



FACULTY OF LAW  
Lund University

Anita Chouhan

**Protection of Trade Marks on the Internet**  
An Analysis of the Scope of Protection Trade Mark Propri-  
etors are Granted on Online Marketplaces

JAEM03 Master Thesis

European Business Law  
30 higher education credits

Supervisor: Ulf Maunsbach

Term: Spring 2013

# Table of Contents

<b>Summary .....</b>	<b>iv</b>
<b>Abbreviations .....</b>	<b>v</b>
<b>1 Introduction.....</b>	<b>1</b>
1.1 Background .....	1
1.2 Objective .....	3
1.3 Delimitation.....	4
1.4 Method and Material.....	5
1.5 Disposition.....	6
<b>2 Directives affecting the protection of trade marks .....</b>	<b>8</b>
2.1 Directives.....	8
2.2 Trade marks .....	8
2.3 Exclusive right .....	9
2.4 Exhaustion of trade mark rights.....	10
2.5 E-Commerce Directive .....	11
2.5.1 Online Operator.....	11
2.5.2 Exemption from liability.....	12
2.5.3 Caching .....	12
2.5.4 Exemption of liability – actual knowledge .....	13
2.5.5 No general obligation.....	14
2.6 Enforcement directive.....	15
2.6.1 Purpose of the Directive .....	15
2.6.2 Injunctions .....	15
<b>3 <i>L’Oreal v eBay</i> .....</b>	<b>17</b>
3.1 Facts.....	17
3.2 Legal Issues in <i>L’Oreal v eBay</i> .....	17
3.3 Short about the outcome(s) .....	19
<b>4 <i>L’Oreal v eBay</i> in depth .....</b>	<b>22</b>
4.1 Different types of trade mark infringement.....	22
4.2 In the course of trade / economic operator .....	22
4.3 Sale of infringing products .....	24
4.3.1 Non-EEA goods.....	24
4.3.2 Testers .....	26
4.3.3 Unboxed products .....	26
4.4 Use of trade marks on eBay .....	28
4.5 Liability of an operator of an online marketplace .....	29
4.5.1 Active and passive role.....	30
4.5.2 Awareness.....	32
4.6 Injunctions – what should an operator do to prevent infringement by its users? .....	33
4.7 Summary of the problems .....	35
<b>5 Analysis.....</b>	<b>37</b>
5.1 The extent of protection.....	37

5.2	Liability .....	40
5.3	Effective IP System .....	43
<b>6</b>	<b>Conclusion .....</b>	<b>46</b>
	<b>Bibliography .....</b>	<b>47</b>

# Summary

The function of a trade mark is essentially to guarantee the identity of the origin. In this way, the use of a trade mark makes it possible for the consumers to differentiate from similar goods and services. The use of trade marks on Internet related issues have increased lately. Particularly, trade marks appear in many different ways on online marketplaces. This also means that the trade mark is being used in various ways. As online marketplaces involves many different actors such as: sellers, buyers and intermediary such as eBay, the question of liability arises.

The question is, if the protection that the trade mark proprietors are granted differs on Internet related issues. Since a trade mark proprietor is not able to control every single product that is being displayed on the Internet. Infringing activities such as the sale of counterfeits and products not intended for sale can occur on online marketplaces, where the trade mark proprietor cannot always be alert of ongoing activities. It is not always clear who bears the liability of an infringing activity occurring on an online marketplace. Is it the seller, the buyer, the trade mark proprietor, or an Internet service provider such as an online marketplace? All these different issues are actualised in *L'Oreal v eBay*, where the European Court of Justice had a difficult task to balance the interests of the trade mark proprietors on one hand and the interests of business and private individuals on the other hand.

In order for a third party to be liable for infringing activities that occur on an online marketplace, it must take place in the course of trade. This means that offers for sale by an individual seller where the volume of the sale is not seen as a business transaction, will not be regarded as taken place in the course of trade. Therefore, the individual seller will not be liable within the meaning of the Trademark Directive. A trade mark proprietor's right is exhausted when the goods bearing the trade mark have been put on the market in the European Economic Area by him or with his consent. However, a trade mark proprietor's right is not exhausted when products such as testers and samples are offered for sale on an online marketplace. Additionally, products that are offered for sale without their original packaging is also infringing the right of a trade mark proprietor. In both these cases, the trade mark proprietor has the scope of protection to prevent the infringement.

