

# 13 What Liability for Internet Service Provider Faced with Trade Mark Infringement on Internet Auction Site and Shopping Mall? : Comparison between Europe, France, Germany and Japan<sup>(\*)</sup>

Invited Researcher: Asako Wechs HATANAKA<sup>(\*\*)</sup>

---

*Of 53.4% seized counterfeit high brand products in 2011 by the Japanese National Police Agency are from the sales made on the Internet. Nevertheless, unlike the situation in Europe where the adversarial conflicts between the Internet service providers and the high brand trade mark owners are brought in court, Japan seems to have achieved establishing a collaborative partnership between the two in many ways. Yet, such practice in Japan has not been adequately highlighted as a successful model in the world. On the international sphere, the question remains to be solved, as neither the discussions throughout the WIPO standing committee nor the Anti-Counterfeiting Trade Agreement achieved an international consensus in this regard. The issue is therefore left to the national law, despite the ubiquitous nature of the Internet. The ultimate purpose of this research is therefore to find out an appropriate solution with regards the liability of Internet service provider on trade mark infringement through legal comparative study between Europe and Japan. To this end, the following questions shall be answered: to what extent should an Internet service provider carry the burden of policing the use of trade mark on its site? How shall it be legally secured?*

## Introduction

Emergence of Internet has made the enforcement of intellectual property right even more complex, in particular from two aspects: firstly, due to the involvement of intermediary as a significant player in infringing acts. Secondly, because of Internet's ubiquity, some kind of unified rules seems to be needed in the world despite of the difference in national law<sup>1</sup>.

This paper deals with trade mark infringement taking place on Internet from the perspective of Internet service provider and analyses the scope of its liability in a comparative fashion. To this end, following questions shall be answered: to what extent should an Internet service provider carry the burden of policing the use of trade mark offered on its services, whether Internet auction sites or shopping malls? How shall it be legally secured?

## I Internet service provider, trade mark owner and consumer: Lost in counterfeit

Due to the wide dissemination of Internet and its casualty, trade mark infringement on Internet involve more diversified stakeholders than on the off-line world. Players around

counterfeit on Internet shall include trade mark owner, distributor or seller (i.e. user of Internet service provider), Internet service provider and consumer (i.e. buyer on Internet auction sites and/or shopping malls). Problematically, however, the role of intermediary including Internet service provider in this regard is something what the intellectual property legal norms did not take into account at its genesis. On top of that, a conflict of interests exists around counterfeit among these stakeholders, as each of them has different perception towards the consequence of counterfeit whether positive or negative.

Yet, undeniable fact is that, trade mark right is infringed and causes an enormous amount of damage to its owner, in particular to luxury goods owner. As a result, one (or more) of actors designated above shall have to pay for it, despite of the dilemma each stakeholder faces with, which is not necessarily reconcilable.

## 1 Problems of counterfeit on Internet

### (1) Alterations caused by Internet on the relationship between trade mark and counterfeit

Couple of figures may help understanding the significant impact that Internet has caused to trade mark infringement on Internet auction sites

---

(\*) This is a summary of the report published under the Industrial Property Research Promotion Project FY2012 entrusted by the Japan Patent Office.

(\*\*) Ph.D. Candidate, Centre for International Intellectual Property Studies (CEIPI), University of Strasbourg, France

and shopping malls. Due to Internet, distribution of product and service bearing a trade mark became easier in technical terms, wider in geographical scope and quicker in time. As a result thereof, the traditional locations where counterfeits have been detected such as customs at border and actual points of distribution became replaced by virtual spaces, thus became hardly visible.

## **(2) Absence of *ex officio* inspection**

In the offline world, detection of counterfeits has been the work of administrative authority such as police and custom on the air and land, who has been granted an *ex officio* competence in order to seize counterfeits<sup>2</sup>. In the online world, however, detection of counterfeit becomes hardly visible. Multiplied stakeholders on Internet have no *ex officio* power as such, thus, traditional tools faced with trade mark infringement has lost its meaning.

## **2 Dilemma between Internet service provider and trade mark owner**

Not knowing the appropriate answer to the scope and extent of liability incurred by own business, the social transformation described above gives rise to the following question: who is legally liable for trade mark infringement taking place on Internet auction sites and shopping malls? Whilst Internet service provider insists on its innocence, trade mark owner is persistent in claiming its liability. Such conflicts, however, do not reduce or eradicate the number of counterfeit, which causes a dilemma to both parties in which way they should tackle against the problem.

