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VOLUNTARY MECHANISMS FOR RESOLVING IP DISPUTES

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A. BACKGROUND

1. The work program of this, the eighth session of the Advisory Committee on Enforcement (ACE), includes *Analysis of various efforts, alternate models and other possible options from a socio-economic welfare perspective to address the counterfeiting and piracy challenge*. This paper considers voluntary mechanisms, including alternative dispute resolution (ADR), aimed to address counterfeiting and piracy. For the purposes of this paper, the word 'mechanisms' is interpreted to mean any procedure that has the effect of dealing with a dispute with respect to an intellectual property right (IPR), and a mechanism is regarded as 'voluntary' if its existence is not compelled by a law (even though its existence may be motivated by a law). This paper considers a variety of voluntary mechanisms, including ADR, undertaken by online platforms and public-private partnerships to address counterfeiting and piracy. It analyses the features of those mechanisms, and provides some thoughts on possible initiatives in this area.

2. This paper analyses and compares 16 voluntary mechanisms, adopted by 10 different enterprises, chosen to cover a range of platforms, industry sectors and IPRs. These mechanisms are: (1) '[AdWords and AdSense Trademark](#)' policy of Google; (2) '[AdWords Counterfeit Goods](#)' policy of Google; (3) '[AdWords Copyright](#)' policy of Google; (4) '[Removing Content from Google](#)' policy of Google; (5) '[Memorandum of Understanding](#)' between various US-based IPR (predominantly copyright) owners and ISPs ('US MoU'); (6) '[Intellectual](#)

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[Property](#)’ policy of Facebook; (7) [‘Memorandum of Understanding’](#) between various EU-based IPR (predominantly trademark) owners (‘EU MoU’); (8) [‘Copyright and DMCA Policy’](#) of Twitter; (9) [‘Trademark Policy’](#) of Twitter; (10) [‘Private Information Posted on Twitter’](#) policy of Twitter; (11) [‘Impersonation Policy’](#) of Twitter; (12) Resolution on [‘Responsibility of Online Intermediaries’](#) of the International League of Competition Law (‘LIDC’); (13) [‘Verified Rights Owner \(VeRO\) Program’](#) of eBay; (14) [‘Best Practices for Voluntary Measures in Addressing the Sale of Counterfeits on the Internet’](#) of INTA; (15) [‘Aliprotect’](#) policy of Alibaba; (16) [‘DMCA: Digital Millennium Copyright Act’](#) policy of Second Life.

B. ANALYSIS OF VOLUNTARY MECHANISMS

3. Each of the voluntary mechanism listed in the preceding paragraph is analyzed against the following factors:

- i. **Level of Operation:** at which economic level does the mechanism apply?
- ii. **Form:** in what form is the mechanism described?
- iii. **Platform:** to which type of commercial platform does the mechanism apply?
- iv. **Right:** to what legal right does the mechanism apply?
- v. **Requirement for Remedy:** what must a right-holder establish to obtain relief under the mechanism?
- vi. **Remedy:** what relief or outcome does the mechanism provide?
- vii. **Determination Procedures:** by whom and how is a determination made under the mechanism?
- viii. **Appeal:** does the mechanism provide a means for challenging a determination?
- ix. **Transparency:** are the outcomes of the mechanisms published?
- x. **Motivation:** what is the motivation for adoption of the mechanism?

i. Levels of Operation

4. The analysis shows that the voluntary mechanisms apply at three different economic levels – at the level of an individual enterprise, at the level of a specific industry sector, and at the level of multiple industry sectors. Understandably, the mechanisms of Google, Facebook, Twitter, eBay, Alibaba, and Second Life only apply to the operations of that particular enterprise. In contrast, the US MoU and the EU MoU apply to multiple enterprises in a particular industry sector – Internet Service Providers (ISPs), and online trading service providers, respectively. The LIDC Resolution and the INTA Best Practices are addressed even more widely – to online intermediaries across a range of industry sectors.