Concerning the liability of an online marketplace, it has to be assessed through several different factors. The role an Internet service provider plays is crucial, whether or not the operator of an online marketplace is aware of the infringing activities occurring on its website. In addition, if any kind notification has been sent to the operator to stop the infringement is also considered in the assessment. It is nevertheless up to the national courts to assess on a case-by-case basis.

# Abbreviations

Advocate General	AG
European Economic Area	EEA
European Union	EU
European Court of Justice	ECJ
Agreement on Trade-Related Aspect of Intellectual Property Rights	TRIPS

# 1 Introduction

## 1.1 Background

In order for the internal market to function, the European Parliament and the Council establish measures to ensure that the intellectual property rights provide uniform protection throughout the European Union (EU).<sup>1</sup> Therefore, there are directives and regulations in the area of intellectual property, which entail that the different Member States harmonise their laws.

A trade mark protection gives the trade mark owner exclusive rights to signs, which can be represented graphically, with certain limitations. This is regulated in both the Trademark Directive<sup>2</sup> and the Community Trade mark Regulation.<sup>3</sup> The main purpose of having a trade mark is to indicate the origin of the goods or services for which the trade mark is used as well as to distinguish it from similar goods and services. As with other intellectual property rights, a trade mark owner is granted protection of the great work put into creating a trade mark. The protection that the trade mark proprietor is granted has to be balanced with effective competition, and the interest of third parties.<sup>4</sup> A trade mark is both an indicator of origin as well as a guarantee of consistency and an implied assurance of quality.<sup>5</sup> Moreover, a trade mark also works as an incitement to further investments in creativity.<sup>6</sup> Since the phenomenon of the Internet has expanded greatly over the past few years, the use of trade marks has simultaneously broadened in the sense that, it can now be displayed on various ways on the Internet.

---

<sup>1</sup> The Treaty on the Functioning of the European Union [2012], OJ C326/47, article 118.

<sup>2</sup> Directive 2008/95 of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relation to trade marks [2008] OJ L299/25 (Trademark Directive), article 2.

<sup>3</sup> Council Regulation (EC) 207/2009 of 26 February 2009 on the Community trade mark [2009] OJ L78/1 (Community Trade mark Regulation), article 4.

<sup>4</sup> Marianne Levin, *Lärobok i immaterialrätt: upphovsrätt, patenträtt, mönsterrätt, känneteckensrätt- I Sverige, EU och Internationellt*, (10th edn, Norstedts Juridik 2011), p. 21.

<sup>5</sup> Amanda Michaels & Andrew Norris, *A Practical Approach to Trade Mark Law* (4th edn Oxford University Press 2010), p. 6.

<sup>6</sup> Levin, (n 4) 21.

As a result of the frequent use of the Internet by people, the sales of different products are now easier to obtain from a single “click” on an online marketplace.<sup>7</sup> Different online marketplaces such as amazon.com and eBay.com work as service providers, where users can sell and buy from small quantities to huge amounts, and the question arises when a third party acts as an economic operator in the course of trade.

Counterfeits, replicas, and duplicates have been highly debated recently, both from a business/economic perspective as well as from a trade mark law perspective. A counterfeit is a product which: “made in exact imitation of something valuable with the intention to deceive or defraud”.<sup>8</sup> The question arises how counterfeits affect trade marks? When a product is copied, not only are the features copied but all logos/texts/pictures/trade marks that are displayed on the product are used too. The purpose of having a trade mark is as mentioned before, to be able to distinguish the service or goods, and if that function is rendered because of third parties using the trade mark inappropriately without any sanctions, it would impair the function of a trade mark. Counterfeits in general result in losses for the trade mark owners as well as confusion for the consumers.<sup>9</sup> Therefore, it is interesting to analyse how trade marks are protected on the Internet, and what the implications are if the users of an online marketplace use trade marks inappropriately, particularly since the European Court of Justice (ECJ) gave a preliminary ruling on this matter in *L’Oreal v eBay*.<sup>10</sup>

---

<sup>7</sup> Brian H. Murray, *Defending the Brand: Aggressive Strategies for Protecting your Brand in the Online Area* (AMACOM 2003), p. 98.

