

THE LIABILITY OF INTERNET INTERMEDIARIES FOR TRADEMARK INFIRMINGEMENT

The expansion on the Internet and technologies along with it has enabled the development of the digital economy and the emergence of new and innovative business models. The Internet has transformed how goods and services have been produced, delivered and consumed. Using internet platforms, such as eBay, Alibaba and Google Search, allows consumers to globally search, locate and buy goods from anywhere in the world. Simultaneously with the rapid development of technology, there was a need for regulatory intervention in various area of law, including the Intellectual Property Law. Increasingly diverse ways of using Intellectual Property works on the Internet have contributed to the frequency and scale of their abuse. Thus, digital information and communication technology, with the Internet as its crown, has also challenged the trademark law.

Over the last two decades, regulating of the use of trademark on the Internet has been a very current topic. Comparative law establishes guidelines and a regulatory framework for the registration of trademarks as domain names and the application of territorial laws for the use of trademarks on the Internet. However, the issue of the liability of internet intermediaries for trademark infringement remains controversial. Its complexity is contributed, among other things, by differences between online platforms, different modalities of using trademarks on the Internet, as well as diverse interests of subjects of interactive communication.

The debate on regime of the liability of internet intermediaries for trademark infringement, as well as most other issues whose regulation is considered within or in connection to Intellectual Property Law, can be seen through the prism of establishing a balance in a specific economic, cultural and political landscape. The goal is to achieve a balance between numerous, different, and often opposing interests – interests of right holders, users, intermediaries and public; interests of the society as a whole and certain social groups; protection of rights and freedom of speech, stimulation of further creation and freedom of competition. And while the search for the balance is by no means a new challenge in law, it is certainly one of the key aspects that must be taken into account when regulating the issue of the liability of internet intermediaries, especially since the Intellectual Property Law is more than ever under the scrutiny of the world's public opinion, both on theoretical and practical level.

The Internet, a global computer network that provides communication among users around the world, is defined by technical and technological capabilities that are

more or less balanced globally. In such an environment, different and even more imprecise regulations, which allow for uneven interpretations, contribute to legal uncertainty. The primary common interest of all participants in interactive communication is to establish normative frameworks for the harmonization of regulations at the global level.

A comparative law analysis of the regime of liability of internet intermediaries for trademark infringement indicates the absence of harmonization of national and international approaches to the secondary liability of online service providers. There is a clear Atlantic division, more precisely the difference between the approach adopted by the courts of the United States of America and the approach adopted by European courts. In addition, the case law of the Member States is not uniform within the European Union itself. The lack of harmonization in this area has not been eliminated by international law, understood in terms of international legally binding sources (so-called hard international law). At this moment, only the so-called soft international law offers certain, very effective solutions in terms of harmonizing the regimes of liability of internet intermediaries for trademark infringement.

The secondary liability of online service providers remains formally governed by somewhat different standards under diverse national laws, in part because underlying question of secondary liability is conceptualized quite differently in comparative law. Yet, the practicalities of online commerce have forced legislators, courts and private actors to find some common approaches, conceptual and terminological differences notwithstanding. In particular, international practice is increasingly converging around Systems of Notice and Takedown (and more or less demanding variants thereof) and on the imposition of some responsibility on intermediaries to stop wrongful conduct of third parties without finding them secondarily liable for the conduct of their users. The former mechanism requires a greater degree of transparency and public oversight in order to ensure its legitimacy, while the latter (if subject to the same public oversight) can not only assist in the prevention of wrongdoing but also help reduce the pressure to subject well-intentioned online service providers to threats of liability and thus to impede the provision of services vital to contemporary society.¹

Notice and Takedown System has for years, worldwide, allowed Intellectual Property rights holders whose rights have been violated to notify the internet intermediaries and require them to remove content from the Internet. In line with this approach, most hosting providers have implemented internal Notice and Takedown Systems.

Interestingly enough, although the functioning of Notice and Takedown System operates in a similar way in international practice, there is a small, but significant difference between United States law and European Union law regarding the position of the internet intermediaries after receiving a notification of an infringement. In European Union law, if

¹ G. Dinwoodie, „A Comparative Analysis of the Secondary Liability of Online Service Providers”, *Secondary Liability of Internet Service Providers* (ed. G. Dinwoodie), Springer, 2017, 72.

an internet intermediary does not act in accordance with notification received, this does not necessarily imply its liability, but only means that it will not automatically enjoy the immunity („Save Harbors” regime). Moreover, in order for an internet service provider to be held liable, the secondary liability standard must also be met on the basis of the national law applicable in the particular case. On contrary, in the United States, according to US case law (established in case *Tiffany Inc. v. eBay Inc.*), if an internet intermediary, after being notified that his user is infringing someone else’s trademark right, continues to provide services to him, this automatically withdraws its liability.