ii. Forms

5. All of the enterprise-level mechanisms are described in operational form – *i.e.*, they are described in the form of a mechanism that is actually applied by the enterprise. Of the industry sector-level mechanisms, the US MoU is also described in operational form, while the EU MoU, the LIDC Resolution and the INTA Best Practices are in the form of ‘best practices’ guides.

iii. Platforms

6. The voluntary mechanisms cover an array of different platforms: Internet access/distribution (US MoU, LIDC); search sites (Google, INTA); social media sites (Facebook, Twitter); gaming environments (Second Life); marketplace and shopping sites (EU MoU, eBay, Alibaba, LIDC, INTA); payment services (INTA).

iv. Rights

7. The rights covered by the voluntary mechanisms are broad ranging. All the 'traditional IPRs' – *i.e.*, registered and unregistered trademarks, copyright, designs, and patents – are covered. Some of the voluntary mechanisms (Facebook, Twitter) go beyond the traditional IPRs and address claims to 'related rights', such as breach of privacy and misappropriation of identity (impersonation). It is to be noted that these related rights are addressed only by the voluntary mechanisms operating at the enterprise level; none of the voluntary mechanisms at the industry sector levels cover such rights.

8. Many of the voluntary mechanisms make specific reference to 'counterfeit'/'counterfeiting' and 'pirated'/'piracy' in relation to the IPRs to which they apply. It appears from the context that these terms are used loosely, as synonyms for trademark infringement by making or distributing non-genuine goods to which the trademark has been applied, and for copyright infringement by making or distributing unauthorized literal reproductions (copies) of copyright works, respectively (as opposed to definitions under the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights). Even where specific reference to these terms does not occur, in most instances the mechanism covers IPR infringements of these types because its provisions on trademark infringement and/or copyright infringement are sufficiently wide. In both cases, there is no obvious difference in the mechanism's treatment of, on the one hand, an IPR infringement that constitutes 'counterfeiting' or 'piracy' and, on the other hand, an IPR infringement that constitutes some other form of trademark or copyright infringement.

v. Requirements for Remedy

9. The analysis shows that the requirements for a remedy are largely similar with respect to alleged infringement of traditional IPRs, regardless of the economic level of operation of the mechanism.

10. When seeking a remedy for an alleged infringement of a traditional IPR via an enterprise-level voluntary mechanism, a claimant is typically required to submit the following information regardless of whether the alleged infringement relates to a patent, a registered trademark, an unregistered trademark, a registered design, or a copyright: (i) complete contact information of the claimant; (ii) the subject matter relating to the patent, trademark, design, or copyright that is claimed to have been infringed; (iii) the country or countries in which the claimant claims IPR registration; (iv) the IPR registration number, if applicable; (v) the relevant products or processes subject to the registered patent, the goods and/or services in respect of which the trademark is registered, and the visual features and/or products in respect of which the claim asserts registered design rights; (vi) information reasonably sufficient to permit the enterprise to locate the material on its site that the claimant believes violates their IPR, *i.e.*, web addresses leading directly to the allegedly infringing content; (vii) a declaration that the claimant has a good faith belief that use of the IPR as described, in the manner complained of, is not authorized by the IPR owner, its agent, or the law; (viii) a declaration that the information in the claimant's notice is accurate, and is provided under the penalty of perjury that they are the owner or are authorized to act on behalf of the IPR owner; and (ix) the claimant's electronic or physical signature.

