



A Greenpaper addressing the role of social media in the fight against counterfeit: Is the current legal framework regarding intermediary liability sufficient to enforce intellectual property rights on social media platforms in the EU, US and China?

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1. Introduction

This Greenpaper proposes the set-up of a task force under the umbrella of the World Intellectual Property Organization (WIPO), together with the main social media platforms (SMPs) such as Facebook, WhatsApp, Instagram, Twitter and WeChat, as well as a number of key rights holders in industry. The objective is to create a follow-up Whitepaper to examine where ‘appropriate legal measures’ can be developed by consensus to tackle online infringement on SMPs in the form of international, holistic ‘voluntary guidelines’. The central premise of this Greenpaper is to move away from the general trend towards single party liability and instead find a fair balance of liability between them, according to their needs and capabilities. Ultimately, one cannot address this issue from only one perspective. One must look at the big picture and analyse the issue from all the possible angles and relevant interests at stake. The only way to achieve this goal is through effective cooperation between the parties, which does not only include SMPs and rights-holders but also creates awareness amongst platform users. We must get the leading SMPs and a good variety of rights-holders and governments around a table, to discuss ‘appropriate legal measures’ and to cooperate with each other. This will prevent the excessive infringement of intellectual property rights (IPRs) online. If this is achieved, we will finally be able to build trust in the online world.

The counterfeiting business has soared tremendously in recent years and is growing exponentially through growing instant messaging platform availabilities, mobile apps, online marketplaces and especially SMPs. The Organisation for Economic Co-operation and Development (OECD) latest figures reveal exponential growth of counterfeiting across the world. In 2013, the international trading of counterfeit goods represented 2,5% of world trade, which is more than double the prior estimate from 2005. In total, that is around 461 billion USD, which is equivalent to the GDP of Austria.¹ It is the author’s view that both, users and rights-holders need to have trust in their digital environment.² With the increased use of SMPs and promotion of the counterfeit products, the ease of availability and access to the counterfeit products increases. Using online platforms for purchasing goods and services, as well as using them as a tool for advertising should be as safe, secure, and transparent as walking into a store. Therefore adequate, up-to-date and even future-oriented measures

¹ OECD/EUIPO, ‘*Trade in counterfeit and pirated goods mapping the economic impact*’ (2016), 11.

² This view was also expressed by Mag Whitman, the previous CEO of eBay, who was in the firm belief that consumers’ trust in the online marketplaces is crucial regarding the fight against counterfeits

fighting counterfeit-sales online is essential. Ultimately, Intermediaries such as SMPs play a crucial role in the fight against counterfeit.

The current legal framework regarding intermediary liability in the EU and the USA is not sufficient to tackle this issue. It states that these platforms can only be held liable if they have actual knowledge about illicit content online.³ This is because it leaves the burden of tracing the counterfeit-listings solely with the rights-holder. At first sight, this might seem legitimate. However, since infringements on SMPs have grown tremendously in number, only big and successful enterprises have sufficient resources to enforce their rights. Small and medium-sized enterprises (SMEs) although, are simply not capable anymore of dealing with the outreaching number of fake-listings on SMPs. Likewise, holding SMPs fully liable for IP infringing content on their platform, as applied in China, seems to be equally as inappropriate. This is because a 100% tracing of illegal content seems to be impossible and yet, the way such monitoring obligation is fulfilled, results in the infringement of fundamental rights.⁴ Hence, SMPs must be increasingly held accountable for the content they present to the public. However, it is inappropriate to shift the burden of liability to only one party. It all comes down to an effective means of cooperation between the parties tackling IP infringements on SMPs, which balances liability between them according to their needs and capabilities. However, the big question is: in what form should we introduce the necessary changes to the current legal framework? The most obvious option certainly would be to introduce new legal provisions that holds SMPs increasingly liable. Yet, while the issue of counterfeit-sales online seems clear, finding the solution is complex. This is especially challenging since there are free speech issues at stake that seem to be a herculean task to overcome. When approaching this issue, we also should consider the question of whether the current norm system in combination with proactive measures is sufficient to enforce counterfeits on SMPs or if we need a more certain foundation to apply anti-piracy measures.

In this respect, the author argues that those proactive measures give a very effective array of several possible options, which help to trace infringing content. Yet, the problem is that those

³ Free Word Centre '*Internet intermediaries: Dilemma of Liability*' (2013), 6.; Baistrocchi P., '*Service Providers in the EU Directive on Electronic Commerce*' (2003)

⁴ Rosa Julià-Barceló, '*Liability for Online Intermediaries: A European Perspective*' [online] <http://www.eclip.org/eclip_1.htm> last accessed 1 June 2018.; Pablo Baistrocchi, '*Service Providers in the EU Directive on Electronic Commerce*' (2003), 114.; Qian Tao '*The knowledge standard for the Internet Intermediary Liability in China*' (2012), 1-18.

measures remain voluntary. Essentially, it comes all down to finding a way in which those platforms cooperate with rights holders to improve the current, unacceptable, situation.

This Greenpaper is based on an extensive review of existing literature and studies addressing the topic of IP infringements online with focus on SMPs. It will first briefly analyse the role of SMPs before summarising the legal position of the EU, US and China regarding Intermediary liability. Thirdly, this dissertation will review the insufficiency of those current liability systems. Finally, the conclusion is that the most appropriate solution is to establish a task force on a global level, with a recommendation on how this task force should be composed.

2. The Role of Social Media

While SMPs have created an easy way of communication for creative business to engage directly with their potential consumers; there are also a number of challenges businesses have to face in the social media environment. Over the past decade, SMPs became the number one online platforms accommodating the sale of counterfeits.⁵ The Global Intellectual Property Centre (GIPC) argues that the number of global counterfeit-sales increased tremendously, *'fuelled by the proliferation of Internet use and social media platforms'*.⁶ According to a recent research, SMPs seem to be one of the strongest features in the online environment. This is considering that there are 3.17 billion internet users in general, out of which 2.3 billion are actively using SMPs within 2015's global population of 7,3 billion in total.⁷ Likewise, 91% of all retail brands use at least two social media channels.⁸ A study of Stroppa et al. furthermore points out that SMPs became a crucial part of today's counterfeit market, enabling illicit transactions not only on their platforms, but also offline. The study identified how brands' investment in SMPs to advertise their products has created a particularly attractive environment for counterfeiters. Moreover, methods used by counterfeiters include

⁵ Frederick Mostert, WIPO/ACE/12/9 Rev. 2 'Study on Approach to Online Trademark Infringements' (2017), 4.

⁶ GIPC/US Chamber of Commerce, *'Measuring the Magnitude of Global Counterfeiting: Creation of a Contemporary Global Measure of Physical Counterfeiting'* (2016), 5.

⁷ Jeremy M. Wilson and others, *'Measuring the "Unmeasurable": Approaches to Assessing the Nature and Extent of Product Counterfeiting'* (2016).

