

Group Reports from FIR, Denmark – AIPPI

Q287 Study Question, 2023: Responsibility of online marketplaces for online infringement

A. Responsibility regimes applicable to OMs

- 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,

YES, OMs direct liability under the IPR laws and directives.

- b) a Special Digital Law regime,

YES, the E-Commerce Act (Danish), the E-Commerce Directive (Directive 2000/31/EC), and the Digital Services Act (Regulation (EU) 2022/2065) (DSA)

It is established in case law of the CJEU (e.g. C-18/18 Glawischnig, pr. 22) and in literature that service providers with user-generated content are subject to the rules on hosting in Article 14 of the E-Commerce Directive (and section 16 in the E-Commerce Act).

The Act and the Directive are similar and section 16 in the Act read as follows:

“A service provider shall not be liable for the storage of information or for the content of the stored information where the storage is at the request of a recipient who has provided the information and where the service provider

- 1) does not have knowledge of the illegal or damaging 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*
- 2) from the time the service provider obtains knowledge as mentioned in nr. 1, acts expeditiously to remove or to disable access to the information.*

2. Paragraph 1 shall not apply when the recipient of the service is acting under the authority or the control of the provider.”

DSA further places new obligations on the OMs. DSA will not replace the E-Commerce Directive but will incorporate the existing rules on exemption from liability.

c) the General Law regime,

YES, The Administration of Justice Act and the Directive on the enforcement of intellectual property rights (Directive 2004/48/EC).

National law applies to breaches of the E-Commerce Directive.

d) an alternative/different regime.

NO.

- 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

E-Commerce Directive: The E-Commerce Act and the E-Commerce Directive is more liberal for OMs than the General IP Law because of the exemptions from liability in the Act and the Directive.

DSA: The responsibilities of OMs according to Special Digital Law regime depends on the size of the OM and whether the platform itself has infringed intellectual property rights.

- 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?

The Special Digital Law regime seeks to find a fair balance between the conflicting interests of the provider and the users/buyers, but also the rights of the parties aggrieved by the content.

The E-Commerce Act and Directive applies where the service that the OM provides is a mere hosting service in the way described in Article 14 in the E-Commerce Directive.

DSA applies to all online intermediaries offering their services in the single market.

- 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.).

Providers of mere conduit services, caching services and hosting services may not be held liable for illegal third-party information. The rules on exemption for this type of provider are set out in the DSA as well as the E-Commerce Directive.

The limitation does not apply to activities going beyond e.g. hosting or if the OM has an active role (e.g. providing assistance which entails optimizing the presentation of the goods). Passive hosting requires that the OM doesn't have actual knowledge of illegal activity and upon obtaining this knowledge act expeditiously to remove or disable access to the illegal content.

B. The implementation of the OM's responsibility regimes

General IP law regime

- 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?

The OM can be held responsible if the exemptions of liability (the rules in the E-Commerce Act and Directive and DSA) do not apply, i.e. the OM has actual knowledge of illegal activity or information and does not act expeditiously to remove or to disable access to the information.

a) in patent law:

- i. OM's direct liability under the Patent Act (Patentloven)
- ii. If the OM exercises activities in breach of a right belonging to a holder of a valid patent without consent.
- iii. The exclusive right of the proprietor is set out in section 3 of the Patents Act.

b) in trademark law:

- i. OM's direct liability under the Trademark Act (Varemærkeloven)
- ii. Liability for counterfeited products or use/registration of similar/identical trademarks
- iii. The exclusive right of the proprietor is set out in section 4 of the Trademark Act.

c) in design law:

- i. OM's direct liability under the Design Act (Designloven)
- ii. Liability for use of a protected design without consent.
- iii. The exclusive right of the proprietor is set out in section 9-12 of the Design Act.

- 6) Please indicate under what circumstances an OM can be considered an IP infringer, co-infringer / joint tortfeasor, accomplice, or a contributory infringer.

Generally, the OM is not considered a direct IP infringer, but they can become a co-infringer (please see the answer below). The general conditions for direct liability are:

- a) Patent: e.g. produce, sell or import of a protected invention without the patent owner's consent.
- b) Trademark: e.g., selling a good bearing a protected trademark without the trademark owner's consent or registration or use of a trademark which is similar or identical to a protected trade mark.
- c) Design: e.g. making, using, putting on market, importing, exporting a product in which a protected design is incorporated.

An example of an OM being held responsible as an IP infringer (direct liability) would be if the platform uses a protected third-party trademark itself. However, in most cases the platform is more of an intermediary and the question is when the platform can be held liable as such.