In addition to Notice and Takedown System, proposals for the establishment of various mechanisms for the protection of Intellectual Property right holders have emerged in comparative law. In recent years, there has been increasing mention, primarily in the context of copyright protection, of an approach whereby right holders require temporary measures that oblige intermediaries to block content that infringes on their rights (blocking injunctions). Part of the doctrine considers this mechanism very attractive because it offers relatively fast and economical solutions. In practice, however, this is not necessarily the case, as the protection of Intellectual Property rights in the internet environment is extremely demanding and very often limited with specific practical circumstances. The proposal advocated by some authors is also interesting, and it concerns the introduction of a special, alternative dispute resolution system that would be based on UDRP model of dispute resolution regarding the registration of internet domains (Uniform Dispute Resolution Policy). Similar to the UDRP model, this mechanism provides an extrajudicial body that makes a binding decision. If it should not be voluntarily enforced by infringer, such an extrajudicial decision obliges host providers to block illegal content. Although such a model offers solution exclusively for obvious and clear cases of infringement of Intellectual Property rights, and especially trademark infringements, it certainly represents a proposal that deserves attention and further theoretical elaboration.

Despite the territorial fragmentation of the regime of liability of internet intermediaries, comparative legal research indicates that no legal system manages to provide an adequate response to the needs of the subjects, participants in interactive communication. Therefore, it is evident that there is a need to reform the regimes of liability of internet intermediaries for trademark infringement both at the national levels and on the international horizon. An analysis of reforms that should be implemented in different national legal systems leads to the conclusion that certain aspects of these reforms are identical.

In the Conclusions and Perspectives, we will first consider precisely these aspects of the reforms, common to the various systems, and then focus on expected reforms in the United States, the European Union, the Republic of Serbia, and international law.

In comparative law, there is a general agreement that solution of the observed problems should in no case be sought in the field of strengthening the liability of

internet intermediaries. However, it is evident that their role must be redefined. A solution generally accepted is that internet intermediaries have no obligation to monitor the content posted by their users. Such a solution is either the result of case law, as in the United States, or derives from normative acts, as in the European Union. Therefore, the role of internet intermediaries remains passive until the moment when they receive information from an actor (right holder, public body, third party) about the infringement of the right on the basis of which they will be activated. Trademark holders are the ones who have the obligation to monitor the use of their trademark, and, upon noticing any unauthorized use, to react immediately, seeking protection. The problem arose with the development of electronic communications, including e-commerce and internet search. Due to the increase in the number of e-commerce platforms and search engines, right holders can no longer control the use of their trademark. Therefore, it is not acceptable for the role of internet intermediaries to remain passive, especially since they have technical capacities and means to prevent trademark infringements.

For this reason, the expansion of the role of internet intermediaries, and especially hosting providers, should be considered. It means that the creation of obligation to introduce automatic control mechanisms and reactions to illegal content should be considered before they become active on the Internet. The reform of the role of internet intermediaries should not be aimed at imposing unrealistic obligations of full and continuous screening of content that is placed on their sites. It is impossible to implement any kind of complete control, without seriously endangering and violating the right to privacy of electronic communications. These reform measures must be approached carefully. In comparative law, there are already some guidelines that seem well-founded because they give results, just as there are products of good practice of cooperation between large hosting providers, the state and the right holders.

In addition to these reform measures, identical in all legal systems, the expected reforms at the American, European, domestic and international levels differ according to specifics of the existing liability regimes of internet intermediaries for trademark infringement in the United States, the European Union, the Republic of Serbia and international law.

In the United States, there is increasing mention of the possibility of codifying the regime of liability of internet intermediaries for trademark infringement (following the example of how the liability of internet intermediaries is regulated in the case of copyright infringement by the Digital Millennium Copyright Act). It is undisputed that, in the event that this happens, the discretionary powers of the American courts, which have room for maneuver to adjust the existing standards of the liability of internet intermediaries to the specifics of particular case, would be reduced. Nevertheless, in order to adopt decision regarding the trademark infringement on the Internet, applying the

secondary liability standards, US courts have to „do a dance more intricate than a tango”.² In addition, codifying the regime of liability of internet intermediaries for trademark infringement would increase legal certainty for all subject of interactive communication, which is certainly the goal to be pursued. The Lanham Act and existing case law could serve as a roadmap for the future reform. One of the key tasks of US legislator is to ensure that, within the future regulatory framework, the interests of all subjects are balanced.

