



Study Guidelines

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Responsibility of online marketplaces for online infringement of Industrial Property Rights

Introduction

- 1) Online marketplaces are e-commerce websites that connect **(i) buyers** and **(ii) third-party sellers**, even though some of them may also offer and sell products under the role of an online store.
- 2) Online marketplaces have grown in importance in the e-commerce business environment. They allow smaller business to avoid the burdens and costs of setting up their own online stores and to attract consumers to their platforms. For consumers, online marketplaces tend to improve the online shopping experience, as they can rely on the platforms to mitigate the risks associated with online shopping.
- 3) On the other hand, such advantages also increase consumers' exposure to counterfeit products, as well as products that violate other Industrial Property Rights ("**IP Rights**").
- 4) This Study Question deals with the civil responsibility of online marketplaces for online infringement of Industrial Property rights.

Why AIPPI considers this an important area of study

- 5) The role of e-commerce in daily life has grown significantly, having had a steep development during the 2020/21 pandemic period. As a consequence, all types of online marketplaces have grown exponentially in recent years, including those focused on business-to-business segments and those focusing on business to consumer distribution channels.

- 6) With the growth of these e-commerce platforms, the potential for a greater volume of infringement of Industrial Property rights has also increased significantly, which may affect not only IP Rights holders, but also consumers. The potential for increased volumes of infringement has also increased when one considers that sellers of counterfeit or infringing products have gained access to sales channels in respect of which they have not had such extensive or easy access in the past. Access to online marketplaces for sellers can be easier because there is no physical limitation on the number or total volume of goods sold by an online marketplace, in contrast to traditional retail channels which are limited by storage/warehousing space considerations. As a result, almost any number of sellers can be easily and quickly included in an online marketplace.
- 7) Many of these e-commerce platforms allow for the international trade of goods and offering of services, being therefore subject to different regulatory frameworks.
- 8) The absence of a clear regulation on the responsibility of online marketplaces for infringement of Industrial Property Rights and the absence of harmonized rules could create uncertainties and imbalances in international trade and the effective protection of IP Rights in the global market.

Relevant treaty provisions

- 9) Article 41 (1) of TRIPS agreement states that:

“Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”

- 10) Article 41 (2) of TRIPS agreement also states that:

“Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.”

- 11) Article 45 (1) of TRIPS agreement states that:

“The judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate to compensate for the injury the right holder has suffered because of an infringement of that person’s intellectual property right by an infringer who knowingly, or with reasonable grounds to know, engaged in infringing activity”

- 12) This article also indicates that *“Members may authorize the judicial authorities to order recovery of profits and/or payment of pre-established damages even where the*

infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity.”

Scope of this Study Question

- 13) For the purposes of this Study Question, the term “online marketplace” includes all types of online platforms which offer for sale *third party* goods and services, by connecting or facilitating the connection between sellers and buyers or facilitating the execution of the contract of sale between such parties.

The situation where online marketplaces offer and sell products under the role of an online store is **outside** of the scope of this Study Question.

This Study Question addresses the infringement of Industrial Property Rights, and in particular trade marks, patents, and industrial designs. Copyright is **outside** the scope of this Study Question, because specific rules often govern the use of copyrighted works on internet. For instance, the EU Directive 2019/790 of 17 April 2019 on copyright and related rights in the Digital Single Market, provides a special liability mechanism for online content-sharing services providers (such as YouTube, TikTok, etc.) that provide access to a large amount of copyright-protected content uploaded by their users¹. Furthermore, the Digital Millennium Copyright Act (DMCA), signed into law in the United States of America in 1998, also creates certain limitations on the liability of online service providers for copyright infringement when engaging in certain types of activities².

- 14) This Study Question is limited to civil responsibility for potential infringement of IP rights. Criminal law issues are outside the scope of this Study Question.
- 15) This Study Question does not address private international law issues or the liability of marketplaces to consumers in general.