### **(1) Role of Internet service provider: case of Internet auction site and shopping mall**

Internet service provider stands between positively seen role and its potentially negative consequence. As a result, unforeseen consequences hit Internet service provider, as its legal status transformed from mere facilitator (provider) to infringer of intellectual property right. In comparison to each of single trade mark owner and consumer, Internet service provider has greater ability to fight against counterfeit by virtue of the information it stores, financial advantage as well as the effectiveness of being on the upper stream of infringement. Therefore, it is in the best position to deal with counterfeit<sup>3</sup>.

### **(2) Burden of enforcement for trade mark owner**

According to Hilty, “infringement” shall be differently categorized depending on the intent of infringers and the degree of similarity between the products at stake. “Identical use” includes “counterfeit” (i.e. trade mark infringement), which reflects the absence of respect in the legal norms aiming at protecting intellectual property right on the side of infringer. In the light of above, trade mark infringement occurring on Internet auction sites and shopping malls would be deemed as identical use of trade mark constituting only harmful effect in the eyes of trade mark owner.

### **(3) To cooperate or to confront?**

In reply to situations exposed above, Internet service provider and trade mark owner share a dilemma whether to cooperate or to confront. Japan and Europe took opposing ways in this regard, which lead to contradictory consequences on the operation of Internet auction sites and shopping malls. Whereas in Europe, adversarial conflicts between Internet auction provider and high brand trade mark owner are brought in court, Japan seems to have achieved establishing a collaborative partnership between the two in many ways.

#### **(i) Cooperative model in Japan**

The secret of peaceful state of affairs in Japan is the following: conflicts between Internet service provider and right holder do not appear in the form of litigation, because of the cooperative regime. So-called “Japanese approach” aims at establishing an effective means to fight against counterfeits together, which is a common objective for both parties.

Pragmatically, the success of the Japanese approach is underpinned by the effectiveness of guidelines accompanying the substantive law. Several guidelines subsequently made supplementary rules to the substantive law in order to enable its wider application to trade mark infringement.

#### **(ii) Confrontation in Europe**

Contrary to the seemingly peaceful situation in Japan, Europe faced with more difficulties. As a consequence thereof, numerous litigations between well-known trade mark owners and Internet service provider represented by eBay followed. Confrontation between the stakeholders in Europe thus resulted in entrusting the

demarcation of the scope of Internet service provider's liability to the justice.

### 3 Consumer and counterfeit

Consumers, on the other hand, have come to play an "ambivalent role" between the desire for fake and sense of responsibility<sup>4</sup>. Yet, necessity of protecting sound consumers from economic loss, risk of health and safety as well as trade mark origin guarantee still constitute the fundamental grounds of trade mark norms.

## II Comparative analysis of legal regime on the liability of Internet service provider related to trade mark infringement

As a result of two opposing models between the stakeholders, the jurisprudence has been more abundant in Europe than in Japan, which lends to further clarifications of Internet service provider's liability. Whilst French judiciary has shown hesitation in determining whether or not Internet service provider shall be liable at all, German courts took rigid attitude towards Internet service provider from the outset and focused on refining the scope of liability.

### 1 Nature of liability: exemption from liability or privilege?

In case of Japan, the idea of exemption from liability stems from the uncertainty whether or not Internet service provider has any obligation of acting against infringement of legal interests. Contrary to that, the position of Internet service provider is framed as privilege in Germany, as the initial provision stipulating the "liability (*Verantwortlichkeit*)" of such services presupposes the principle of "sanding on its own fault (*Einstehenmuessen*)"<sup>5</sup>. Common understanding in both cases is that Internet service provider's obligation of removal or disabling access to information upon obtaining knowledge or awareness of illegality is limited to the extent technically possible<sup>6</sup>.

### 2 Scope of liability

Whether express or implied in law, it is both of civil and criminal responsibilities that constitute the scope of liability for Internet service provider in Europe. French law LCEN (*loi n°2004-575 du 21 juin 2004 pour la confiance*

*dans l'économie numérique*) chose the express manner in order to exempt the civil and criminal liability distinctively<sup>7</sup>. To the contrary, both of German law TMG (*Telemediengesetz*)<sup>8</sup> and E-Commerce Directive<sup>9</sup> opted for an implied provision in this regard.

