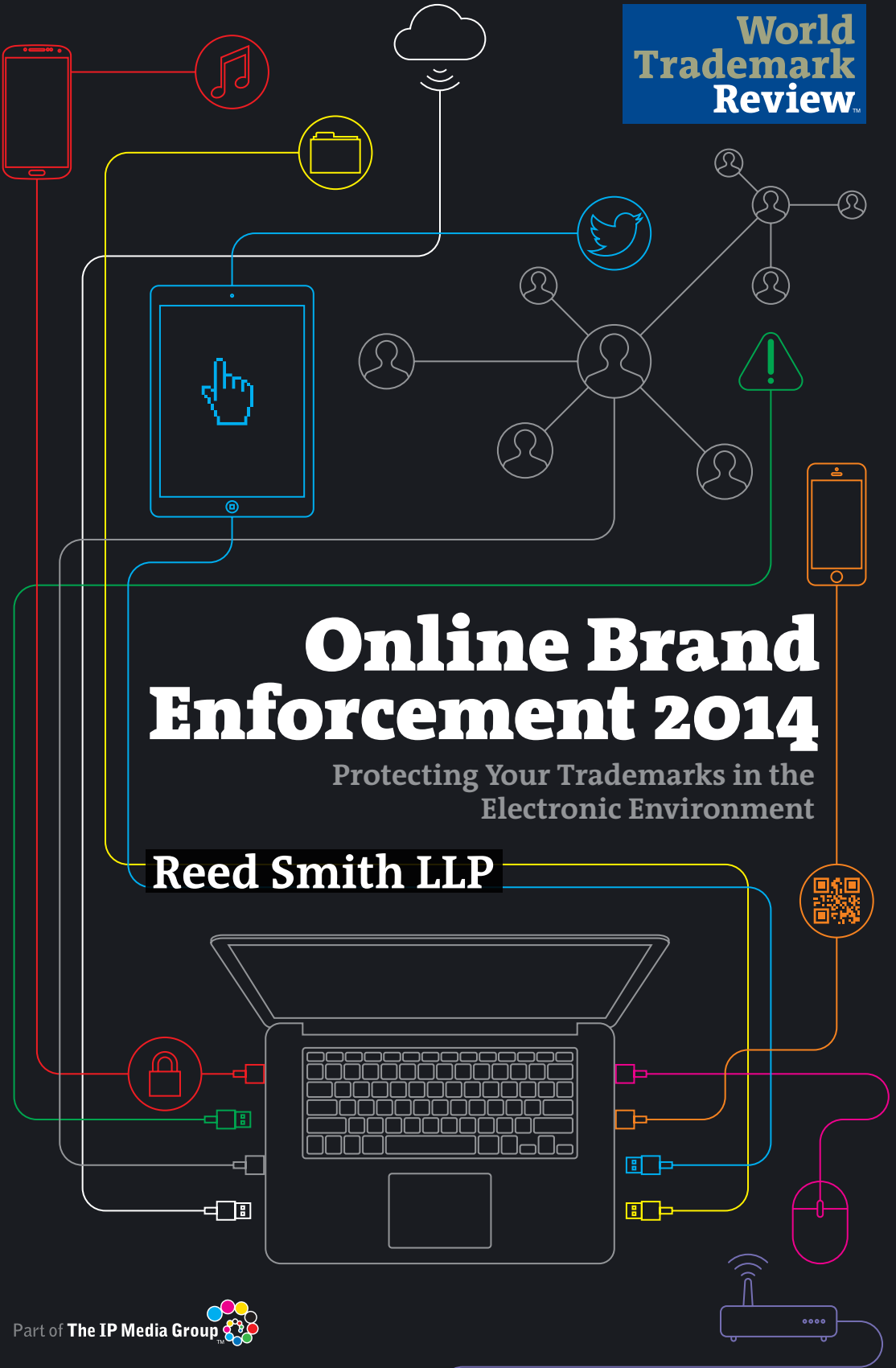


Online Brand Enforcement 2014

Protecting Your Trademarks in the
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Counterfeits and infringements online – a global overview of liability

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Most of the growth of the \$1 trillion-plus in annual global sales of counterfeit goods is the result of counterfeiters' and intermediaries' use of the Internet to extend their reach to consumers all over the world. In addition to traditional counterfeiting, there has been an explosion in trademark infringement which does not rise to the level of counterfeiting (eg, use of a similar mark or use of an identical mark on different goods). Further, registration and use of fraudulent domain names and websites and use of online auctions to distribute stolen and misdirected merchandise can cause other headaches for brand owners.