<sup>8</sup> “Counterfeit.” [www.oxforddictionaries.com/](http://www.oxforddictionaries.com/) Oxford Dictionary, 2013. Web. 7 May 2013.

<sup>9</sup> Kurt M. Saunders and Gerlinde Berger-Walliser, ‘The Liability of Online Markets for Counterfeit Goods: A Comparative Analysis of Secondary Trademark Infringement in the United States and Europe’ (2011) 32(1) *Northwestern Journal of International Law & Business* 37, 88.

<sup>10</sup> Case 324/09 *L’Oreal SA and Others v. eBay International AG and Others* [2011] ECR I-0000.

## 1.2 Objective

The purpose of this thesis is to examine the degree of protection that trade mark proprietors have in relation to the use on the Internet, which is covered by the Trademark Directive and Community Trade Mark Regulation. Thus, the thesis will try to show how the function of a trade mark on the Internet related to its use may or may not limit the protection of trade marks on the Internet. On this matter, the thesis will primarily be focused on the scope of protection a trade mark is granted in relation to the use on the Internet. In order to analyse the scope of protection, liability in terms of unlawful selling such as counterfeits on an online market place will be the starting point. Moreover, the scope of protection a trade mark owner is granted in relation to the use on the Internet has an effect on the liability of unlawful selling on the Internet; hence the rights as well as the effects will be discussed. Depending on the outcome, whether or not the protection of a trade mark related to its use on the Internet is weak or strong, the last part will be an analysis of how to make the intellectual property legal protection/system more effective in terms of the use of signs and trade marks on goods on online marketplaces.

In light of the above mentioned the questions that will be considered and answered in this thesis are the following:

- Is the protection of trade marks in relation to its use on the Internet on an online marketplace weak? How is the function of trade mark affected by online marketplaces?
- How is the scope of protection that trade mark owners are granted in relation to use of signs on the Internet affected by other parties' liability in terms of unlawful selling?
- Can the function of the trade mark be more effective on online marketplaces where different parties are involved and if so, in what way?



## 1.3 Delimitation

The scope of protection that a trade mark owner is granted in relation to the use on the Internet is rather broad. This thesis will be limited to the scope of protection a trade mark proprietor is granted with regards to infringing activities, which can be in the form of counterfeits or products not intended for sales such as samples, testers and products not intended for sale in some countries. Hence, the thesis will not include all infringing activities appearing on the Internet but it will be limited only to trade mark infringements on online marketplaces.

However, not all kinds of trade mark infringements appearing on the Internet will be discussed. The infringing activities that will be discussed will be limited to those appearing in *L'Oreal v eBay*. Therefore I will not, in this thesis, touch upon trade mark appearing on sponsored links or trade mark infringements related to keyword(s).<sup>11</sup> As a result, I will not include cases that deal with keyword(s) and sponsored links, which can arise when third parties are using search engines on the Internet. Nor will this thesis include trade mark infringement related to domain names and cyber squatting which appears on websites. Moreover, legal issues concerning the use of metatags will not be included in this thesis.

The thesis will only regard applicable Community legislation. However, the use of the Trademark Directive will be limited to articles 5 and 7 as these are the main articles that will give an understanding of the trade mark owner's rights and to show the extent of protection a trade mark owner is granted. In this matter, the Trademark Regulation regulates identical provision and therefore references will only be made to the Trademark Directive.

---

<sup>11</sup> Legal issues related to sponsored links and keywords, see: Joined Cases C-236/08 to C-238/08 *Google France S.A.R.L, Google Inc v Louis Vuitton Malletier SA* [2010] ECR I-2417.