As a contrast to the above, only civil liability and namely, compensatory damage gives rise in Japan.

### 3 Determining the threshold of liability and extent of duty of care

Manners of determining the threshold of liability at national dimension demonstrate a diversification of judicial attitude. Common understanding in Europe, France, Germany and Japan is that Internet service provider is not the principle user of infringed trade mark right on Internet auction sites and shopping malls. However, the assessment of causality to trade mark infringement has different findings and may reach different degree of liability and obligation imposed to Internet service provider.

#### (1) Who uses trade mark on Internet auction site and shopping mall?

Regardless of jurisdictions concerned, Internet service provider is not held to be the user of trade mark in question, but it is seller engaging directly to the distribution of the said product who is deemed to be the proper user of trade mark<sup>10</sup>.

#### (2) Object or subject?

The threshold of determining the liability then shifts to the next question: should it be assessed by object or subject of infringing act concerned? Object in case of Internet auction sites and shopping malls refer to information, irrespective of whether or not sent by Internet service provider. To the contrary, subject puts the type of sender into question.

##### (i) Object: German approach

In Germany, the legal threshold has been made on the objectivity of information. Therefore, the laws clearly distinguish between information of its own and third party, thereby applying the privilege to the liability to Internet service provider when information is sent out from a third party. In such a way, the type of service made by Internet service provider comes less into question, as long as it can clearly be evidenced

that information is of foreign nature to it.

(ii) **Subject: European, French and Japanese approach**

Contrary to the German approach above, France and Japan chose the subjectivity as a primary point of judgment. Accordingly, it is not the type of information, but the type of sender that comes into question. The approach as such requires an objective assessment as to the qualification of “sender”.

**(3) Tort liability or indirect infringement?**

Because Internet service provider does not directly commit to trade mark infringement, the test applicable for assessing the degree of its involvement is made either through tort liability or commitment to indirect infringement. Whereas the former puts the full extent of tortfeasor’s misconduct into question, the latter limits its scope to the actual infringement occurred<sup>11</sup>. The difference as such leads to a divergent range of duty of cares deriving therefrom. Whilst the threshold of reasonable feasibility works as capping the scope of liability in case of German indirect infringement, the ceiling of duty of cares deriving from tort liability in French manner has no limit and may leave the judiciary more rooms for imposing stricter obligations on Internet service provider. Following court cases in China, Europe, France, Germany, Japan and the UK involve eBay as respondent representing Internet service provider and demonstrate the different approaches as well as consequences thereof.

(i) **Tort liability**

French judiciary demonstrates how Internet service provider’s liability can be determined by tort liability. The UK and China further shows ways of applying joint tort liability as its subcategory.

(a) **French approach**

In order to determine whether or not Internet service provider is liable for trade mark infringement undertaken on its Internet auction sites, French court took the harmonized position with the CJEU. Therefore, the role played by Internet service provider is the determining element, which may lead to constitute tort based on the lack of duty of care. Problematically though, it took fluctuant ways in defining what shall be deemed as “active role” and courts have been hesitant to decide the nature of Internet service provider among hosting provider, broker

and/or editor of services.

Deficiencies of French approach as such are as follows; due to the necessity in determining the role played by Internet service provider, judicial instructions become necessarily fact based and difficult to predict the consequence of liability for stakeholders. The high threshold of duty of care imposed on the side of Internet service provider may only be justified by enabling the cost balance between the likelihood of gross damage caused by counterfeit product and the cost for prevention.

(b) **Joint tort liability**

In the UK, joinder of tort liability was denied, despite of eBay judged being subject to duty to prevent infringements from third party<sup>12</sup>. To the contrary, China enables the admission of joint tort liability by applying the relevant statutory provision<sup>13</sup>.

(ii) **Indirect infringement**

Whilst German manner of applying indirect infringement to Internet service provider is very specifically defined, Japanese fashion of doing so is still at dawn. By virtue of successive *BGH* (Federal Court of Justice of Germany) precisions, the scope of liability as well as obligations imposed to Internet service provider became clearer in Germany.

(a) **Accessory liability in Germany**

Among other alternatives such as contributory liability or direct liability by virtue of competition law, German courts rely on indirect infringement as a liability rationale against Internet service provider, namely, so-called “accessory liability (*Störerhaftung*)”<sup>14</sup>. Jurisprudence in this regard is abundant under undeniable rigorous tendency against intermediaries, and develops further the extent of duty of cares imposed on Internet service provider.