This article examines the specific categories of online trademark infringement – namely, domain names, websites, online auction platforms, keywords and related IP rights infringement (eg, copyright). The purpose of this analysis is not to explain all of the nuances of these segments, but rather to create a roadmap to organising a coherent, prioritised and cost-effective plan which accounts for differences in fact patterns, legal liability and strategies, depending on the nature of the infringement.

Domain names

One of the most common methods of selling counterfeit or infringing merchandise is to use a pirated domain name. Let us look at a fictitious fashion company named Antarctica Now Fashions, which we will regard as a well-known brand with trademark registrations in North America only. The company owns 'antarcticanow.com'

and is encountering an increasing problem with knock-offs and counterfeits due to activity on other websites, specifically 'antarcticanow.net', owned by a US entity, and 'antarcticanow.cn', owned by a Chinese company. There are several ways to attack this problem. While it will be difficult to enforce the ANTARCTICA NOW trademark because it is not registered broadly, the owner may rely on the mark's well-known status to enforce its rights, given that most countries provide expanded protection for such marks under Article 6*bis* of the Paris Convention and Articles 16(2) and 16(3) of the Agreement on Trade-Related Aspects of IP Rights. Additionally, a commercial watch service to monitor domain names and a follow-up private investigation would be warranted in the interests of examining the nature, length and scope of the infringement. For instances where counterfeiting is not involved, the typical approach would be to send a cease-and-desist letter to the owner demanding that the pirated domain name be either cancelled or transferred. Damages and injunctive relief may be sought in the absence of compliance. Additionally, arbitration forums – such as the Uniform Dispute Resolution Policy for generic top-level domains or local equivalents, such as the policy maintained by the Chinese Internet Network Information Centre for the '.cn' and Chinese provincial abbreviation extensions – provide cost-effective options for resolution. However, such options may be appropriate only for severe cases of domain name infringement. If both parties have legal rights in the underlying trademark for the domain name, court action may be necessary.

Stronger legal action may be more appropriate for instances involving counterfeit

goods and monetary gain. In such cases it is advisable to seek remedies through civil or criminal authorities without written notice to the counterfeiter. Many countries have statutes pertaining to online infringement, such as the US Anti-cybersquatting Consumer Protection Act, which incorporates injunctions, fines and imprisonment.

A recent decision in Australia emphasises the advantages of registering a domain name as a trademark. In *REA Group Ltd v Real Estate I Ltd* [2013] FCA 559, REA Group Ltd successfully claimed infringement of its registered trademarks REALESTATE.COM.AU and REALCOMMERCIAL.COM.AU by Real Estate 1 Ltd's use of 'realestate1.com.au' and 'realcommercial1.com.au' as domain and trading names. The court held that the defendant had infringed REA's trademarks due to the "real, tangible danger" of consumer confusion, which could result from the substantially identical and deceptively similar marks used in the domain names and in advertising.

Other countries have recognised the need for a scope of protection for registered trademarks which includes virtually any form of the registered mark on the Internet, including domain names, keywords and website use. Examples include Article 9(2c) of Turkish Decree 556 and practice in the Philippines, where the general law on trademark infringement (Section 155 of the IP Code) is applicable regardless of the nature of the infringing act. The only requirement for application is that the infringer reside or conduct business within the territorial jurisdiction of the Philippines.

Accordingly, many pirated domain names may be the subject of some form of fast-track arbitration if the domain name clearly constitutes cybersquatting. The usual remedies are cancellation or transfer of the domain name. If the domain name becomes involved in other counterfeiting or infringing activity, other remedies (eg, injunctions or damages) may be sought.