The articles in the E-Commerce Directive<sup>12</sup> will be restricted to those dealing with the definition of an Internet service provider and to the articles regulating the liability of an Internet service provider, more specifically the exemption to liability.

Moreover, the Enforcement Directive<sup>13</sup> will be limited to its use in terms of that the whole Directive will not be relevant. Therefore, the Enforcement Directive will only be relevant in terms of injunctions and therefore only one article in the directive, article 11, dealing with injunction will be used in this thesis.

## 1.4 Method and Material

A legal dogmatic method will be used. The material used in this essay will be treated after its value according to the division of primary law and secondary law; treaty related to the primary law, case law and directives related to the secondary law, and at last literature and articles is a category of its own.

The Internet related issue is a fairly new issue. Consequently, the question of how the current legislation can be applied when signs are used on the Internet is unclear. Hence, cases from the European Court of Justice will be used as a primary source to interpret how liability in terms of infringing activity on the Internet is considered.

There will be a substantial amount of focus on *L'Oreal v eBay*, as this case actualises many different kinds of trade mark infringements. In order to illustrate the different infringements, the case will be essential for this thesis and thus much focus will be given to what the ECJ established in this case. Simultaneously, as the preliminary ruling given by ECJ is not clear on all

---

<sup>12</sup> 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 (E-Commerce Directive) [2000] OJ L178/1.

<sup>13</sup> Directive 2004/48/EC of The European Parliament and of the Council of 29 April 2004 On The Enforcement of Intellectual Property Rights [2004] OJ L195/16 (Enforcement Directive).

points, there will be many articles and law journals used in order to get guidance to interpret the ruling by the ECJ.

The Trademark Directive will be in focus when discussing the rights a trade mark proprietor is granted. This is in order to understand the function of a trade mark and how the rights of a trade mark owner can be affected when their signs are used on the Internet. Therefore, the E-Commerce Directive will be relevant as it treats the question of liability for an operator of an online marketplace. In order to discuss which measures can be taken to fight trade mark infringements the Enforcement Directive will be used.

The question of liability will be discussed from a trade mark proprietor's perspective. Even though focus will be given to third parties and intermediaries (online market places), the thesis will be written from the perspective of a trade mark proprietor in order to show how trade mark owners are affected by third parties' use of the trade mark on online marketplaces.

## **1.5 Disposition**

The thesis will be divided into six chapters. The second chapter starts with a background of relevant EU legislation that will be used in the thesis followed by an in-depth look at the relevant provisions. This is in order to give an understanding to the reader of what rights a trade mark proprietor is granted as well as how a trade mark functions. In order to understand how a trade mark can be affected by the use on the Internet, the articles which interact with liability in the E-Commerce Directive will be concerned. Furthermore, when trade mark proprietors do not have it in their power to act against an infringement, the Enforcement Directive becomes significant.

The subsequent chapter will deal with the background and issues of *L'Oreal v eBay*. As the case is complex it will be thoroughly discussed in chapter four. In addition, the fourth chapter will involve a thorough analysis of *L'Oreal v eBay* including an assessment of how the preliminary ruling af-

fects the protection of a trade mark as well as the question of liability. Thereafter, in chapter five, follows an analysis of the current legal position of trade mark rights in relation to use on the Internet. Here I will try to provide answers to the questions raised in the thesis. In order to tie up the different chapters of the thesis, the final chapter will consist of my last concluding comments.

# 2 Directives affecting the protection of trade marks

## 2.1 Directives

This chapter will be focused on different Directives that are relevant in order to understand how trade marks are regulated and how other directives can affect the scope of protection that a trade mark proprietor is granted. The Trademark Directive is *inter alia* relevant for the scope of protection that a trade mark proprietor is granted and how the right can be exhausted. The E-Commerce Directive is applicable for all kinds of infringing activities. Thus, the E-Commerce Directive is crucial to understand, since it regulates the liability of Internet service providers as well as circumstances where an internet service provider is exempted from liability. Seeing as eBay falls under the definition of an Internet service provider, the E-Commerce Directive becomes important to resolve the question of liability. The Enforcement Directive can be applicable when the question of an injunction arises. When an infringer does not act to stop or prevent a trade mark infringement a Member State can grant an injunction. As the Trademark Directive and the Community Trade mark Regulation are both the same in content, if nothing specific is written, references will be made to the Trademark Directive.

