP right holders and e-commerce platforms; The Dutch notice-and-take-down code of conduct directed at ISPs that provide a public telecommunications service in the Netherlands; The Danish code of conduct for ISPs regarding the management of court DNS blocking orders regarding IP infringement – see EU Intellectual Property Office Study on voluntary collaboration practices in addressing online infringements of trademark rights, design rights, copyright and rights related to copyright (EUIPO Study 2016), 14, 19-23. Article 16 of the E-Commerce Directive and Article 17 of the Enforcement Directive.

<sup>16</sup> F Mostert and M Schwimmer, “Notice and Trackdown” (June 2011) IP Magazine 19.

<sup>17</sup> Austrian Ethics Code for the Advertising Industry (2014); UK principles of good practice of the trading of digital display advertising - EUIPO Study 2016, 14, 19-23. See WIPO/ACE/10/21 on Interactive Advertising Bureau (IAB) Poland’s initiatives. In EU similar practices have been initiated in Austria, Denmark, France, Italy, the Netherlands, Poland, Slovakia and the UK

<sup>18</sup> US International Anti-Counterfeiting Coalition payment processor initiative and portal program, later named RogueBlock – EUIPO Study 2016, 14, 23-24. See “The Canadian Anti-Fraud Centre’s Project Chargeback: Leading the Charge(Back) Against Fakes!” in WIPO/ACE/11/8.

a varied degree of “connection” (for example, is the website targeting the consumers in that jurisdiction?) with the jurisdiction in which the right holder is trying to enforce its rights. Secondly, issues of enforcement of judgments are not regulated in a way to correspond to the global nature of the infringement medium. Right holders with favorable judgments from one jurisdiction have no easy way to enforce these rights in a foreign jurisdiction and must therefore undergo recognition and enforcement proceedings, which will cause delay and costs.

### III. CRIMINAL PROCEEDINGS

20. In order to stop online counterfeit sales, right holders have attempted to seek enforcement with the help of criminal law as well. Especially when counterfeiting sales reach a certain threshold, law enforcement agencies will assist with prosecution of the infringer and stop these illegal operations. In some jurisdictions law enforcement agencies have specialized units that deal with counterfeit goods, particularly on commercial scale. In the UK for example, law enforcement agencies operate under the UK IP Crime Strategy 2011. Counterfeit sales are investigated by the Police Intellectual Property Crime Unit at City of London Police. In China, cooperation with law enforcement authorities is possible, but it is more likely to yield results when the IP owner cooperates in the investigation, by providing information and showing interest in the progress of the investigation. Attempts to assist with the efficiency of criminal enforcement measures continue to develop, as demonstrated by the 2014 Judicial Interpretation on Criminal Procedural Rules for Internet Crimes, issued by the Supreme People’s Procuratorate and the Ministry of Public Security. In the Republic of Korea, the Korean Intellectual Property Office created the Special Investigative Police for Trademark to enhance law enforcement on counterfeits<sup>19</sup>.

21. Concerns of illicit trade are particularly sensitive in areas such as pharmaceuticals, where human life is at risk. On global and transnational levels, agencies like INTERPOL and EUROPOL<sup>20</sup> are taking specific initiatives and organize task forces, to combat trafficking in illicit goods.

### IV. ADMINISTRATIVE/CUSTOMS PROCEEDINGS

22. Complementing regimes of civil and criminal enforcement, many jurisdictions grant administrative and customs remedies available to right holders to stop infringement of their IP rights.

23. In China, administrative departments for industry and commerce are responsible for the supervision and administration of online commodity trading. Third-party trading online platforms have the duty not only to monitor their websites for IP infringement, but also to report potential infringements to authorities and assist these authorities in “investigating and punishing illegal online business operations” by providing registration information, or any other information on the infringer<sup>21</sup>. If a violation of this obligation is found, administrative authorities have the power not only to inquire and investigate, but also to seize infringing objects and business assets; close down the business premises; or request the shutdown of the infringing website.

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<sup>19</sup> See “Institutional Arrangements Put in Place in the Republic of Korea to Address the Proliferation of Counterfeit Goods Online” in WIPO/ACE/12/10 Rev.

<sup>20</sup> See “Institutional Arrangements to Address Online Intellectual Property Infringements – Europol’s Experience” in WIPO/ACE/12/10 Rev.

<sup>21</sup> Article 34 of Administrative Measures for Online Trading (State Administration for Industry and Commerce, 2014); if obligation is not met, a financial fine can be imposed (Article 50).

24. Another remedy, which is regularly used by some right holders is the domain name seizure procedure (specifically available in the EU and the US)<sup>22</sup>. Once seized, the domain names are regularly used to educate and raise awareness of the consumers about IP Crime. When available, this is particularly useful in cases where infringed trademarks do not appear in the domain name itself. If trademarks do appear in the domain name itself, the easier way to enforce trademark rights is the Dispute Resolution Procedure as available under the Uniform Domain Name Dispute Resolution Policy (UDRP)<sup>23</sup>.

25. Finally, trademark owners will also cooperate with customs authorities to stop counterfeit trading. In the EU, a right owner can stop counterfeit sales even when a consumer bought a counterfeit product through an online platform based outside the EU<sup>24</sup>.

## V. CONCLUSION

26. Enforcement of trademark rights online still lacks effective enforcement measures. In a number of jurisdictions right holders can avail themselves of civil, administrative and criminal remedies, but with limited efficiency. Online trademark infringements are cross-border by nature. Consequently, the existing international cooperation mechanisms, such as collaboration through mutual legal assistance agreements or international arrest or evidence warrants, are lengthy processes and have shown to be inadequate to respond to large volume, high speed and anonymous online infringement activities.

27. As it stands now, the better options are the appropriate liability for intermediaries and voluntary measures. Equally, the World Wide Web is in need of an approach to enforcement of trademark rights which reflects the cross border nature of online trademark infringement. Effective measures can only be implemented if appropriate technical and legal standards are developed and implemented.

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<sup>22</sup> In the US conducted by Immigration and Customs Enforcement Agency (ICE), and in the EU by Europol. See "The Role of the National Intellectual Property Rights Coordination Center in Enforcing Intellectual Property in the United States Of America" in WIPO/ACE/11/8 and Europol's Experience in WIPO/ACE/12/10 Rev.

<sup>23</sup> <http://www.wipo.int/amc/en/domains/gtld/>.

<sup>24</sup> Judgment of February 6, 2014, *Blomqvist v Rolex SA and another*, C-98/13, EU:C:2014:55.