⁸ UK IPO, *'Share and Share Alike The Challenges from Social media for Intellectual Property Rights'* (2016), 18.

spambots, which create accounts automatically and create posts that are hard to be detected. Ultimately this enables them to manage thousands of accounts at the same time.⁹

According to a study from the UK Intellectual Property Office (UKIPO) from 2017, SMPs are the second most common platform for investigations into counterfeiting.¹⁰ To be more specific, one pirate posts around 114 comments of illicit products in just a 14 day period, which already makes approximately eight infringements per pirate per day.¹¹ The Study further identified that there is a clear sense amongst rights-holders that the impact of SMPs is increasing. Such platforms act as shop windows for fakes. In this regard, Facebook seems to be a clear favourite for counterfeit sellers.¹² The main benefit for the bad actors is the uncomplicated way to communicate with potential customers through open and closed groups, likes and retweets, with the benefit of being free of any payment compared to other advertising methods.¹³

Whereas pirates use open groups to target and attract users, they directly link to ‘pirate’ websites or closed groups.¹⁴ In this regard, most suspect communications have been found to be in Facebook groups, making them a crucial player in the fight against counterfeit. Within Facebook’s open groups, 8,3% of all communications were found to be suspect, compared to a five times higher rate with 40,8% within closed Facebook groups.¹⁵ This fact seems to be particularly important since rights-holders are generally excluded from those groups. Hence it is nearly impossible to identify such activities within the groups for them and ultimately strong support and more proactive cooperation from SMPs is essential.¹⁶ Since SMPs make it easy for counterfeiters to upload but at the same time take down the illegal content very quickly, time appears to be one of the most important elements.¹⁷ Often, before it is even possible to take down and blacklist counterfeiters they have disappeared and pop up elsewhere, forcing a whack-a-mole game on those who wish to regulate their behaviour.

⁹ Andrea Stroppa and others, *‘Social media and luxury goods counterfeit: a growing concern for government, industry and consumers worldwide’* (2016).

¹⁰ UK IPO, *‘Share and Share Alike The Challenges from Social media for Intellectual Property Rights’* (2016), 1.

¹¹ Frederick Mostert, WIPO/ACE/12/9 *‘Study on Approach to Online Trademark Infringements’* (2017), 4.

¹² UK IPO, *‘Share and Share Alike The Challenges from Social media for Intellectual Property Rights’* (2016), 22.

¹³ *Ibid.*, 7.

¹⁴ *Ibid.*, 7.

¹⁵ *Ibid.*, 7.

¹⁶ *Ibid.*, 22.

¹⁷ Frederick Mostert, *‘Digital Tools of Intellectual Property Enforcement – their intended and unintended norm-setting consequences.’* (in press).

SMPs play a crucial role regarding IP infringements on their platforms, in the way that they facilitate the illegal activity by providing a platform for communication. Moreover, the global reach of SMPs provides the perfect platform for criminal counterfeiters to target the public with its illegal offers by advertising them, selling them and ultimately even providing ‘customer support’. Yellow Brand also argues that SMPs are increasingly popular amongst counterfeiters. They are using platforms such as Facebook, Twitter and Instagram for selling their fake-goods on a global level, particularly in closed groups in order to secure their content.¹⁸ Furthermore, it was discovered that 17,5% of all transactions on SMPs are copied products. More shockingly, however, 88% of these transactions were carried out by consumers who intentionally purchased counterfeit products.

Altogether, it is evident that the role of SMPs in the fight against counterfeit is massively increasing. The number of counterfeit-sales online has reached an extent where rights-holders and especially SMEs are not capable of dealing with them anymore merely from a financial point of view. In this regard, we should acknowledge and take into account that SMPs have far higher financial resources and given the greater access to closed groups they play an essential part in combating counterfeiting on their platforms. Considering Facebook’s power alongside other players in the social media environment, owning Messenger, Instagram and WhatsApp, Facebook is one of the crucial players to have on board. This is especially relevant when considering Red Points data finding Facebook accounted for 42.1% of all Infringement.¹⁹

3. The Current Legal Framework

There are three different types of liability models for intermediaries. First the *strict liability model*, second the *vertical safe-harbour Model* and third the *horizontal safe-harbour model*.²⁰ Under the *strict-liability model*, intermediaries are fully liable for third-party content and are required to effectively monitor content in order to comply with the law. This Model is for example applied in China. Conversely, the *safe-harbour model* grants immunity to intermediaries as long as they comply with certain requirements. This model can be

¹⁸ Christopher J. Chivers, ‘Facebook Groups Act as Weapons Bazaars for Militias’ (2016), [Online] <<https://www.nytimes.com/2016/04/07/world/middleeast/facebook-weapons-syria-libya-iraq.html>> last accessed 23 August 2018

¹⁹ Red Points, ‘Fake-up Counterfeit cosmetics and social media’ (2018), 4.

²⁰ This distinction is made by the Free Word Centre in the article ‘Internet Intermediaries: Dilemma of Liability’ (2013), 6.

subdivided in a *vertical* and a *horizontal* approach. In a vertical approach, such as that applied by the US, the liability regimes only apply to certain types of content. The horizontal approach grants different levels of immunity depending on the type of activity at issue, such as that applied in the EU.

3.1 European Union

As already mentioned above, within the EU the horizontal approach of the *safe-harbour model* is applied. This model is enshrined in the E-Commerce Directive (ECD), which provides almost full immunity to intermediaries who merely provide technical access to the internet such as telecommunications service providers or online service providers (OSPs) and to caches. By contrast, according to Art. 14 ECD, hosts such as SMPs may not use this exemption if they fail to act ‘*expeditiously to remove or disable access to*’²¹ illegal information when they obtain *actual knowledge* of such content. The ECD, however, does not establish a general liability regime, instead, it provides for a system of specific liability exemptions, which means where OSPs provide a specific service such as hosting in the case of SMPs and comply with a series of requirements, they will not be held accountable for the services offered.²² Hence, according to Art. 14 para 1 lit. b ECD, OSPs are not liable for performing their activities as long as the service-provider does not have any actual knowledge of illegal activity on its platform or the provider, upon obtaining such knowledge, acts expeditiously to remove or to disable access to the information.²³

3.2 United States

As mentioned above the US position regarding intermediary liability also follows the *safe-harbour model*, but on a vertical basis. Here the regime of intermediary liability only applies to certain type of content. The most well-known example in this regard certainly is the US Digital Copyright Millennium Act of 1998 (DMCA), which provides for the so-called notice & take-down procedure in order to deal with complaints regarding copyright infringement. In §512(c) of this it is stated that immunity can only be obtained if the OSP did not have any *actual knowledge of infringement*, upon obtaining such knowledge or awareness the OSPs acted expeditiously to remove or disable access to the material. Regarding trademark law, there is no clear statute of intermediary liability. Yet, the Supreme Court acknowledged that there is such thing as secondary trademark liability where a platform knowingly induces another to trademark infringement or if those who manufacture or distribute supply another with the knowledge that this person is engaged in trademark infringement.²⁴ Lower US courts have extended secondary infringement to cases where the plaintiff can prove that the platform

²¹ Art. 14 para 1 lit. b ECD

²² Pablo Baistrocchi, ‘*Service Providers in the EU Directive on Electronic Commerce*’ (2003), 114.