11. With respect to a claim of alleged infringement of a traditional IPR via a single or multiple industry sector-level mechanism, there are particular requirements that must be fulfilled in order to obtain a remedy. INTA's Best Practices, for example, require that a registered trademark owner provide the following in order to obtain a remedy: a detailed description of the transactions alleged to be illegal; information identifying the website where the alleged transactions occurred; evidence that the alleged counterfeit item was purchased using the

service provider's platform; proof of ownership of a registered trademark in one or more of the applicable jurisdictions; a statement that the sale of the counterfeit goods at issue will cause damage to the trademark owner; and a description of the trademark owner's good faith efforts to resolve the issue directly with the seller of the alleged counterfeit goods (or an explanation as to why such efforts have not been made).

vi. Remedies

12. On the whole, the remedies available differ according to whether the voluntary mechanism operates at the enterprise level or at an industry sector(s) level. The remedies of the former are mainly: (i) removal of the content found to be infringing; (ii) domain disabling; and (iii) account suspension. However, the remedies of the latter cannot be so easily categorized.

13. Indeed, each of the voluntary mechanisms relating to industry sectors offers a different solution when infringement has been established. The EU MoU provides for notice-and-take down procedures. The LIDC Resolution also provides for such procedures, as well as for court orders (such as injunctions and orders to disclose) against an online intermediary independent of any finding of fault on the part of the online intermediary. The US MoU adopts a graduated response scheme, whereby ISPs are required to implement penalties against users, including temporary reduction in uploading and/or downloading transmission speeds, and temporary restriction of Internet access. The INTA Best Practices propose different remedies depending on the platform. For search sites, the remedies include blocking, or flagging for heightened review certain suspect terms that may be indicative of counterfeiting activity; for marketplace and shopping sites, the remedies include permanent loss of access to the sites' services, and reference to the appropriate law enforcement officials; and for payment service providers, the suggested remedy is termination of the payment service.

vii. Determination Procedures

14. For the enterprise-level mechanisms analyzed, there is very little, if any, publicly available information on who determines a claim for alleged infringement of rights, and how such a determination is made. There is, for example, no publicly available information on Google's 'AdWords Counterfeit Goods' policy regarding who determines whether to disapprove or disable ads and/or terminate advertisers, and how this is done. The relevant website merely states that Google 'will investigate all reasonable complaints'.

15. The procedure for determination is described in greater detail in the voluntary mechanisms that apply at the level of industry sectors. For example, the US MoU provides detailed instructions for the format of each participating ISP's 'Copyright Alert Program', under the following headings: (i) Initial Educational Step; (ii) Acknowledgement Step; (iii) Mitigation Measures Step; and (iv) Post Mitigation Measures Step. It is further provided that each participating ISP must: (i) provide the form of its Copyright Alerts to an 'Independent Expert' (defined as 'an independent impartial technical expert or experts') as part of the Independent Expert's review of each participating ISP's methodology; and (ii) in good faith consider any suggestions from the Independent Expert regarding the application of the ISP's methodology and any enhancements thereto.

viii. Appeals

16. Some, but not all, of the enterprise-level voluntary mechanisms offer some form of appeal process against a finding of IPR infringement. Social media platforms (Twitter, Facebook) allow account holders to appeal only findings of copyright infringement, not determinations of infringement of trademark (registered and unregistered), breach of privacy or impersonation. Similarly, the gaming platform of Second Life permits alleged infringers to file a counter-

notification with respect to findings of infringement of copyright (this being the only IPR to which the platform applies). The voluntary mechanism of the marketplace platform eBay provides account holders with the opportunity to appeal any applicable determination of infringement relating to trademarks (registered and unregistered), copyright, patents and designs.

17. Similarly, some, but not all, of the industry sectors-level mechanism make provision for avenues of appeal. The US MoU allows for an independent review to be requested by a subscriber in respect of a Mitigation Measure Copyright Alert and prior Copyright Alerts, while the LIDC Resolution provides that users should be able to appeal against removal of allegedly infringing content.