Previous work of AIPPI

- 16) The use and protection of trade marks on the internet and social media was addressed by AIPPI in Resolution Q281, in San Francisco (2022), - “Trademarks and the Internet and Social Media”. AIPPI resolved that “*Use of a trademark on the internet or social media should constitute a use which can be infringing, so long as the necessary elements of infringing use under national law are met*”. This Resolution also addressed the mechanisms that should be provided by online platforms for an expedited and efficient enforcement of trade mark rights on their platforms.
- 17) In continuation to the efforts of AIPPI in Resolution Q281, this Study Question seeks to consider whether similar mechanisms should also be available in case of infringement of other types of Industrial Property Rights. This Study Question also

¹ See recitals 61-71 and Article 17 of the Eu Directive 2019/790 of 17 April 2019: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019L0790&from=DA>

² See Title II, Section 202

seeks to consider the responsibility regime that should be applicable to online marketplaces, as well as the conditions of implementation of such responsibility regime and the sanctions that should be imposed on online marketplaces in case of industrial property right infringement.

- 18) In Resolution Q272 (“Reasonable awareness in compensation for infringement of IP rights”, Online, 2021), AIPPI resolved that, as a rule, *“where an intellectual property right is infringed, compensatory damages should be available regardless of whether the infringer had subjective or objective knowledge (a) of the existence of the IP right, or (b) that the infringer’s act would infringe the IP right.”*
- 19) In Resolution Q264 (“Joint liability for IPR Infringement”, Cancun, 2018), AIPPI Resolved that *“a party who assists in or otherwise facilitates an IPR infringement taking place in a particular jurisdiction, should be held liable for Joint Infringement arising in that jurisdiction in case where: (a) the party has actively participated in or in a substantial manner facilitated the IPR infringement, and the party knows of, or should have known of, said IPR infringement; including when the said party did not take reasonable steps to avoid participating in or in a substantial manner facilitating the IPR infringement after being notified of the infringing activity.”*
- 20) In Resolution Q204 (“Liability for Contributory Infringement of IPRs, Boston, 2008”), AIPPI resolved that all jurisdictions should adopt rules concerning contributory infringement of IPRs, under the following harmonized basic principles:
 - *the means supplied or offered by the contributory infringer relate to a substantial element of the subject matter of the protected IPR;*
 - *the means supplied or offered by the contributory infringer are for an infringing use;*
 - *at the time of offering or supply, the suitability and intended use were known to the supplier or obvious under the circumstances.*
- 21) In Resolution Q204P (Liability for contributory infringement of IPRs – certain aspects of patent infringement, Paris, 2010), the above-mentioned principles set in Q204 were reaffirmed. AIPPI also resolved that *“It should be a condition for the supply or offering of means to qualify as contributory patent infringement that the person supplying or offering such means knows, or it is obvious in the circumstances, that these means are suitable and intended for putting the invention into effect.”*

Discussion

- 22) With the development of internet, legislation in many countries has evolved to create general safe harbors to Internet Service Providers (ISPs) that are merely technically responsible for transmitting, providing connection or storage of data available online, provided that certain conditions are fulfilled. This is, for instance, the case of existing provisions in the Digital Millennium Copyright Act (DMCA), in the United States, the E-Commerce Directive (Directive 2000/31/EC), in the European Union, the PRC Civil

Code of 2021 and PRC Regulations on the Protection of Rights to Information Network Communications, in China, the Civil Rights Framework for the Internet, in Brazil, and the Electronic Communications Act, in Singapore.

- 23) An important question that often arises, however, is whether – and to what extent – an online marketplace could benefit from these types of safe harbors, in cases involving the infringement of industrial property rights in connection with the sale of goods or offering of services by third parties on these platforms.
- 24) In August 2021, the United States Patent and Trademark Office released a paper titled “Secondary Trademark Infringement Liability in the E-Commerce Setting”, which summarizes the state of the law and the US public’s views on contributory trade mark infringement liability.³
- 25) The report outlines the current caselaw which typically applies the Inwood test, deriving from a 1982 case (*Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982), which holds that “*manufacturers can be held contributorily liable for trademark infringement if they: (1) intentionally induce another to infringe a trademark, or (2) continue to supply a product knowing or having reason to know that the recipient is using the product to engage in trademark infringement*”.
- 26) One of the most important leading cases in the United States relating to contributory trade mark infringement liability of online platforms in which this test has been applied was *Tiffany (NJ) Inc. v. eBay Inc.*⁴ In this particular decision, the online platform was found not to have a duty to investigate the authenticity of the products being offered for sale on its platform or to take further steps to prevent the sale of counterfeit products, thereby shifting the burden of identifying the infringement and seeking its removal to the IP right holder.
- 27) Notwithstanding, the decision also indicates that wilful blindness should not exempt an online platform from liability. According to the decision, if the online platform “*has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way.*”
- 28) In Europe, several decisions of the CJEU have ruled on the liability of online marketplaces for the sale of IP infringing products by third parties on their platform.
- 29) Regarding the direct liability of an online marketplace for infringement of intellectual property rights, in the *eBay/L'Oréal* case (CJUE, 12 July 2011, C-324/09), the Court of Justice ruled that in so far as that eBay provides a service enabling its customers to display on its website signs corresponding to trade marks in the course of such customers’ commercial activities, such as the making of offers for the sale of their products, eBay does not itself use those signs within the meaning of that EU legislation. The use of signs identical with or similar to trade marks in offers for sale displayed on