²³ Rosa Julia-Barcelo, ‘*On Line Intermediary Liability Issues: Comparing EU and US Legal Frameworks*’ (2000), 111.

²⁴ *Inwood Labs. Inc. v. Ives Labs. Inc.*, 456 U.S. 844, 853-54 (1982); *Tiffany (NJ) Inc. v. eBay Inc.* 600 F.3d 93 (2nd Circ. 2010)

operator had active knowledge about the infringing activity. There has also been an extension of the secondary infringement by lower US courts to cases where the plaintiff can demonstrate that the platform operator had active knowledge about the infringing activity. Yet, the courts did not impose any proactive measures against counterfeiters.²⁵

3.3 China

China on the contrary follows the *strict-liability model*. Intermediary liability in China is enshrined in Article 36(1) in the General Principles of Civil Law (GPCL) and is called *the internet clause*. According to this, OSPs are liable regardless of its knowledge and control over any third-party content posted on its platform.²⁶ This model is the most restrictive one since OSPs are liable without having any actual knowledge or control over the content posted. Hence, this model imposes an obligation to monitor all the material posted on the internet. This extensive degree of liability embodies certainly the biggest difference between the *strict-liability model* and the *safe-harbour model*.

4. Is the current framework sufficient?

Currently, intermediary liability is the most critical topic in internet governance and modern legal theory still struggles with defining an adequate framework. Courts all around the world are struggling with where to place the burden of liability for counterfeit-sales online.²⁷ With the platforms? The rightsholders? Or both? The following sufficiency analysis will be divided into two categories, namely the *safe-harbour model* (EU and US) and the *strict-liability model* (China), both of which have already been described above.

²⁵ Hardrick Cafe Licensing Cor. v. Concession Services, Inc., 955 F.3d 1143, 1149 (7th Cir. 1992); Fonovisa, Inc. v. Cherry Auction Inc., 76 F.3d 259 (9th Cir. 1996)

²⁶Rosa Julia-Barcelo, 'Liability for Online Intermediaries: A European Perspective' [online] <http://www.eclip.org/eclip_1.htm> last accessed 1 June 2018; Baistrocchi P., 'Service Providers in the EU Directive on Electronic Commerce' (2003), 114.; Tao Q., 'The knowledge standard for the Internet Intermediary Liability in China' (2012), 1-18.

²⁷ Frederick Mostert, 'Fakes give Alibaba chance to turn crisis into opportunity' (2016) [online] <<https://www.ft.com/content/d838b4fc-2698-11e6-8ba3-cdd781d02d89>> last accessed 23 August 2018.

4.1 Safe Harbour Model

To briefly summarise, the *safe-harbour model* holds Intermediaries only liable if they have actual knowledge regarding the infringing content online.²⁸ The questions raised in this regard is whether intermediaries should have an active role in moderating online speech.

Regarding the role of SMPs in the issue at question, SMPs largely facilitate the counterfeit-sales by providing a platform for communication between bad actors and target users. The issue, however, is that this business has soared tremendously over the years and is reaching a stage where effectively tracing infringements on SMPs is becoming nearly financially impossible for rights-holders. It is evident that big enterprises holding valuable brands such as Gucci, Chanel, YSL and Co. do not struggle as much, financially speaking, as they are capable of paying monitoring services doing the job for them. Yet, the situation is very different for SMEs, because they do not have enough financial resources to invest in such monitoring services. The European Intellectual Property Office (EUIPO) published a report on the private cost of IPRs in 2017, identifying that businesses spent in average 115,317 EUR *per annum* on the enforcement of their IPRs. It confirmed that those costs are particularly burdensome of SMEs.²⁹

According to this report the high costs of enforcing IPRs often results in leaving IP unprotected, which is an even more significant threat to their business as a whole. Hence SMEs are dependent on voluntary, proactive, cooperation with SMPs. They, however, usually remain reluctant to apply voluntary measures³⁰. This is presumably because a general monitoring obligation is not required by law, even though they have the financial resources to do so. Generally speaking, SMPs rely on the so-called notice & take-down system. This system, however, is not solving any issue at stake since it leaves the burden to identify the infringing content in the first place with the rights-holders. Altogether with the dilemma mentioned above, it seems evident that the main obstacle in the *safe-harbour model* lies with identifying the illegal content. This is in combination with the reluctance of SMPs to cooperate in this regard since there is no legal obligation, neither under the EU nor the US liability system.

²⁸ Article 14 Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market; § 512(c) US Digital Millenniums Act of 1988.

²⁹ EUIPO '*private cost of enforcement of IPR*' (2017), 5.

³⁰ UK IPO, '*Share and Share Alike The Challenges from Social media for Intellectual Property Rights* (2016) 55.

4.2 Strict Liability Model

Under the *strict-liability model*, OSPs are held liable regardless of the knowledge and control over the material that is disseminated through its services, which embodies the main difference between the *safe-harbour model*.³¹

At first glance, it appears that such full liability of SMPs would resolve what is lacking in the *safe-harbour model*. This is because it imposes a clear monitoring obligation, taking away the burdensome task for SMEs to trace the IP infringing content. However, the solution to this issue, unfortunately, is not as straightforward as it seems at first glance. Considering the volume of infringing content, the question arises as to whether we can give SMPs the full burden to trace all of the IP infringing content. Is a 100% tracing of such content even possible?³² The answer to this question must be no, when considering the tremendous quantity of infringement those platforms have to deal with! The only way for SMPs to fulfil such monitoring obligation effectively is by using automated software based on algorithms that are capable of detecting several different forms of infringing content such as fake advertisement, counterfeits, etc. However, such automated systems are not absolute³³ and it seems to be unfair to hold SMPs accountable for not fulfilling the impossible – tracing each and every bit of infringing content on their platform. However, it has to be taken into account that SMPs generally remain much stronger from a financial point of view and hence have far more opportunities than SMEs to go after illicit content.

The second issue at stake regarding *the strict-liability model* is that SMPs are dependent on such algorithms to trace the content and take it down immediately. These must be automated take-down systems because of the time sensitivity of infringements online. The problem in this regard, however, is that the automated takedown of content online is often in breach of the human right of freedom of expression. This is because it generally embodies censorship of even legal content and thus leaves no space for fair use.³⁴ What is considered to be fair use or

³¹ Rosa Julià-Barceló, 'Liability for Online Intermediaries: A European Perspective' [online] <http://www.eclip.org/eclip_1.htm> last accessed 1 June 2018.; Pablo Baistrocchi, 'Service Providers in the EU Directive on Electronic Commerce' (2003), 114., Qian Tao, 'The knowledge standard for the Internet Intermediary Liability in China' (2012), 6.