Websites

Although not true everywhere, jurisdiction and venue are properly found in those countries where there is some 'commercial effect' (see Article 2 of the World Intellectual Property Organisation Joint Recommendation Concerning Provisions on the Protection of Marks and Other

Industrial Property Rights in Signs on the Internet, 2001) – that is, active websites. A website owner or host involved in selling counterfeit products may be considered a direct or contributory infringer. In the US case of *Roger Cleveland Golf Co v Christopher Prince* (No 2:09-2119) (DSC 2011), the internet service provider (ISP) was found liable, since it was found to have participated in the sale of the counterfeit goods involved. Specifically, it was determined that webhost Bright Builders had assisted by offering web design services and business consulting services – in this case, assistance with advertising and recommending drop shipment of goods to facilitate transactions. Similarly, a judgment was entered in Vietnam against an individual whose website sold counterfeit luxury goods. Penalties included a fine of D250 million and seven years' imprisonment. In Japan, the IP High Court's 2012 decision in *Rakuten/Chupa Chups* established a threshold test regarding liability. The test considers how involved website administrators are in the activity by analysing commissions received, control over the content and knowledge of infringements. If the test is satisfied, administrators can be held liable for damages and be subject to an injunction. In Thailand, IP owners seeking to enforce their trademark rights over online sellers can utilise the Trademark Act (BE 2534), the Penal Code, the Civil/Commercial Code or the Consumer Protection Act. Owners were previously required to partake in a lengthy investigation and raid process; however, due to the ineffectiveness of such raids, trademark owners and government officials may also utilise Sections 14 and 20 of the 2007 Computer Crimes Act (BE 2550), which include punishment for entering false data into computer systems and may be used to block distribution of infringing products.

In May 2010 the Chinese State Administration for Industry and Commerce enacted Interim Measures for the Trading of Commodities and Services through the Internet for the purpose of regulating online commerce. These measures provide that supply of goods or services by ISPs shall comply with the Trademark Law and the Unfair Competition Law. Article 24 of the measures requires ISPs to take "necessary measures" to protect the right to the exclusive use of registered trademarks, rights to enterprise names and other rights, although it is unclear as to how

far such 'necessary measures' extend. A recent case involving Zippo provides a good example of protection extended to a famous mark (*Zippo v Sun Menglin*, Zhejiang High People's Court, September 5 2012). US company Zippo found that Sun Menglin was selling hand warmers online bearing the ZIPPO trademark. On purchasing the goods, Zippo sued the manufacturer and distributor for trademark infringement and unfair competition. Zippo lost the initial case because the court took the view that the goods were not similar. An appeal was filed with the Zhejiang High Court, which found that ZIPPO is a well-known mark and that the actions of the Tangfeng Factory constituted trademark infringement. Compensation of up to Rmb500,000 was awarded.

When reviewing website infringement, trademark owners should analyse the nature of the website (active/passive), whether jurisdiction can be obtained over the defendant or its property within the forum country and the nature of the infringement (ie, whether it violates IP laws or some other statute). Many IP codes which are designed for the bricks-and-mortar world may be useful in the online environment

Online auction platforms

Perhaps the most attention has been paid to online auction platforms. The question most commonly raised is whether such platforms operate as innocent intermediaries, merely providing platforms for sales of merchandise, or whether they are contributory infringers which should be responsible for monitoring the nature of transactions conducted using their websites. There is no clear consensus. In *Tiffany v eBay* (600 F3d 93 (2d Cir 2010)), the US Second Circuit Court of Appeals applied an analysis to establish the extent to which an online platform has actual or constructive knowledge of infringements or is operating under the guise of 'wilful blindness'. The appeals court decided that eBay should not be held liable for infringing activity, since it had undertaken reasonable safeguards to protect the brand owner's rights, including an infringement notification and takedown programme. It was determined that such procedures placed the burden of policing on the trademark owner, and that specific knowledge of infringing activity would be

necessary in order to hold eBay liable. A similar approach was taken in *Puma v Taobao* in China (Guangzhou Intermediate People's Court, 2006), in which the court decided that online auction platform Taobao should not be liable for the sale of counterfeit footwear by users of its site. Opposite decisions have been reached in France regarding eBay's liability. In *Hermes v eBay Inc* the *Tribunal de Grande Instance de Troyes* (June 4 2008) held eBay liable for sales of counterfeit Hermes bags and ordered it to pay €20,000 in damages; the Reims Court of Appeal held that eBay could not be considered to be a hosting services provider and was thus liable; and in *LVMH v eBay Inc* the *Tribunal de Commerce de Paris, 1re chambre B* (June 20 2008) held eBay liable for sales of counterfeit Louis Vuitton and Dior products and ordered it to pay €36.8 million in damages (reduced to €5.7 million on appeal).