In the Google cases (C-236/08 to C-238/08) the Court considered that "use" of a trademark by an online intermediary implies that the platform uses the sign in its own commercial communication.

In the more recent Coty Germany / Amazon case (C-567/18) the Court found that mere storage by an OM of goods bearing a sign that infringes an EU trademark did not in itself constitute "use" of that sign by the OM. This was the case, as long as the OM was not aware of the infringement. The CJEU ruled that the OM could not be held liable as the platform did not carry out the shipping. Therefore, the OM did not play an active role.

In the Louboutin / Amazon cases (C-148/21 and C-184/21) Amazon was however found directly liable for trademark infringement. As opposed to the Coty Germany / Amazon case, Amazon was in this case also in charge of shipping the goods. Further the Court found that:

"in order to determine whether the operator of an online sales website incorporating an online marketplace does itself make use of a sign which is identical with a trade mark of another person, which appears in advertisements relating to goods offered by third-party sellers on that marketplace, it is necessary to assess whether a well-informed and reasonably observant user of that website establishes a link between that operator's services and the sign in question.", cf. pr. 43.

The Louboutin / Amazon cases take a different approach than in the L'Oréal/eBay judgement (C-324/09), where the OM was considered not to be "using" infringing signs.

In caselaw different approaches are taken where an OM takes a passive and technical role as opposed to where the OM is also selling its own products on the marketplace.

In addition, the OM may incur secondary liability by:

- d) Liability for complicity under the Danish Criminal Code
- e) A contributory infringer can be liable for damages under the general Danish rules on compensation
- f) Patent: e.g. liability for indirect patent infringement, cf. section 3(2) of the Patent Act.

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.

E-Commerce Act and Directive (Art. 14 in the Directive and section 16 in the Act (implemented close to the Directive)):

- a) Responsible if the exemption from responsibility/liability does not apply and the OM is directly liable under the general IP laws.
 - i. Exemptions: the OM (hosting service provider) must prove that its role is of a technical, automatic, and passive nature and is not liable for stored information if:
 - 1. The OM 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
 - 2. The OM, upon obtaining such knowledge or awareness, act expeditiously to remove or to disable access to the information.
 - 3. In summary, OMs are liable if they take on an active role that enables them to have knowledge or control over third-party content.
 - ii. Case law on the passive role of the OM:
 - 1. C-324/09 (L'Oréal/eBay): where the operator has provided assistance which entails, in particular, optimizing the presentation of

the offers for sale in question or promoting those offers, it must be considered not to have taken a neutral position, cf. pr. 116.

2. C-567/18 (Coty Germany / Amazon): Amazon's storage of infringing goods (as a service to third-party sellers) did not constitute an infringement that Amazon was liable of.
3. C-148/21 and C-184/21 (Louboutin / Amazon): Amazon was directly liable for trademark infringement when third-parties (sellers on their website) used red-soled shoes in their marketing on Amazon's website, because Amazon's own advertisements and the third-parties' advertisements were presented similarly. From a user point of view such advertising constitutes a part of the commercial communication of the platform. Furthermore, Amazon offered services to the third-parties (the sellers) such as handling of the users' enquiries about goods etc.

b) DSA:

- i. Sets out obligations for online platforms and very large online platforms (both of which can include OMs)
 1. Obligations: e.g. transparency reporting, cooperation with national authorities following orders, notice and action and obligation to provide information to users.
 2. The obligations depend on whether the OM can be classified as an "online platform" or a "very large platform".

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.

No alternative/different regime than the abovementioned.

C. Sanctions that can be imposed on OMs

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?

In addition to criminal liability, the infringer (the OM) may incur liability for damages. The conditions for an OM to be held responsible is direct or secondary liability for IP infringement or if the platform cannot be exempted from liability under the E-Commerce Act.

- a) Section 16 of the E-Commerce Act: The OM is exempted from liability if, through simple or gross negligence, it is unaware that it is hosting illegal content. The OM is thus subject to the general rule of fault (culpa).

Any person who intentionally or negligently infringes a patent, trademark or design shall pay:

- a) A fair compensation to the right holder for the exploitation
- b) Compensation to the right holder for the additional damage caused by the infringement
- c) In determining the amount of compensation account shall be taken inter alia of the right holder's loss of profit and the infringer's unjust enrichment
- d) Compensation to the right holder for non-pecuniary damage may be awarded in addition.