³² Fredrick Mostert, 'Fakes give Alibaba chance to turn crisis into opportunity' (2016) [online] <<https://www.ft.com/content/d838b4fc-2698-11e6-8ba3-cdd781d02d89>> last accessed 23 August 2018.

³³ Cynthia Wong and James X. Dermsey, 'Mapping Digital Media: The Media and Liability for Content on the Internet' (2018), 14.

³⁴ Ibid.

not is often a judgement call that currently cannot be reached by a software. However, such software is the only way for SMPs to fulfil their monitoring obligation.

Altogether it can be said that the strict liability model embodies two main obstacles, which is firstly that a 100% tracing of IP infringing content seems to be impossible and unfair as a rationale *per se*. Secondly, the way in which SMPs try to overcome the liability issue, namely automated software that traces illegal content and takes it down immediately, clearly leaves no space for fair use. Hence it is in breach of freedom of expression.

4.3 Keeping a Fair Balance of Liability

As already pointed out above, neither of the discussed liability models seems to be effective. While the *safe-harbour model* seems to struggle with addressing rights-holders needs in identifying the IP infringing content on the platform, the *strict-liability model* seems to overly protect rights holders to the detriment of SMPs and fundamental rights.

In order to achieve a system of liability, which is neither to the injury of rights-holders or SMPs nor in breach of fundamental rights, a fair balance is to be achieved. The burden to combat counterfeit-sales on SMPs should not solely lie with one party. Rather it should be a cooperation between them, considering each other's needs and capabilities and especially taking into account available financial resources. Jay Monahan, eBay's previous deputy general counsel, also stated that the only way to take down the tremendous number of counterfeit listings on their online market platform is constructive cooperation between the parties.³⁵ Moreover, this view has been expressed by Frederick Mostert in the WIPO study on approaches on online trademark infringement, where he states that '*[t]he answer of assessing responsibility lies in the middle – both sides should in equal measure diligently confront the online counterfeit problem together. 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.*'³⁶

It should be mentioned that it is not only in the interest of rights-holders to take down counterfeits and delete IP infringing content. It is also in the interest of SMPs: they bear risks for rights-holders on their platforms and taking into account the harm to brand value due to

³⁵ Frederick Mostert, 'Fakes give Alibaba chance to turn crisis into opportunity' (2016) [online] <<https://www.ft.com/content/d838b4fc-2698-11e6-8ba3-cdd781d02d89>> last accessed 23 August 2018.

³⁶ Fredreick Mostert, WIPO/ACE/12/9 'Study on approaches to online trademark infringements' (2017), 11.

reputative damages, this could cause a loss of advertising revenues for SMPs in the long run. Brands would presumptively slowly disappear from SMPs as trust is lost following a lack of cooperation between platforms and rights holders.³⁷ Likewise, users would lose their trust in the SMPs' environment. Therefore, IP infringing content is not only a threat to rights-holders' businesses but considering long-term effects also a threat to SMPs *per se*.

5. Which form of cooperation should we choose?

The big question and certainly a massive debate over the last few years is how this 'cooperation' should work. Questions at the core of this debate consider: should we change the current legal framework? Alternatively, can we work with the current system? If so, are voluntary measures sufficient in terms of self-governance and norm-setting for SMPs? Or do we need a more certain foundation to make such cooperation work? If yes, in what form? All these are questions that must be considered carefully when deciding which option would be most sufficient in fixing the lack identified in the currently existing legal framework amongst the EU, US and China. What is certain, however, is that the current situation is unacceptable. When considering the harm to all the businesses involved and it is evident that there has to be a change. Hence the following chapter attempts to identify the most suitable solution to make such cooperation between the parties work.

5.1 Amending the current legal framework

One option, which is discussed very widely, is amending the current framework to deal with counterfeits online more effectively by holding SMPs increasingly liable for IP infringing, user-generated content. This moves away from self-governance towards creating specific legal provisions. This option seems to be the most obvious one, considering the problem has been created with an ineffective set of norms in the first place. Yet, the solution is not as easy as it seems to be. There are fundamental rights at stake, namely freedom of expression, which is enshrined in Article 19 of the Universal Declaration of Human Rights (UDHR)³⁸. Therefore, the way such norms could be drafted is subject to the limitations to the right to

³⁷ UK IPO, 'Share and Share Alike The Challenges from Social media for Intellectual Property Rights' (2016) 55.

³⁸ UN General Assembly Resolution 217A(III), adopted 10 December 1948

freedom of expression, enshrined in Article 19(3) of the International Covenant on Civil and Political Rights (ICCPR).³⁹

While Article 19 of the UDHR guarantees the right to freedom of expression in broad terms as it includes the right ‘*to hold opinions without interference and to seek, receive, and impart information and ideas through any media regardless of frontiers*’, Article 19 of the ICCPR elaborates upon and states that ‘*[e]veryone shall have the right to freedom of opinion. Everyone shall have the right to freedom of expression; this right shall include freedom to seek, receive and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing or print, in the form of art or through any other media of his choice*’.

The UN Human Rights Committee created in 2011 as part of their monitoring obligation for the ICCPR General Comment No 34. It clarifies several topics subject to debate when speaking of freedom of expression on the internet.⁴⁰ Interestingly, this comment states that Article 19 of the ICCPR protects all forms of expression, including all forms of electronic and internet-based modes of expression.⁴¹ However, this right is not absolute. Article 19(3) of the ICCPR permits the right to be restricted in the following respects:

Restrictions of Article 19 must be as strict and narrow as possible without putting the right itself in jeopardy. In order to determine whether restrictions of Article 19 meet the necessary requirements, one must consider a three-step test. A restriction ‘*must i) be provided by law; ii) pursue a legitimate aim; and (iii) conform to the strict test of necessity and proportionality*’.⁴² The same test is applied to online speech.⁴³ In particular, the UN Human Rights Committee emphasized that any restrictions considering free speech on websites, blogs and any other internet-based system are only permitted to the extent they comply with Article 19(3) of the ICCPR. Permissible restrictions generally should be *content-specific*; generic bans on the operation of certain sites and systems are not compatible with Article 19(3) ICCPR.⁴⁴

³⁹ GA Res. 2200 (XXI), 21 UN GAOR Supp. (No. 16) at 52, UN Doc. A/6316 (1966); 999 UNTS 171; 6 ILM 368 (1976); Free Word Centre, ‘*Internet intermediaries: Dilemma of Liability*’ (2013), 9.

