

STUDY ON APPROACHES TO ONLINE TRADEMARK INFRINGEMENTS

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Counterfeits on Ebay: who is responsible?

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Where do the recent epic legal battles on both sides of the Atlantic between Tiffany and Louis Vuitton respectively and Ebay leave web customers who are saddled with counterfeit products daily? That there is a plethora of fakes online is glaringly obvious. Who then is responsible for removing the counterfeit products listed on Ebay? In the last two weeks, a French and a US federal court came to two diametrically opposed rulings on this same point. The French court placed full responsibility on Ebay to remove Louis Vuitton counterfeit product from its site while the US Court recognised the steps Ebay had already taken to decrease counterfeits and placed the onus on the trade mark owner to police further its products on Ebay. It is fascinating to see how these decisions symbolise a nationalistic warring of the internet in completely different ways. Both judgments significantly affect the nub of the business models of online market place sites and brand owners. In fact, these rulings pave the future of online commerce and will no doubt be appealed against all the way up to Supreme Court levels.

In a sense, this war between online auctioneers and trademark owners is similar to the concerns voiced when the first railways were constructed. The legal question raised back then: if a spark from a steam locomotive flew on to crops and set them ablaze, who bore the loss – the railway company or the farmer? In the end, reason prevailed – progress could not be halted if railway companies were subject to a flood of legal claims. However, the poor farmer could not be left carrying the full weight of the damaging consequences of scientific innovation. Then, as now, lawsuits were filed and the parties appeared at polar, irreconcilable positions. The solution: railway companies and farmers agreed to a voluntary middle ground: firebreaks along the tracks and spark arresters on the trains to minimise or prevent the harm.

The problem in both the Tiffany and Louis Vuitton disputes with Ebay is similar – though in this case both parties represent significant political influence, unlike the farmer of old. The court decisions on both sides of the Atlantic seek to place the full burden of policing online fakes on either the online auctioneers or the trademark owners. Policing the world wide web for an exponentially growing giant wave of counterfeits is a Herculean burden. Tiffany, Louis Vuitton and other luxury good manufacturers chafe at having to commit unlimited time and resources to police auction sites and their growing number of counterfeit listings. Meanwhile, the auction sites claim that filtering everything that comes in and trying to determine what is counterfeit across all industries would be impossible. No wonder both sides are so quick to point the finger at the other – an all-consuming effort is at risk. The stakes are high.

As in so many other walks of life, the answer lies in constructive co-operation. Just like the railway company and farmer of yesteryear, brand owners and auction sites need to work together and share the responsibility to stop fakes, like wildfire, to avoid a restraint on the progress of society. For example, Ebay through the combination of its "verified rights owners" program that allows more than 18,000 companies to take down sellers violating their trademarks, often within hours, and its proactive filters that automatically delist obvious counterfeit and fraudulent listings, is a step in the right direction. And brand owners, in taking advantage of similarly effective reporting programs and informing the public on how to identify fakes online, similarly work to minimize the problem.

But Ebay and those brands that have tried to work with Ebay to date should act as a benchmark for others and not as a ceiling. More needs to be done, especially in the case of those other auction sites that do far less and refuse to implement filters or fail consistently to take down reported problematic listings (or even encourage the sale of counterfeits). Similarly, trademark owners who believe the problem will go away by claiming others should manage their needs in a changing market need to get in gear – the world has advanced and the net and its new marketing platforms are here to stay. Both sides need to work together to build a "firebreak" and "spark arrester" against counterfeits sold online. The answer for assessing responsibility lies in the middle – both sides should in equal measure diligently confront the online counterfeit problem together.

The writer is chairman of the Walpole IP & Brand Protection Working Group, representing the British luxury industry. He is also chairman of the Authenticity Foundation and author of 'From Edison to iPod – Protect Your Ideas'

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JUNE 8, 2016 by: **Frederick Mostert**

A collision last month between members of the International Anti-Counterfeiting Coalition (IACC) and ecommerce giant, Alibaba, is a tale of high emotions, larger-than-life characters and festering animosity between brand owners and the world's largest online platform. Beneath the noise, however, are serious questions of how to cope with an ocean of fakes.

Courts worldwide are grappling with whether to place the burden of policing online counterfeit on platforms, rights owners or both. Brand owners chafe at having to commit vast resources to policing online platforms. Platforms protest that filtering every transaction and trying to determine what is counterfeit across all industry sectors is mission impossible.

We have been here before. The same problems plagued eBay. In 1999, I faced the company's deputy general counsel, Jay Monahan, in a windowless law office in New York on behalf of a number of luxury brands. Rights holders were concerned that eBay was fostering an environment friendly to fakes. Mr Monahan was grappling with demands to rid eBay of deceptive offerings. To delist high volumes of fakes and avoid endless litigation, we had to work together: we hammered out a constructive cooperation which has endured. How did eBay do it? By ceaselessly monitoring the seller listings on their back end and by putting extraordinary resources into developing cutting edge tools and strategies, including smart filtering, possibly the first notice-and-take down procedures for trade mark violations, stringent measures against repeat offenders and — crucially — fast response times (usually within hours) to take down notices. These methods were revolutionary then and still provide the gold standard for online retailers.

Meg Whitman, eBay's chief executive at the time, understood that credibility with brand owners is key.

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The company faced a choice: do as little as it could hope to get away with, or back up its rhetoric with breakthrough technology and procedures. By opting for the latter, it spawned an era of voluntary co-operation with brands.

Alibaba finds itself at a similar crossroads. The Chinese company has become the world's biggest retail online platform. Its chief executive Jack Ma was appointed to David Cameron's business advisory group, met US President Barack Obama and Alibaba was invited to join the IACC.

This invitation, though, sparked outrage among members, with Lee Sporn, general counsel to Michael Kors, stating: "The IACC has chosen to provide cover to our most dangerous and damaging adversary." Gucci, Michael Kors and Tiffany resigned from the anti-fakes group. [Alibaba's membership was revoked](#) and Mr Ma cancelled his keynote speech at the IACC's annual conference. Alibaba's charm offensive lost its way. There is a way back however. If Alibaba develops modern weapons for the current online environment, it has the potential, like eBay, for constructive co-operation with brand owners.

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Pirates are more adept at using new technologies than those trying to shut them down. This has turned the fight against counterfeit sites into a "whack a mole" game. Take down a pirate page and an identical one pops up in a new location. Michael Evans, Alibaba's president, has asserted, however, that Alibaba has "the tools to change the way this war is waged ... using data and technology ... to defeat the counterfeiters". Rights holders are understandably keen for Alibaba to demonstrate the advanced tools of which it speaks. At a meeting last week, a

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Alibaba to demonstrate the advanced tools of which it speaks. At a meeting last week, a group of British brand owners presented Alibaba with a wish list including notice and trackdown, digital fingerprinting and a piracy indicia module for red-flagging offenders.

Such tracing parallels the fundamental "follow-the-money" principle. The meeting concluded on a positive note. If Alibaba delivers, it will be a game changer by stopping counterfeiting at source rather than at platform level.

Alibaba's implementation of any new voluntary measures must be swift and rigorous. If not, courts and legislators will be pressed to act. Alibaba should not waste a crisis. It can turn it into an opportunity.

The writer is lead author of 'Famous and Well-Known Marks' and a past president of the International Trademark Association

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