Furthermore, IPR holders can request preliminary injunctions, cf. The Administration of Justice Act section 413 and 414. IPR holders can request preliminary injunctions. This obliges the person subject to the prohibition to refrain from acts which infringe a right held by the person seeking the prohibition. The IPR holder must prove or renders probable:

- i. That the IPR holder has the right sought to be protected by the prohibition or injunction
- ii. That the behavior of the other party necessitates the issuance of the prohibition or injunction; and
- iii. That the IPR holder would be deprived of the opportunity to enforce its right if the party is directed to await the judicial determination of the dispute.

The Directive on the enforcement of intellectual property rights (Article 3):

"1. Member States shall provide for the measures, procedures and remedies necessary to ensure the enforcement of the intellectual property rights covered by this Directive. Those measures, procedures and remedies shall be fair and equitable and shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.

2. Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and 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.”

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?

In DSA the penalty rules are laid down in Article 52:

this “1. Member States shall lay down the rules on penalties applicable to infringements of Regulation by providers of intermediary services within their competence and shall take all the necessary measures to ensure that they are implemented in accordance with Article 51.

the 2. Penalties shall be effective, proportionate and dissuasive. Member States shall notify Commission of those rules and of those measures and shall notify it, without delay, of any subsequent amendments affecting them.

3. Member States shall ensure that the maximum amount of fines that may be imposed for a failure to comply with an obligation laid down in this Regulation shall be 6 % of the annual worldwide turnover of the provider of intermediary services concerned in the preceding financial year. Member States shall ensure that the maximum amount of the fine that may be imposed for the supply of incorrect, incomplete or misleading information, failure to reply or rectify incorrect, incomplete or misleading information and failure to submit to an inspection shall be 1 % of the annual income or worldwide turnover of the provider of intermediary services or person concerned in the preceding financial year.

4. Member States shall ensure that the maximum amount of a periodic penalty payment shall be 5 % of the average daily worldwide turnover or income of the provider of intermediary services concerned in the preceding financial year per day, calculated from the date specified in the decision concerned.”

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?

Infringement of intellectual property laws is sanctioned by provisions covered in such laws (General IP law regime) and not by the General Law regime.

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.

The Digital Services Act is likely to address many of the problems with the current law and practice. More recent case law by the CJEU have extended the liability of online platforms but there is a need for rules that take better account of the current technological situation. When the E-Commerce Directive was adopted, no account was taken of content-sharing platforms or online marketplaces. The DSA takes this type of platform into account. The due diligence obligations in DSA shall ensure stricter liability for OM for the sharing of illegal content and are underlined by the fact that the control should be proactive.

- 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?
 - i. See answer above. We look positively on DSA, as we have been calling for fairer and more even conditions in e-commerce.
 - ii. It remains to be seen whether DSA can take into account future technological developments.
- b) The implementation of the responsibility regimes applicable to OMs?
 - i. Section 16 in the E-Commerce Act is implemented close to the Directive.
- c) The sanctions that can be imposed to OMs
 - i. The measurement of compensation poses challenges in practice.
 - ii. It is questionable whether Denmark complies in practice with the general obligations set out in the directive on the enforcement of intellectual property rights.

- 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?

There has been discussion about the level of self-control to be imposed on OMs in order to limit the risk of infringement. The current split of interests is a bargain between the interests of the involved parties, but seen from the perspective of right holders, it would be beneficial to raise the obligations of OMs to search their websites for possible obvious infringements.

iii) Proposals for harmonisation

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

Yes, it is necessary to provide clarity to the platforms on their responsibilities, and to IP holders on their rights.

A. Responsibility regimes applicable to OMs

18) In case of IP rights infringement, should OMs be subject to:

- a) the General IP Law regime,
 - i. Yes, in case of direct liability
- b) a Special Digital Law regime, e.g. an exemption of responsibility (safe harbour),
 - i. Yes, containing obligations (both proactive and reactive) and exemption of liability/responsibility.
- c) the General Law regime,
 - i. The general IP laws and the special digital laws are to a large extent harmonized. However, room must be left for Member States to lay down specific rules and principles on compensation, penalties, procedure, etc.
- 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.)?

The current exemptions from liability under EU and Danish law are in general acceptable – see above

B. The implementation of the OMs responsibility regimes

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?

When the illegal content/information is provided by the provider itself etc.

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?

Again the current rules under Eu and Danish law are acceptable and fair - which means

- a) when the OM plays an active role and
- b) When the OM fails to comply with its reasonable obligations (both proactive and reactive). In addition, we consider that it is appropriate that the nature of the obligations depends on the size of the OM.

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

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?

- a) the current applied under EU and Danish law – see above

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?

- a) the current applied under EU and Danish law – see above

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.

none