⁴⁰ General Comment No. 34, CCPR/C/GC/34, adopted on 12 September 2011

⁴¹ Ibid. Para 12

⁴² Free Word Centre, ‘*Internet intermediaries: Dilemma of Liability*’ (2013), 11.; Cynthia Wong and James X. Dermsey ‘*Mapping Digital Media: The Media and Liability for Content on the Internet*’ (2018), 7.

⁴³ Ibid.

⁴⁴ Free Word Centre, ‘*Internet intermediaries: Dilemma of Liability*’ (2013), 11.

Considering the required three-step test and the necessity of *content-specific restrictions* under Article 19(3) ICCPR, drafting a new legal framework in order to overcome all the obstacles created by the current one is a herculean task. It is certainly not the most desirable. It is common ground that technology, especially technology applied by counterfeiters, is developing rapidly. In fact, technology is developing faster than the law ever could. Hence, drafting technology-specific legislation is a profoundly incapable method of dealing with the whole issue in the long run. It would follow that a redrafting of the set norms is required every time there is some technological change. The failure of dealing with the issue in a normative manner has been recently shown with the proposal of the EU on copyrights, which tried to overcome above-mentioned obstacles.⁴⁵ However, the way the proposal was drafted was rather full of general and non-specific wording, which left all involved parties with questions over questions and created a massive bubble of uncertainty.⁴⁶ Furthermore, we have to take into account the time-sensitive nature of IP infringement on SMPs, since those infringing postings are usually online for a brief period of time. This makes it unrealistic to get a court order for each listing concerning counterfeits.⁴⁷ Moreover, changing the current legal framework would be on a national basis, which means that again no international unification of dealing with IP infringing content would be created, leaving the involved parties with a patchwork of approaches. Such a patchwork indeed would be detrimental to the enforcement of counterfeits online, considering the borderless environment of SMPs.

This reasoning leads to the overall conclusion that affixing the current framework by setting new legal provisions, on a national basis, certainly is not the option we should choose since the obstacles created by Article 19(3) ICCPR are too severe and uncertain to overcome.

5.2 Maintaining the Current Legal Framework

The previous chapter has led us to the conclusion that affixing the lack of balance in the current intermediary liability systems via new legislation is an inappropriate solution. Most probably would fail to meet the requirements under Article 19(3) ICCPR. As such, the remaining option is to make work the framework that already exists.

⁴⁵ Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on copyright in the Digital Single Market, Brussels 14.09.2016 COM 593 final, 2016/0280 (COD)

⁴⁶ Retro Hilty and Valentina Moscon, '*response paper to legislative proposal 2016/0280 (COD)*', *Max Planck Institute for Innovation and Competition* (2017).

⁴⁷ Frederick Mostert, '*Digital Tools of Intellectual Property Enforcement – their intended and unintended norm-setting consequences.*' (in press).

For most SMPs, in order to overcome the obstacle for rights-holders to trace the counterfeit-sales on their platforms, are currently applying voluntary measures that have been initiated by WIPO⁴⁸. This leads us to question whether those voluntary measures are sufficient to enforce IP online.

5.2.1 Are Proactive Measures Sufficient?

Generally speaking, the measures identified in this WIPO study give a very effective array of measures that can be applied by SMPs on a voluntary basis to fight counterfeiters on their platforms. These include notice & take-down measures, which are applied very widely amongst SMPs, measures that include ‘constructive collaboration’ such as filtering measures, and black- and white-listing measures etc.⁴⁹ It has been shown already that the application of such measures has been great success: the E-commerce giant Alibaba is a good example of this.⁵⁰ Applying such measures allows rights-holders to address their need to trace the infringing content. At the same time, it allows SMPs to escape a full monitoring obligation and apply measures to the extent they are financially capable of, without being held accountable for 100% of the tracing of such illegal content. Hence, voluntary measures seem to be the optimum solution for the issue in question. However, one obstacle remaining is that those measures are still voluntary and that SMPs have so far remained reluctant in applying any other measures than the notice & takedown procedure. This seems to be ineffective when applied by itself, when considering that it leaves the burden to trace the IP infringing content with the rights-holder. It is rather the combination of measures applied that lead to an effective take-down of bad actors on infringing websites. Again, taking Alibaba as an example, applying an effective combination of several measures has been proven to be very effective.

Thus, it is evident that even though the measures identified in the WIPO study⁵¹ are very effective measures per se, they remain voluntary. Therefore, they are not sufficient by themselves, bearing in mind the vast reluctance of SMPs to apply them.

⁴⁸ Frederick Mostert, WIPO/ACE/12/9 ‘*Study on approaches to online trademark infringements*’ (2017).

⁴⁹ Ibid.

⁵⁰ Alibaba Group, Intellectual Property Rights Protection Annual Report (2018), <http://azcms31.alizila.com/wp-content/uploads/2018/05/Alibaba-Group-PG-Annual-Report-2017-FINAL_sm_final.pdf> last accessed 23 August 2018.

⁵¹ Frederick Mostert, WIPO/ACE/12/9 ‘*Study on approaches to online trademark infringements*’ (2017).

5.2.2 Do We Need a More Certain Foundation?

The nature of voluntary measures and the reluctance of SMPs to apply them to the extent that it ultimately would fix the lack in the current legal framework to deal with counterfeit-sales online effectively as described above, means that we need a more certain basis that ensures that those measures are applied. This sounds a lot more straightforward than it actually is, because i) we want to change the current situation without changing the legal framework; ii) we want to approach the issue on an international level in order to achieve a more unified approach considering the borderless nature of the internet; and iii) we want to encourage and facilitate cooperation between all the parties involved.

Taking into account all of those factors, the most appropriate organisation, which could rule out such cooperation between SMPs and rights-holders is the WIPO. One out of many competencies of WIPO is to *'provide[s] a global policy forum, where governments, intergovernmental organizations, industry groups and civil society come together to address evolving IP issues.'*⁵² Since the EU, US and China are all members of the WIPO, the insufficiency of the current legal framework of intermediary liability certainly should be addressed under its umbrella. The policy forum provided by the WIPO gives all the involved parties, namely rights-holders, SMPs, and governments the opportunity to come up with a harmonised approach. This is an opportunity to take into account the needs of all the involved parties as well as balancing the agreed measures with fundamental rights. It would result in a Whitepaper signed by the participating member states, SMPs and rights-holders to show their commitment regarding the issue at question and to apply discussed recommendations.

Another argument speaking for choosing WIPO as the leading organisation in this regard is that creating soft law under the umbrella of 'voluntary guidelines' in such manner already has been done twice before, with great success. In 1999 the WIPO introduced a Joint Recommendation Concerning Provision on the Protection of Well-Known Marks in order *'to adapt the pace of change in the field of industrial property by considering new options for accelerating the development of international harmonized common principles'*.⁵³ This Joint Recommendation has been developed under the WIPO as voluntary guideline, being signed and adopted by a significant amount of WIPO member states. Moreover, the Uniform Domain Name Resolution Policy (UDRP) has been introduced by WIPO as voluntary

⁵² WIPO about their Policy making [online] < <http://www.wipo.int/policy/en/>> last accessed 23 August 2018.