In sum, *BGH* jurisprudence alludes that already first warning from right holder invokes liability and that securitization of sound market, i.e. opening of new Internet auction site without any potential or recurrent trade mark infringement, is required<sup>15</sup>. Problematically, the latter criteria calls for a subjective assessment on the likelihood of infringement so that Internet service provider is obliged to undertake wider act of duty of care to be on the safer side.

(b) **Suggestive application of indirect infringement**

in Japan

Liability deriving from trade mark indirect infringement is stipulated expressly in Art. 37 of Japanese Trade mark Act<sup>16</sup>. The sole court decision *Chupa Chups* case dealing with the matter has been recently issued and raises divergent views<sup>17</sup>. By suggesting new interpretations of indirect infringement provision as well as injunction to be applicable to Internet service provider committing to accomplice under Art. 37 of Japanese Trade mark Act, current of thoughts made by Intellectual Property High Court shall be appreciated as bringing positive effects to restraining acts of accomplice to trade mark infringement. Yet, hesitated manner of wordings make it unclear whether or not the case in question is indeed considered as indirect infringement or rather another extension of direct infringement through Karaoke doctrine.

#### 4 Consequence of liability

Above findings of liability entail order of injunction and imposition of measures against trade mark infringement. Scope and form as such differ though, depending on how liability is reasoned.

##### (1) Legal foundation of injunction

Based on the forgoing arguments in section II.2, one question still remains: how to justify applying injunction to intermediary including Internet service provider, who does not directly commit to infringement? Comparative insights demonstrate heterogeneous approaches in reply to that question.

##### (2) Scope of injunction

Further question gives rise as to the scope of injunction whether it solely aims at stopping imminent infringement or includes preventive measures against future infringement. German and Japanese statutory rules make both possible through express provision. On the European sphere, CJEU boldly admitted the extensive interpretation of Art. 11 of Enforcement Directive to preventive measures.

##### (3) Range of impossible measures: towards the obligation of general monitoring?

Extent of measures as a result of liability imposed on Internet service provider may take different forms depending on whether it derives from tort liability or indirect infringement. Whereas the former constitutes ground for a

*priori* obligation to run appropriate filtering for the purpose of preventing infringement in such a way imposed in France, German theory of accessory liability incurs both a *priori* and a *posteriori* obligation, in particular where the likelihood of infringement in future is high. Point of determination is therefore whether Internet service provider is to be accused of its behaviour against trade mark infringement (French approach), or consequence thereof (German and Japanese approach). Whilst the liability derives from negligence in the former, the latter is based on the absolute right inherent to intellectual property right.

Problematically, wide range of impossible measures as such can hardly be distinguished between mere duty of care, which itself is not forbidden<sup>18</sup>, and obligation of general monitoring, which is subject to certain restriction<sup>19</sup>.

So far, feasibility of filtering mechanism constitutes a ceiling as one step before obligation of general monitoring. The threshold as such should remain based on industry standards, otherwise incentives for Internet service provider for improving technology of filtering may be needed, which is hardly impossible for non-profit or private entities, or the dependence on court findings, which might continue to develop right owner sided extremes with the risk of fragmented consequences in Europe, continues to rise<sup>20</sup>.

#### 5 Way forward

Couple of notable moves with regards the liability of Internet service provider shall be mentioned as two diverging ways forward in Europe. Certainly, drawing a line between different categories of Internet service provider's services and mapping each of these to a corresponding group with appropriate responsibility is a sensitive task, which requires *ex ante* policymaking. The subtle feasibility in doing so has already been proven by the previous attempts made both in France and Germany, which did not come to adoption.

On the European level, Memorandum of Understanding (MoU) has been signed between Internet service providers and trade mark owners, which has been positively assessed by the European Commission<sup>21</sup>.

#### Conclusion

Comparative analysis of legal regime on the

liability of Internet service provider related to trade mark infringement enabled an observation that the scope and extent of liability as well as impossible measures greatly influence the neutrality of Internet. Legal norms of intellectual property law for the protection of right and the social benefit of Internet have to be balanced, but putting the axe on the appropriate position still has to be striven for.