Reform in the field of information society services, especially e-commerce, has been discussed in the European Union for a long time. The European Commission started consultations in 2010 regarding the need and ways to implement reforms in this area. Stakeholders' views, however, were so different that it was difficult to compromise. Eventually, the European Commission temporarily gave up on reforms. The Directive on Certain Legal Aspects of Information Society Services, in particular Electronic Commerce in the Internal Market (e-Commerce Directive), adopted in 2000, remains the umbrella legal act in this area. After two decades of implementation, two deficiencies of this directive have crystallized as key shortcomings. While the former has been partially removed by the provisions of the new Directive on Copyright and Related Rights in the Digital Single Market, the latter will certainly be the subject of debates in the years ahead. Firstly, the European Union has decided to regulate the issue of exclusion of liability of internet intermediaries in so-called horizontal manner. Therefore, the exclusion of liability for any kind of unlawful content provided by their users is regulated in the same way, regardless of whether these actions constitute the infringement of trademark, copyright or any other right. Such a solution has been the subject of sharp criticism from the very beginning, primarily due to the difference between the exclusive rights of trademark holders and copyright owners. Secondly, since the e-Commerce Directive has left to Member States to regulate certain aspects of liability in accordance with their national laws, case law is not uniform within the European Union. Given the aforementioned deficiencies, it is evident that the normative framework of liability of internet intermediaries should be reformed in order to take into consideration, on the one hand, the specifics of the context in which trademark is infringed on the Internet, and on the other, to avoid different interpretations of the Directive's provisions by national courts. In this regard, within the Digital Single Market project, Digital Agenda for Europe 2020 has opened up some contentious issues regulated by the e-Commerce Directive.

The regulatory framework of liability of internet intermediaries for trademark infringement in the Republic of Serbia is fully harmonized with the relevant legal acts at the European Union level, primarily with the e-Commerce Directive. Therefore, all deficiencies of the European regime of liability of internet intermediaries for trademark infringement are inherent in the Serbian legislative framework. Reform in this area could be expected as a consequence of the harmonization of domestic legislation with the future

² C. Powell, „The eBay Trademark Exception: Restructuring the Trademark Safe Harbor for Online Marketplaces”, *Santa Clara High Technology Law Journal*, 1/2011, 29.

redefining of the role of internet intermediaries in the European Union itself. In addition, given the absence of case law, it remains to be seen how the courts in the Republic of Serbia will hone the regime of liability of internet intermediaries for trademark infringement.

As internet users have the access to websites created and edited in other countries, the limits of national regulations have been breached. Therefore, it is an additional challenge for legislative subjects of the most developed countries to regulate the liability of internet intermediaries for trademark infringement on international level. Existing binding sources of international law, such as international agreements and conventions, so-called hard international law, do not regulate this issue. However, non binding international legal instruments, so-called soft international law, offers very interesting and effective solutions, such as the Memorandum of Understanding on the Sale of Counterfeit Goods via Internet. Negotiation, adoption and application of instruments of soft international law carry certain risks, but it also has a number of advantages over hard international law. The biggest risk lies in the fact that they are mainly implemented by large international companies (such as eBay), and there is justified fear that legal norms, which should be applied to all subjects, will be established in accordance with capacities and sophistication of the large economic operators. As for the advantages, one of the key ones is that instruments of soft international law are much more suitable for the development of international legally binding norms than long-term negotiations of multilateral instruments of international public law with uncertain outcome. Thanks to the Memorandum of Understanding on the Sale of Counterfeit Goods via Internet, a gradual harmonization of the legislation of the States Parties is expected and over time also a progressive unification of their case law.

Last but not least, a comparative analysis of legal frameworks and case law regarding the regime of liability of internet intermediaries for trademark infringement has indicated that the interests of consumers have been elided in the legal and policy confrontations between luxury fashion labels, and 'behemoths of digital economy'³ (such as eBay and Google). Therefore, one aspect of future reforms must be dedicated to better protection of the interests of consumers. This would also include developing a sophisticated understanding of the role of consumers in 'collaborative consumption' in trademark law and the electronic marketplace.⁴

Given the expansion of electronic communications, it is inevitable that, when reforming the regime of liability of internet intermediaries for trademark infringement, legislators on all meridians and parallels will be faced with a filigree work that includes establishing a balance between different and often conflicting interests of right holders, internet users, internet intermediaries and society as a whole.

³ M. Rimmer, „Breakfast at Tiffany's: eBay Inc, Trade Mark Law and Counterfeiting”, *Journal of Law, Information and Science*, 1/2011, 39.

⁴ *Ibid.*