⁵³ WIPO, Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (2000). [online] <<http://www.wipo.int/edocs/pubdocs/en/marks/833/pub833.pdf>> last accessed 23 August 2018.

guideline, which has proven to be equally successful and which is now in effect under Intern Corporation for Assigned Names and Numbers (ICANN) since 1999 as well.⁵⁴

6. A Task Force Under The Umbrella Of WIPO

As already mentioned above, the way to address rights-holders' needs regarding the enforcement of IP rights on SMPs should be a task force under the umbrella of the WIPO. It has a global policy forum, allowing discussion between the parties to come up with an internationally harmonised approach that eases the enforcement of IP rights on SMPs. It even takes into account the borderless nature of the internet. Yet, the question is i) who should participate; ii) what measures of cooperation do we specifically have to agree on in order to fix the lack of addressing the parties needs and capabilities; and iii) how we balance those measures with conflicting rights such as freedom of expression and the privacy right. Clear, however, is that the purpose should not be the shift of liability only to one party but rather a balance of liability should be achieved through cooperation between the parties.

Importantly, we should not only disrupt the supply of counterfeits through measures applied by SMPs and rights-holders but also create awareness amongst platform-users about the negative impact of fake goods. This will disrupt the demand for counterfeits⁵⁵ as well as educate users as to how they can detect whether a particular product is genuine or not. This would present the counterfeit business as less lucrative for pirates and disincentivize the manufacturing of counterfeit goods in the first place. This again would decrease the number of counterfeit listings and make it far easier for all of the involved parties to cope with the issue long-term, especially from a financial point of view. Therefore, the angle from which we should combat the issue of counterfeits on SMPs should be threefold, namely measures applied by the SMPs and measures applied by rights-holders in order to disrupt supply and thirdly, education of platform-users in order to disrupt demand.

⁵⁴ WIPO, Uniform Domain Name Resolution Policy (1999), [online] <https://www.icann.org/resources/pages/policy-2012-02-25-en> last accessed 23 August 2018.

⁵⁵ UK IPO, 'Share and Share Alike The Challenges from Social media for Intellectual Property Rights' (2016), 54.

6.1 Participants

With regards to the participants of the task force, the most critical participants are SMPs. This is mainly because we want them to cooperate with rights-holders and apply measures, which goes far beyond of what is required under the *safe-harbour model*. Out of all SMPs, Facebook has been identified as a key-player to have on board in the fight against counterfeit. Moreover, Facebook owns other essential platforms such as Messenger, Instagram and WhatsApp and hence would be able to be an advocate for those platforms as well. Besides Facebook, other key-players in this regard are Twitter and the WeChat. Moreover, we have to invite some key-rights-holders in industry including representatives and advocates for large enterprises as well as SMEs. It could be thought about inviting a representative from Alibaba to join, taking this enterprise as a benchmark since Alibaba applies a large degree of proactive measures and cooperates with SMEs in an especially successful manner. Not to be forgotten are advocates that balance anti-counterfeit measures with colliding rights such as free speech and the privacy right.

6.2 Measures of Cooperation

Addressing the detection of counterfeit listings and its removal from SMPs represents an urgent challenge for the digital society today.⁵⁶ The measures that should be agreed on by the parties involved shall include a form of cooperation, which takes into account the specific capabilities and needs of the involved parties as to how to deal with counterfeit listings on SMPs. While SMPs tend to be very financially strong and have a positive interest as identified above to fight counterfeit-sales their platform, an absolute identification (100%) of all infringing content appears to be nearly impossible. Large enterprises are affected by a larger extent of infringement than SMEs but are better capable of dealing with those infringements from a financial point of view. However, large businesses struggle immensely if impacted by reputational damages, which harm their brands' value. A lot of money and effort has often been invested to build this. SMEs on the other hand struggle more financially speaking and are simply not capable of dealing with the growing number of counterfeit-listings on SMPs anymore. Hence, particularly when it comes to SMEs, a lot more cooperation and support by SMEs is required.

⁵⁶ EU Commission, '*Tackling Illegal Content online: Towards an enhanced responsibility of online platforms*' (2017), 1.

6.2.1 Social Media Platforms

With regards to SMPs, a more proactive cooperation with rights-holders is needed in order to tackle the issues of counterfeit-sales on their platforms.⁵⁷ So far, SMPs widely apply the so-called notice-and-takedown procedure, which allows rights-holders to send a note of IP infringement to the SMP. This consequently takes down the infringing content.⁵⁸ However, the insufficiency of this procedure is twofold. First of all, as the illegal content can pop-up on the internet as quickly as it has been taken down: the so-called whack-a-mole dilemma. Rights-holders are particularly concerned that this procedure fails to address their needs adequately and hence protects their rights insufficiently.⁵⁹ Moreover, this procedure leaves the burden to identify the illegal content in the first place with the rights-holders, which has proven to be particularly difficult for SMEs. This is because the number of infringing content is growing and monitoring such platforms becomes particularly burdensome from a financial point of view.⁶⁰ However, notice & take-down is not insufficient *per se*. It is a combination of many proactive measures that will help SMPs in the fight against counterfeit.

Taking into account the failure of notice and takedown to address the whack-a-mole dilemma, industry groups have developed procedures such as notice & stay-down⁶¹. This provides a filtering obligation for the notified content after it has been taken down. This measure has been approved by the German Federal Court of Justice in the case *Rapidshare*⁶², where the court held that merely taking down the infringing content by the platform is insufficient. Rather, they have to go one step further and proactively monitor their platform for future infringements of such content.⁶³ This procedure seems to overcome the whack-a-mole dilemma, yet it still leaves the onus to trace the infringing content on the rights-holders. They must send the notification in the first place, which suggests that even more action will be needed. Hence, notice-and-take down as well as notice & stay-down are insufficient when applied alone.

⁵⁷ This view is also supported by the European Commission according to a public consultation on the regulatory environment for platforms, online intermediaries, data and cloud computing and the collaborative economy (24 September 2015) at 21.23

⁵⁸ Frederick Mostert, WIPO/ACE/12/9 'Study on approaches to online trademark infringements' (2017), 7.

⁵⁹ Ibid.

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² BGH, Rapidshare I, 12 July 2012, I ZR 18/11

⁶³ Cristina Angelopoulos, 'European Intermediary Liability in Copyright. A Tort-Based Analysis' (2016), 159.