³ <https://www.uspto.gov/sites/default/files/documents/Secondary-TM-Infringement-Liability-Response.pdf>

⁴ *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010), cert. denied, 562 U.S. 1082 (2010).

eBay is made by the sellers who are customers of the online marketplace and not by the online marketplace itself. As a result, eBay cannot be sued for infringement of the trade mark rights.

- 30) The decision *Coty Germany / Amazon* (CJEU, 2 April 2020, C-567/18), relates to the situation where Amazon enables third-party sellers to place offers for sale in respect of their goods in the Amazon marketplace. In the event of sale, contracts concerning those goods are concluded between the third-party sellers and the purchasers. Those third-party sellers may also avail themselves of the 'Fulfilment by Amazon' scheme, under which goods are stored by Amazon group companies, which operates warehouses. Those goods are dispatched by external service providers. The CJEU ruled that, in order for Amazon's storage of goods that bear infringing trade marks to be classified as 'use' of those infringing trade marks (and consequently to be classified as IP infringements), it is necessary that for Amazon not only provides the storage in question, but that Amazon also pursues the aim referred to, which is offering the goods for sale or putting them on the market on its 'own account.'
- 31) Regarding the indirect liability of an online marketplace, the E-Commerce Directive (Directive 2000/31/EC) provides a special digital liability regime for intermediary service providers, such as hosting services that enable the storage of information provided by a recipient of the hosting service. Article 14 of the E-Commerce Directive (Directive 2000/31/EC) provides that the hosting service provider is not liable for the information stored at the request of a recipient of the service, on condition that:
- (a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or
 - (b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

To benefit from this exemption from liability, the hosting service provider has to prove that its role is neutral, in the sense that its conduct is merely technical, automatic and passive, pointing to a lack of knowledge or control of the data which it stores.

The EU Digital Services Act (EU Regulation 2022/2065 dated 19 October 2022) does not call into question this regime of exemption from liability, but places new obligations on the online marketplace such as the traceability of traders, etc.

- 32) In certain jurisdictions, such as India, online marketplaces may enjoy immunity from liability if certain requirements are met, and the taking down of an infringement would only be legally required if a court order is issued⁵. In Australia, however, the extent of liability may differ in case it concerns the infringement of a copyright or of a trade mark right.
- 33) In Japan, no specific legislation governing e-commerce exists, so that general provisions would apply. However, laws addressing IP rights infringement are usually

⁵ See for instance: report on Intermediary Liability and Takedown Policies in Asia, <https://www.inta.org/wp-content/uploads/public-files/advocacy/committee-reports/20211103-INTA-Digital-Asia-Liability-Survey-Final.pdf>

limited to the primary infringer, typically not extending to intermediaries. However, there is case law in which such intermediaries have been classified as primary infringers.

You are invited to submit a Report addressing the questions below.

Questions

*For I, II and III, the term **General IP Law** means the general responsibility regime for acts of IP rights infringement contained in Industrial property rights legislation and/or caselaw.*

*The term **Special Digital Law** means special legislation applicable to internet actors, such as online marketplaces.*

*The term **General Law** means the general law of civil responsibility.*

*The acronym **OM(s)** stands for Online Marketplace(s).*

I) Current law and practice

Please answer all questions in Part I based on your Group's current law.

A. Responsibility regimes applicable to OMs

This part is intended to identify the responsibility regime(s) applicable to OMs in your jurisdiction, and the criteria for determining the application of one or other regime.