Legal problems on trade mark infringement on Internet auction sites and shopping malls has exhausted legal institutions as well as solutions, with the exception of enforcement of right for less-known trademark. There is not much room left for Internet service provider to enjoy its freedom from judicial point of view. That said, further digitization of trade mark and the development of Internet service may one day cast a question whether or not the current regime works out, where the scope of trade mark use requires new interpretation. That shall probably depend on the scale of infringement as well as the nature of additional services beyond “hosting” or otherwise stipulated in the current substantive laws taking place in the future.

---

<sup>1</sup> See WIPO SCT/25/3 at para. 58.

<sup>2</sup> Cf. Arts. 4 and 9, Council Regulation (EC) No 1383/2003 and Arts. 69-3 and 69-12, Customs Act of Japan (Law No. 61 of 02.04.1954).

<sup>3</sup> See for example Spindler G. et al. “TDG Kommentar” (CH Beck, 2004) at 169.

<sup>4</sup> Vrins O. et al. (eds.) “Enforcement of intellectual property rights through border measures: Law and practice in the EU” (2<sup>nd</sup> ed., Oxford University Press, 2012)” at 21.

<sup>5</sup> Cf. §5 of TDG (*Gesetz über die Nutzung von Telediensten*) and BT-Dr. 13/7385 at 19.

<sup>6</sup> Cf. Art. 3(1) of Japanese Act on Internet service provider’s liability and §. 5 of German TDG.

<sup>7</sup> Art. 6-I-2 (on civil liability) and Art. 6-I-3 (on criminal liability) in French LCEN (*loi n°2004-575 du 21 juin 2004 pour la confiance dans l’économie numérique*).

<sup>8</sup> §10 of German TMG (*Telemediengesetz* vom 26. Februar 2007, BGBl. I S. 179) only stipulates that Internet service provider is “not liable (*nicht verantwortlich*)”, but intends to include both civil and criminal liability (see BT-Drs Nr. 14/6098 at 23).

<sup>9</sup> Art. 14 of E-Commerce Directive.

<sup>10</sup> Cf. relevant decisions from CJEU (Case C324/09, L’Oréal et al. / eBay, at paras. 101 and 105), Germany (BGH *Internet Versteigerung I*, GRUR 2004, 860 at 861), France (Hermès International c. eBay France et al., TGI Troyes, civ., 4 juin 2008) and Japan (Tokyo district court, 31.08.2010 (Heisei 21 (wa) No. 33872) Vol. 2127 Hanreijihō 87).

<sup>11</sup> Ensthaler J. and Heinemann M. “Die Fortentwicklung der Providerhaftung durch die Rechtsprechung” GRUR 2012, 433 at 436.

---

<sup>12</sup> L’Oreal SA & Ors v eBay International AG & Ors [2009] EWHC 1094 (Ch) (22 May 2009) at paras. 373 and 382.

<sup>13</sup> Shanghai First Intermediate People’s Court, 25 April 2011, Hu Yi Zhong Min Wu Zhi Zhong (Zi) No.40.

<sup>14</sup> Hoeren T. and Yankova S. “The Liability of Internet Intermediaries – The German Perspective” IIC 2012, 501 at 503-506.

<sup>15</sup> Lement C. “Störerhaftung eines Internetauktionshauses bei Fremdversteigerungen” GRUR 2007, 708 at 713.

<sup>16</sup> Japanese Trade mark Act (Act No. 127 of April 13, 1959).

<sup>17</sup> Tokyo district court, 31 August 2010 (Heisei 21 (Wa) No. 33872) Vol. 2127 Hanreijihō at 87 and Tokyo Intellectual Property High Court, 2012 (Heisei 22 (Ne) No. 10076) 2161 Hanreijihō at 86 – Chupa Chups.

<sup>18</sup> Recital 48, E-Commerce Directive.

<sup>19</sup> Cf. For Europe, Art. 15(1), E-Commerce Directive and CJEU Case-C360/10, SABAM / Netlog NV, in which injunction aiming at requiring an installation of filtering system as a preventive measure applied indiscriminately to all users, exclusively at its expense, for an unlimited period, is held to be precluded from the EU legal norms. In Japan, implied prohibition of general monitoring from Japanese Act on Internet service provider’s liability is noted.

<sup>20</sup> Cf. Spindler G. et al. “Study on the liability of Internet intermediaries” (11.12.2007) at 22-23.

<sup>21</sup> European Commission “Report from the Commission to the European Parliament and the Council on the functioning of the Memorandum of Understanding on the Sale of Counterfeit Goods via the Internet” (18.4.2013) COM(2013) 209 final, at 8 *et seq.*