SMPs must apply proactive monitoring of infringing activity on their platforms combined with black- and whitelisting. The reason that intermediaries should apply such measures is that SMPs have an increasingly public role.⁶⁴ Another reason to apply such liability is that SMPs are in a good position to filter and hence discourage online infringement at a low cost.⁶⁵ Black- and Whitelisting in this regard catalogues repeat offenders (Blacklists) and at the same time legitimate vendors (Whitelisting).⁶⁶ Furthermore the EU Commission suggests that not only rights-holders but also ordinary users should be empowered to file a note of infringing content.⁶⁷ Taking Alibaba as an example, those measures show great success when combined with automated filtering technologies.⁶⁸ Another industry example that showed great success in applying voluntary measures is eBay. They are constantly monitoring seller-listings and put an extraordinary number of resources into the development of tools and strategies helping to identify fake-listings such as smart filtering.⁶⁹

Yet, some argue that proactive measures are not as transparent as legislation. This concern may seem legitimate at first glance, considering the lack of codification of voluntary measures since it remains with the platforms what measures are applied. In order to counteract those concerns, however, SMPs should make their strategy and applied measures transparent and publicly available to their users⁷⁰ for example in their corporate social responsibility. This is appropriate considering the increasing public role of SMPs and the need for protecting users and society at large as well as preventing criminals and other persons involved in illegal activities online from exploiting SMPs services.⁷¹ Moreover the EU Commission suggests annual transparency reports containing a '*clear, easily understandable and sufficiently detailed explanation of their content policy*'.⁷²

⁶⁴ Communication from the Commission to the European Parliament, the Council, and the Economic and Social Committee, and the Committee of the Regions, Tackling Illegal Content Online. Towards and enhances responsibility of platforms (2017) 555 final, 28 September 2017, 6.

⁶⁵ Giancarlo Frosio, '*Why keep a dog and bark yourself? From intermediary liability to responsibility*' (2017); Douglas Lichtman, '*Copyright as Information Policy: Google Book Search from a Law and Economics Perspective*' (2008), 19.

⁶⁶ Frederick Mostert, '*Digital Tools of Intellectual Property Enforcement – their intended and unintended norm-setting consequences.*' (in press).

⁶⁷ EU Commission, 'Tackling Illegal Content Online: Towards an enhanced responsibility of online platforms' (2017), 9.

⁶⁸ Frederick Mostert, WIPO/ACE/12/9 '*Study on approaches to online trademark infringements*' (2017), 34.

⁶⁹ Frederick Mostert., '*Fakes give Alibaba chance to run crisis into opportunity*' (2016), [online] <<https://www.ft.com/content/d838b4fc-2698-11e6-8ba3-cdd781d02d89>> last accessed 23 August 2018.

⁷⁰ International Trademark Association, '*Addressing the Sale of Counterfeits on the Internet*' (2017), 13.

⁷¹ EU Commission, '*Tackling Illegal Content Online: Towards an enhanced responsibility of online platforms*' (2017), 2.

⁷² *Ibid.*, 16.

To sum up, SMPs should go beyond of what is the current situation, namely notice & take-down procedures, due to failure to combat counterfeit sales online in the long term as well as due to the financial burden on rights-holders. This is particularly important for SMEs and should apply proactive filtering measures combined with black and whitelisting. The reason that they would do so is not only because they grow an increasing public role but because they have the financial resources. They also, as mentioned above, have a positive interest in proactively monitoring their platforms and combat counterfeit sales as for their own business such as the negative impact on their image and a loss of advertising revenues due to a loss of trust by its customers.

6.2.2 Rights-holders

Yet, the application of such voluntary filtering obligations by SMPs does not indicate that rights-holders are able to relax and let SMPs do all the work for them. There are still many measures that can be applied without being financially burdensome. In order to combat counterfeit sales, effective rights-holders should provide SMPs information which assists i.e. in the identification of the material alleged to be infringing. Blockchain is one example, which promises great success without bearing high costs. Generally, blockchain embodies a record of information that can be used to monitor transactions.⁷³ As regards to IP, blockchain is able to keep record of the origin and supply chain of products at a relatively low-cost basis.⁷⁴ To make this work, products are marked with a unique tag that enables them to be tracked on the blockchain, and also allows the identification of counterfeited goods.⁷⁵ If this measure is applied by rights-holders, they can easily identify counterfeit goods in the supply chain, probably before they even pop up on SMPs. It also provides them with the information as soon as they receive it so they can apply targeted filtering and take those goods down as soon as they pop up on the platform.

Moreover, we must take into account the role of platform users.⁷⁶ As mentioned, the key to combat the counterfeit business on SMPs is not only to disrupt supply through the application of proactive measures but also to disrupt the demand for such goods in the first place. However, in this regard, we have to take into account that there are two kinds of platform-users. There are those, who knowingly buy counterfeits and those who are deceived by the

⁷³ Frederick Mostert, *Digital Tools of Intellectual Property Enforcement – their intended and unintended norm-setting consequences.* (in press).

⁷⁴ Hiroshi Sheraton, *Blockchain and IP: crystal ball-glazing or real opportunity?* (2017), 41.

⁷⁵ Frederick Mostert, *Digital Tools of Intellectual Property Enforcement – their intended and unintended norm-setting consequences.* (in press).

⁷⁶ International Trademark Association, *Addressing the Sale of Counterfeits on the Internet* (2017),12.

counterfeit offer into thinking the product is genuine. Even though those two groups of platform-users seem to be very different, the solution to disrupt demand for counterfeits is the same: a user campaign. For the former group of platform users we have to focus on creating awareness amongst users as to what extent buying fake goods causes a tremendous harm to all of the involved parties. This is not only speaking of the threat to the businesses of rights-holders and SMPs but also the potential threat to health and safety of consumers. With the latter we have to focus on education as to how counterfeits can be recognised and what measures can be taken by users in order to take down the fake listings.

Creating such awareness amongst platform-users should certainly be supported by the large enterprises having valuable brands, the reason of which is threefold. First of all, large enterprises have the financial resources to start such campaigns. Secondly, SMEs that lack such financial benefits equally benefit from such campaigns. Last but not least as mentioned the biggest problem for large enterprises holding valuable brands are reputational damages to their brand value, especially since according to a study of Red Points consumers blame rights-holders for the counterfeit-issue as a whole and regard the removal of such fake-listings as their responsibility.⁷⁷ Such campaigns, however, do not only combat the counterfeit issue by disrupting demand but also overcome the issue of reputational damages. They do this by making the public aware that they genuinely and sincerely care about this issue and their customers being satisfied, yet minimising the risk of counterfeit-sales. Such a campaign is capable of restoring trust between the brand, which is one of its primary functions, and consumers again.

6.3 Balancing anti-counterfeit measures with conflicting rights

One of the most significant obstacles when dealing with the increasing liability of SMEs for user-generated content and the application of measures to combat counterfeit-sales online are colliding rights such as freedom of expression and the right to privacy. The right to freedom of expression mostly is engaged when taking down illegal content via automated filtering of content online. The right to privacy is mostly concerned when it comes to measures such as black- and whitelisting, where data is stored. Hence it is crucial to achieve a fair balance between the fundamental rights and the all proactive measures of cooperation agreed on by the parties.