18. For those mechanisms that provide an appeal process, the degree of disclosure about how it works varies considerably. The US MoU discloses the greatest degree of detail: it not only specifies the grounds on which an appeal may be lodged and the standard of review to be applied, but it also requires the appeal to be considered by an independent neutral who must provide 'a short description of the rationale' for the denial of an appeal. In comparison, the processes provided by the enterprise-level mechanisms are very different: the appeal is heard internally, the basis for determining an appeal is not specified, and reasons for the determination need not be provided.

ix. Transparency

19. There is very limited publication of the outcomes of the voluntary ADR mechanisms. None of the mechanisms mandate any transparency of their operation. Nevertheless, two of the enterprises with a voluntary mechanism do publish general information about their use. [Google discloses](#) the number and identity of copyright owners (and their reporting organizations) who have requested removal of search results that link to allegedly infringing copyright material, and the identity of the domains in respect of which those requests have been made. [Twitter reports](#) the number of copyright take-down notices it receives, the percentage of which result in removal of material, and the number of user and accounts thereby affected.

x. Motivations

20. There appears to be, in general, three motivations behind the voluntary ADR mechanisms reviewed herein: maintenance of commercial integrity, education of users, and avoidance of sanctions for IPR infringement.

21. Maintenance of commercial integrity is a particular motivation behind the enterprise-level mechanisms, especially those of enterprises operating online marketplaces. Generally, it will be as much in the interest of the platform's customers – and, hence, in the interest of the platform itself – as it is in the interest of IPR holders, that there be an effective means for dealing with IPR infringements such as the offering counterfeit goods.

22. The education of users about what is and is not acceptable conduct in relation to IPRs appears to be an additional motivation behind voluntary ADR mechanisms, at least for those at the industry sector-level. The US MoU, for example, states that one of its objectives is 'to educate consumers, deter online infringement, and direct consumers to lawful online legitimate source of content'.

23. The avoidance of sanctions for IPR infringement is a further, and without doubt the predominant, motivation behind every voluntary ADR mechanism. Each mechanism includes as part of the remedies provided a version of a 'notice and take-down' ('NTD') procedure. These procedures are designed to satisfy the requirements of the various national legislation, such as the [US DMCA](#) and national laws in compliance with the [EU Electronic Commerce](#)

[Directive](#), which limit the sanctions applicable to (*i.e.*, which provide a ‘safe harbor’ for) an online service provider hosting IPR-infringing material where the provider acts expeditiously to remove access to (‘take-down’) the material upon obtaining actual knowledge (‘notice’) of the existence of the material. The motivation for inclusion of an NTD procedure in an enterprise-level mechanism is clear: to ensure that the enterprise can take advantage of the legislative safe harbor. There is an additional motivation for inclusion of an NTD procedure in the LIDC industry sector-level mechanism: to harmonize the NTD procedures adopted by enterprises in that industry sector.

C. OBSERVATIONS AND POSSIBLE INITIATIVES

24. The findings from the above review of voluntary mechanisms for addressing counterfeiting, piracy and other IPR infringements may be summarized as follows. Voluntary mechanisms are prevalent, being adopted by major enterprises across a range of platforms and industries. The mechanisms cover all traditional IPR infringements – including counterfeiting and piracy – with little, if any, difference in their treatment. The general requirements for obtaining a remedy are largely the same across the mechanisms, although the level of evidence required to establish the requirements varies from unverified claims to documented proof. The core remedy provided by the mechanisms is some version of ‘take-down’ – e.g., removal of, or blocking of access to, infringing material. Enterprise-level mechanisms utilize an in-house procedure that provides little, or no, transparency of operation or outcome. Appeal procedures are not commonly provided. While the mechanisms contribute to maintaining the commercial integrity of platforms and educating users about IPRs, their predominant motivation is to allow online service providers to take advantage of legislative safe harbors against sanctions for the IPR infringements.

25. The voluntary mechanisms involve three actors: (i) the online service provider to which the voluntary mechanism applies (Service Provider); (ii) the IPR owner whose rights are allegedly infringed (Rights Owner); and (iii) the service user who is the alleged IPR infringer (Alleged Infringer). It is possible to identify the potential concerns with the current position held by each actor.