- 1) In your jurisdiction, please indicate if the responsibility of OMs for IPRs infringement is subject to the following legislation (please answer YES or NO and cite the applicable texts):
 - a) the General IP Law regime,
 - b) a Special Digital Law regime,
 - c) the General Law regime,
 - d) an alternative/different regime.
- 2) If a Special Digital Law regime exists in your jurisdiction (applicable in particular to OMs), is this regime of responsibility more stringent or more liberal (e.g. exemption of responsibility, safe harbour, etc.) for OMs than the General IP Law, in case of IPRs infringement?
- 3) If a Special Digital Law regime exists in your jurisdiction, what justifies the application of a Special Digital Law regime to the OMs in relation to IPRs infringement?

- 4) If OMs can benefit an exemption of responsibility/safe harbour, what are the criteria for determining whether an OM is subject to this regime (e.g. active or passive role of the OM, knowledge/control of the presentations of the products, awareness of the IP rights infringement, etc.). Please give examples (case law, etc.).

B. The implementation of the OMs responsibility regimes

The purpose of this chapter is to determine the implementation for each responsibility regime applicable to OMs in your jurisdiction (conditions to engage responsibility, exceptions, exemptions, etc.).

The purpose is, for instance, to determine under what conditions an OM can be considered an IP infringer, co-infringer, accomplice, or contributory IP infringer (use of the IP on its own benefit, awareness of IP rights infringement, providing of specific services such as optimizing the presentation, promoting offers, etc.), and under what conditions an OM can benefit from an exemption of responsibility/safe harbor (acting expeditiously following awareness of IP rights infringement, etc.), etc.

To answer each question in this chapter, please deal separately with each responsibility regime applicable in your jurisdiction.

General IP law regime (if applicable to OMs)

- 5) In your jurisdiction, under what conditions can an OM be held responsible for IP rights infringement or, on the contrary, to be exempted from responsibility for an IP rights infringement in each of these cases?
- a) in patent law:
 - b) in trade mark law:
 - c) in design law:
- 6) Please indicate under what circumstances an OM can be considered an IP infringer, co-infringer / joint tortfeasor, accomplice, or a contributory infringer.

Special Digital Law regime (if such a regime is applicable to OMs)

- 7) In your jurisdiction, what are the conditions for an OM to be held responsible on this basis? What obligations must the OM fulfil in order to be exempted from responsibility for an IP rights infringement? If possible, please give examples for each IPR separately.

General Law regime (if this regime is applicable to OMs)

- 8) In your jurisdiction, what are the conditions for an OM to be held responsible on this basis? What obligations must the OM fulfil to be exempted from responsibility for an IP rights infringement? If possible, please give examples for each IPR separately.

Other liability regime (if applicable to OMs)

- 9) In your jurisdiction, what are the conditions for an OM to be held responsible on this basis? What obligations must the OM fulfil to be exempted from responsibility for an IP infringement? If possible, please give examples for each IPR separately.

C. Sanctions that can be imposed on OMs

The purpose of this part is to determine the sanctions that can be imposed (in your jurisdiction, by a judge or by any other state entity) on an OM whose responsibility is engaged under one or more forms of responsibility (damages, injunction to delist a seller, obligation to inform/reimburse the buyers, obligation to prevent future sales of the infringing product, etc.).

To answer each question in this chapter, please deal separately with each form of responsibility applicable in your jurisdiction. For each form of responsibility, please treat each IPR (patent, trade mark, design) separately only if you consider it necessary.

General IP law regime (if applicable to OMs)

- 10) In your jurisdiction, what are the sanctions that can be imposed on an OM when the conditions of its responsibility are met?

Special Digital Law regime (if such a regime is applicable to OMs)

- 11) In your jurisdiction, what are the sanctions that can be imposed on an OM when the conditions of its responsibility are met?

General Law regime (if this regime is applicable to OMs)

- 12) In your jurisdiction, what are the sanctions that can be imposed on an OM when the conditions of its responsibility are met?

Other liability regime (if applicable to OMs)

- 13) In your jurisdiction, what are the sanctions that can be imposed on an OM when the conditions of its responsibility are met?