In South Korea, the Seoul High Court further clarified the scope and limitation of operators of an open market website in *Adidas v G-Market* (May 2010). Adidas filed suit against G-Market on the grounds that G-Market had not taken appropriate measures to remove listings for products confirmed to be infringements, establish a mechanism for managing sellers' personal information and provide information in response to trademark owners' requests. While the court took the position that G-Market was not obliged to take such measures, it recognised that counterfeit goods had been distributed using its marketplace, and that G-Market was obliged to curtail such activity

A Yahoo! auction website was utilised by an individual in Singapore to sell counterfeit wallets, bags and cardholders. In *Public Prosecutor v Jong Li Li Deborah* [2006] SGDC 299, the court took sale and distribution methods into account – specifically, the seller's request to be paid via automated teller machines and the anonymous delivery of items by post. These factors were cited in support of a six-month prison sentence. The liability of the ISP in this case was limited because it had cooperated with takedown requests.

Aside from litigation, many auction platforms maintain notice and takedown procedures (eg, eBay's Verified Rights Owner programme and Alibaba's IP Protection System

programme). Although these procedures can be cumbersome, they can prove effective tools for fighting online sales of counterfeits and infringements. As a general principle, online platforms may be liable to the extent that they participate in the activity.

Keywords

As with online platform liability, there is no international consensus on the use of keyword advertising in creating liability for sales of legitimate competitive merchandise or counterfeit/infringing merchandise (eg, the purchase of the ‘Antarctica Now’ keyword to sell its illicit products). In *Rescuecom Corp v Google, Inc*, 562 F 3d 123 (2d Cir 2009), the US Court of Appeals held that sale of a keyword could be deemed use in commerce of the underlying trademark, but likelihood of confusion must be established. Generally, Google will not remove AdWords in the United States in response to a complaint, but may enforce restrictions. In other countries, different approaches will be taken, depending on laws concerning keywords.

Liability can vary depending on the nature of the use of the keywords at issue. For example, a French company’s purchase of the keyword ‘antarcticanow’ from a French ISP in order to create pop-up advertisements for its own line of clothing may be viewed as an infringement. The general consensus of the European Court of Justice appears to be that advertisers should be allowed to use identical keywords in advertising as long as the advertisement does not indicate the source of the goods, that the storage of keywords by operators is not trademark use and that a service provider cannot be held liable for data stored unless it failed to act expeditiously to disable access to the data once alerted of its unlawful nature. This stance is the result of multiple cases recently reviewed by the courts involving Google and brand owners.

How, then, do we understand the state of play for keywords? Since many countries still take the approach that unauthorised use of another’s trademark is an infringement in the absence of specific exemptions, advertisers should proceed with caution. Before a competitor buys a keyword (eg, ‘antarcticanow’) in a specific country’s online system, it should examine that country’s laws, since no overall principle applies in this area.

Other IP or regulatory rights

Many trademark owners forget the powerful remedies that are available for other forms of IP or regulatory infringement – most importantly, copyright. For example, if a copyrighted package or design is copied, as well as a trademark in a counterfeit product, the trademark owner may additionally claim infringement of copyright. Many countries provide notice and takedown vehicles for copyright infringement, and in many cases copyright protections are stronger than trademark protections. For example, in the United States, the Digital Millennium Copyright Act provides an efficient notice and takedown provision. Essentially, the copyright owner serves notice on the infringer to remove the infringing content. The notice must be accompanied by specifics regarding the content and the complainant’s statement that the notice is being sent in good faith. Other jurisdictions such as the European Union maintain similar procedures and also provide a safe harbour for ISPs, provided that there is no actual knowledge of the infringement.

Moreover, if activity such as online fraud is involved, criminal authorities may take action in support of the cause. Consideration of these other IP rights is important because they may strengthen defensive measures.

Conclusion

Online infringements present unique challenges to trademark owners and government authorities. This article explains how countries as varied as Vietnam and Turkey can adopt similar approaches by addressing issues with traditional remedies: injunctions, damages and criminal punishment. Additional remedies include notice and takedown provisions for websites and domain name arbitration forums. Constructive notice must be established in certain jurisdictions in order to obtain results. For keyword advertising, liability may vary by country, depending on statute and case law. Ultimately, increasing online commercial activity must be measured against owners’ IP rights and public safety. A cost-effective, practical online policing programme should therefore consider all of the foregoing and include investigation, prioritised enforcement and prevention. [WTR](#)

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