26. A Service Provider will be concerned with the effectiveness and the efficiency of the mechanism – in particular, with whether the mechanism satisfies safe harbor requirements and is relatively low-burden to administer. Since enterprise-level mechanisms are designed by the Service Provider to which they apply, it can be assumed that such mechanisms meet these needs. It would appear that a similar assumption can be made about the industry-level mechanisms, since these appear to have been designed with significant input from enterprises in the relevant industry sectors.

27. A Rights Owner will also be concerned with the effectiveness and the efficiency of the mechanism – in particular, with whether the mechanism provides the desired remedy and is relatively low-burden to utilize. The core remedy of ‘take-down’ is likely to be the minimum remedy that a Rights Owner desires. In certain situations, more substantive remedies – such as banning of repeat infringers, and disclosure of information to law enforcement agencies – would be desired, but may not be provided. It is not clear whether the burdens imposed by the mechanisms are reasonable and acceptable to Rights Owners.

28. The potential concerns with the current position seem greatest with respect to an Alleged Infringer. In particular, the following reasonable concerns may be held about the procedural fairness of the voluntary mechanisms. It is not clear that the mechanisms: (i) apply a presumption of innocence to an Alleged Infringer; (ii) provide neutral adjudication (*i.e.*,

determination of the dispute by one with no vested interest in its outcome); (iii) apply clear, appropriate and reasonable legal standards to the resolution of the dispute; (iv) apply remedies proportionate to the infringement; (v) provide an appropriate mechanism for review (*i.e.*, appeal) of an erroneous determination; and (vi) provide transparency of the application and outcome of the mechanism.

29. It should not be thought that concerns about procedural fairness are of relevance only to the Alleged Infringer (for whom, in any particular case, little sympathy might be felt). Rather, such concerns are of relevance to all stakeholders, because they relate to the integrity of the IPR enforcement system. If a voluntary ADR mechanism is seen as unfair, it will garner limited support from the general public.

30. There is scope for initiatives to address the concerns about the effectiveness and the efficiency of voluntary ADR mechanisms for the Rights Owner, and about the fairness of those mechanisms for the Alleged Infringer. Such initiatives could deal with both the content and the application of the mechanisms.

31. Initiatives dealing with the content of a voluntary mechanism could take a number of forms. One form would be a 'Guidelines' document, setting out the 'best practice' features of a voluntary mechanism. Such a document would be at a relatively high level of generality, similar to the INTA Best Practices, but dealing with piracy as well as counterfeits and reflecting a wider range of interests (including, in particular, the interest of an Alleged Infringer). Another, more detailed, form would be a 'Model Policy' – that is, a document setting out the key provisions (procedural and substantive-legal) of a model mechanism, in language at the level of specificity typically found in current policies. A further form would be 'Soft Law' – that is, a non-binding document expressing treaty-like principles, an example of which is the WIPO 2001 [Joint Recommendation on the Protection of Marks on the Internet](#). A Soft Law on voluntary ADR mechanisms could provide both: (i) model safe harbor provisions to be implemented in national law; and (ii) model procedural and substantive-legal provisions to be implemented in enterprise-level or industry-level voluntary mechanisms.

32. Initiatives dealing with the application of a voluntary ADR mechanism could take the form of independent service provision – that is, of the delivery of adjudication under the mechanism by a neutral entity. The adjudication provided could be the initial determination of the dispute, the determination of an appeal, or both. Numerous precedents exist for the independent delivery of IPR infringement adjudication services, including by WIPO. The Arbitration and Mediation Center of WIPO already delivers a range of ADR services, of which the best known is the resolution of [domain name disputes](#) under the ICANN Uniform Domain Name Dispute Resolution Policy.

33. In conclusion, it is to be noted that voluntary ADR mechanisms have a very important role to play in the enforcement of IPRs. They are already widely adopted – but, having evolved organically, exhibit variations and imperfections. There is scope for action to improve the effectiveness, the efficiency and the fairness of such mechanisms – and, thereby, to enhance the overall integrity the IPR enforcement system.

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