II) Policy considerations and proposals for improvements of your Group's current law

- 14) Could your Group's current law or practice relating to the responsibility of online marketplaces for online infringement of industrial property rights be improved? If YES, please explain.

- 15) Could any of the following aspects of your Group's current law relating to responsibility of online marketplaces for online infringement of industrial property rights be improved? If YES, please explain.

- a) The regime of responsibility applicable to OMs?
 - b) The implementation of the responsibility regimes applicable to OMs?
 - c) The sanctions that can be imposed to OMs
- 16) Are there any other policy considerations and/or proposals for improvement to your Group's current law falling within the scope of this Study Question?

III) Proposals for harmonisation

Please consult with relevant in-house / industry members of your Group in responding to Part III

- 17) Do you believe that there should be harmonization in relation to the responsibility of online marketplaces for online infringement of industrial property rights?

If YES, please respond to the following questions without regard to your Group's current law or practice

Even if NO, please address the following questions to the extent your Group considers your Group's current law or practice could be improved.

A. Responsibility regimes applicable to OMs

The purpose of this part is to determine the responsibility regime(s) that should be applicable to OMs.

- 18) In case of IP rights infringement, should OMs be subject to:
- a) the General IP Law regime,
 - b) a Special Digital Law regime, e.g. an exemption of responsibility (safe harbour),
 - c) the General Law regime,
 - d) an alternative/different responsibility regime.
- 19) If OMs should benefit an exemption of responsibility/safe harbour, what should be the criteria for determining whether an OM should be subject to this regime (e.g. active or passive role of the OM, knowledge/control of the presentations of the products, awareness of the IP rights infringement, etc.)?

B. The implementation of the OMs responsibility regimes

The purpose of this chapter is to determine the conditions that should be required for an OM to be held responsible for IP rights infringement or, on the contrary, to be exempted from responsibility.

The purpose is, for instance, to determine under what conditions an OM should be considered an IP infringer, co-infringer / joint tortfeasor, accomplice, or contributory IP infringer (use of the IP on its own benefit, awareness of IP rights infringement, providing of specific services such as optimizing the presentation, promoting offers, etc.), and under what conditions an OM should benefit from an exemption of responsibility/safe harbor (acting expeditiously following awareness of IP rights infringement, etc.), etc.

To answer each question in this chapter, please deal separately with each of responsibility regime that should be applicable. If you consider it necessary, please treat each IPR (patent, trade mark, design) separately.

General IP law regime (if this regime should be applicable to OMs)

- 20) Under what conditions should an OM be determined to be an IP infringer or, on the contrary, be exempted from responsibility for an IP rights infringement?

Special Digital Law regime (if this regime should be applicable to OMs)

- 21) Under what conditions an OM should be held responsible on this basis? What obligations should the OM fulfil be exempted from responsibility for an IP rights infringement?

General Law regime (if this regime should be applicable to OMs)

- 22) Under what conditions an OM should be held responsible on this basis? What obligations should the OM fulfil be exempted from responsibility for an IP rights infringement?

Other liability regime (if this regime should be applicable to OMs)

- 23) Under what conditions an OM should be held responsible on this basis? What obligations should the OM fulfil be exempted from responsibility for an IP rights infringement?

C. Sanctions that should be applicable to the OMs

The purpose of this part is to determine the sanctions that should be available against an OM whose responsibility is engaged (e.g. damages, injunction to delist a seller, obligation to inform/reimburse the buyers, obligation to prevent future sales of the infringing product, etc.).

General IP law regime (if this regime should be applicable to OMs)

- 24) What should be the sanctions that should be applicable to an OM when the conditions of its responsibility are met?

Special Digital Law regime (if this regime should be applicable to OMs)

- 25) What should be the sanctions that should be applicable to an OM when the conditions of its responsibility are met?

General Law regime (if this regime should be applicable to OMs)

- 26) What should be the sanctions that should be applicable to an OM when the conditions of its responsibility are met?

Other liability regime (if this regime should be applicable to OMs)

- 27) What should be the sanctions that should be applicable to an OM when the conditions of its responsibility are met?

Other

- 28) Please comment on any additional issues concerning any aspect of the responsibility of online marketplaces for online infringement of Industrial Property Rights you consider relevant to this Study Question.
- 29) Please indicate which sectors' views provided by in-house counsel are included in your Group's answers to Part III.