⁷⁷ Red Points, *'Fake-up Counterfeit cosmetics and social media'* (2018), 23.

In this regard, Professor Mel Nimmer created the concept of definitional balancing⁷⁸. Interestingly, he points out that no right is absolute and that such absolutism would be both unrealistic and unreasonable. Further, counterfeits cannot raise any free speech issues, as deceptive speech is not protected speech. This view has been particularly expressed by the US Supreme court and other courts all over the world including the Canadian Supreme Court and the European Court of Justice.⁷⁹ In particular Justice Abella expressly states in *Google v. Equustek* that speech, which facilitates the sale of counterfeit goods does not contain freedom of expression values and hence is not protected.⁸⁰ However since SMPs mostly apply automated monitoring and filtering software, the concern lies in removing legitimate listings. The removal of such content creates free speech issues.⁸¹ The way to counteract those concerns is through safeguard measures, to ensure protection of fundamental rights at stake⁸². For example, the already existing counter-notice in the notice & takedown procedure, where the content-generating users whose post has been removed have the opportunity to opposition.

Yet, the problem intensifies when it comes to the privacy right. For example, the blockchain measure stores personal data across jurisdictions, which obliges the obtainment of the consent of the data subjects.⁸³ However, interestingly, some counties have begun circumventing the challenge of applying existing law to blockchain by enacting technology-specific legislation. Therefore, the legitimate use of blockchain remains subject to further development of such rules.

Another privacy obstacle is blacklisting since they generally record personal information such as IP-addresses⁸⁴ in order to identify them. The task force could be used in this regard to encourage member-states to allow the use of such measures, given the promising results. However, as Frederick Mostert points out while the storing and processing of personal data on customers in supermarkets by private companies is prohibited⁸⁵, counterfeit-sales online is a

⁷⁸ Melville Nimmer, 'Does Copyright Abridge the First Amendment Guarantees of Free Speech and Press?' (1970), 1184-93.

⁷⁹ *Friedman v. Rogers*, 440 U.S. 1 (1979); *R v Oakes* (1986) 1 S.C.R. 103; *X and Church of Scientology* (1979) 16 DR 68

⁸⁰ *Google Inc. V. Equustek Solutions Inc.* 2017 SCC 34 [48]

⁸¹ Bernt Hugenholtz, 'Code of Conduct and Copyright: Pragmatism v Principle' (2017) [online] https://www.ivir.nl/publicaties/download/codes_of_conduct_and_copyright_pragmatism_v_principle.pdf last accessed 23 August 2018

⁸² EU Commission, 'Tackling Illegal Content Online: Towards an enhanced responsibility of online platforms' (2017), 4.

⁸³ Henry Chang, 'Blockchain: Disrupting data protection?' (2017), 150.

⁸⁴ As has been shown in *Patrick Breyer V. Bundesrepublik Deutschland*, C-582/14, EU:C:2016:779 the term personal data in the GDPR is wide and can include information like IP addresses

⁸⁵ Article 29 Working Party on Data Protection, 'Working Document on Blacklists', (3 October 2002), 6.

very different situation since it involves criminal activity⁸⁶, which would allow restrictions i.e. under the GDPR in order to prevent, investigate detect or prosecute criminal offences.⁸⁷ Another obstacle regarding blacklist-measures created by the GDPR is that Article 22 prohibits natural persons from being subject to decisions based solely on automated processing of data⁸⁸. This means that ideally such listings may be reviewed by humans to account for the platform's data protection obligations and in order to minimise the risk of inaccurate listings.⁸⁹

7. Conclusion

Altogether, it is evident that SMPs play a crucial role in the fight against counterfeit and that their role is significantly increasing over time. Moreover, it has been shown that the current legal framework within the EU, US and China is insufficient in dealing with counterfeit-sales on SMPs effectively. The EU and US the *safe-harbour approach* is insufficient in terms of requiring actual knowledge by SMPs in order to hold them liable and hence leaving the onus of tracing the infringing content with the rights-holders. However, the strict liability model is far too overprotective. The most common mistake made in this regard so far has been that the discussion focuses mainly on to whom we should shift the burden of intermediary liability. Yet, the solution must be a cooperation between the parties according to their needs and capabilities and moving away from an overall shift of liability. Rights-holders and SMEs are not capable of dealing with the tremendous amount of counterfeit sales on SMPs by tracing them in order to file a form in the notice and takedown procedure from a financial point of view. SMPs have a positive interest and the financial capabilities necessary in order to apply more proactive measures to combat counterfeit-sales on their platforms.

Still, it has been shown that the most suitable solution is not to change the current legal framework but rather use the current framework as is and build a taskforce on a voluntary basis. This helps all the involved parties to design the future of intermediary liability whilst

⁸⁶ Frederick Mostert, 'Digital Tools of Intellectual Property Enforcement – their intended and unintended norm-setting consequences.' (in press).

⁸⁷ Regulation (EU) 2016/679 of the European Parliament of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General data Protection Regulation)

⁸⁸ General Data Protection Regulation, Art. 22; Mostert F., 'Digital Tools of Intellectual Property Enforcement – their intended and unintended norm-setting consequences.' (in press)

⁸⁹ Frederick Mostert, 'Digital Tools of Intellectual Property Enforcement – their intended and unintended norm-setting consequences.' (in press).

giving them the opportunity to address their needs. It is obvious that the most suitable organisation is the WIPO for creating a task force including all the parties with a follow-up Whitepaper signed by the member-states. The primary objective of this task force should be to disrupt the supply but also the demand of counterfeit-sales on SMPs. SMPs are required to apply proactive cooperation measures such as automated filtering measures, notice and stay down as well as black- and whitelisting in order to remove illegitimate listings. Rights-holders should apply blockchain measures in order to prevent such goods being listed on the platforms in the first place, as well as create user-campaigns i) educating users as to how to recognise illegitimate listings and ii) create awareness as to the harm of the counterfeit business in order to disrupt the demand. It is important to tackle the issues from all possible angles. Yet the main obstacles regarding the application of those voluntary measures are colliding fundamental rights such as freedom of expression and the privacy right. Hence the task force must set clear safeguard measures in this regard in order to remain legitimate and keep an appropriate balance between anti-counterfeit measures and fundamental rights.

To conclude, SMPs should decisively step up their actions to address this problem, as part of the responsibility which flows from their central role in society. We must get all the involved parties on a table participating in this suggested task force under the umbrella of WIPO signing the Whitepaper setting out a cooperation according to the needs and capabilities of the involved parties. I am of the firm belief that once this is done, we are finally able to effectively deal with counterfeit-sales on SMPs in the online world. Yet, achieving such goal for SMPs is only a first step in clearing the Internet from counterfeit-sales. Ultimately this can be used as a benchmark and starting point to sanitise the whole e-commerce sector including OSPs such as Google, Amazon and eBay.

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