## 2.2 Trade marks

A trade mark protection can be granted for distinctive signs that can be represented graphically.<sup>14</sup> The intention from the view of a trade mark proprietor is to use the trade mark “as an indication of origin”.<sup>15</sup> Consequently, the appearance and use of a trade mark can distinguish it from other similar goods and services. The purpose of registering a trade mark would be lost if the public is not be able to distinguish one trade mark from another. Thus,

---

<sup>14</sup> Trademark Directive, article 2.

<sup>15</sup> Trademark Directive, preamble, recital 11.

the Trademark Directive sets out a mandatory criterion that a trade mark has to have a distinctive character.<sup>16</sup>

## 2.3 Exclusive right

Article 5 of the Trademark Directive regulates a trade mark proprietor's rights and circumstances where a trade mark proprietor has the right to prevent infringements. Hence, the importance of what can be covered by article 5 of the Trademark Directive affects the rights of a trade mark proprietor. For instance, if a trade mark proprietor has the right to stop an infringing activity when it occurs on an online marketplace is of a crucial nature.

The rights conferred by a trade mark entail the trade mark proprietor in some cases to prevent third parties from using the trade mark.<sup>17</sup> A registered trade mark gives the proprietor exclusive rights. A trade mark proprietor has the right to prevent third parties from using the trade mark in the course of trade.<sup>18</sup> Situations when a trade mark owner can prevent others from using its sign involve:

- when a sign is identical to the trade mark used for goods or services which are identical to those which the trade mark is registered for<sup>19</sup>;
- or where a sign because of its identity or similarity to a trade mark and/or the goods or services covered by the trade mark.<sup>20</sup>

The trade mark proprietor can prevent the use of its trade mark when there is a likelihood of confusion from the point of the public; this also involves a likelihood of association between the sign and the trade mark.<sup>21</sup>

A trade mark can be used in many different ways. When a third party uses trade marks or signs in order to sell a product on an online market place, it

---

<sup>16</sup> Trademark Directive, article 2.

<sup>17</sup> Trademark Directive, article 5.

<sup>18</sup> Trademark Directive, article 5.1.

<sup>19</sup> Trademark Directive, article 5.1(a).

<sup>20</sup> Trademark Directive, article 5.1(b)

<sup>21</sup> Trademark Directive, article 5.1(a)-(b).

will normally be perceived as the genuine product. However, when goods are offered on the Internet the question of selling counterfeit or products not intended for sale can be an issue.<sup>22</sup> One of the reasons why this is of interest for this thesis, is the fact that when a trade mark is used on the Internet, it can be used for several purposes and not always in accordance with the trade mark laws.

## 2.4 Exhaustion of trade mark rights

According to article 7 of the Trademark Directive, a trade mark proprietor loses his right to prevent further sale within EU when a product has been put on the market in the EU, or where the trade mark proprietor has given his consent. The rights conferred by a trade mark are exhausted when the trade mark proprietor gives his/her consent to put the trade mark in relation to the goods on the market in the European Union.<sup>23</sup> This means that a trade mark proprietor cannot refuse the re-importation of the goods into another country within the EU. A trade mark does not therefore entitle the trade mark proprietor to prohibit the use of trade mark in relation to goods which have been put on the market in the Community under that trade mark when it has been put on the market by the proprietor or with his consent.<sup>24</sup> Thus, the trade mark owner is not entitled to prohibit such an action, as his rights have been exhausted. Nevertheless, this becomes relevant when a product is accessible on the Internet worldwide.

A website is available all over the world; however the intention to sell a product from a trade mark owner's perspective could be limited to certain area or countries. Due to the worldwide availability of the Internet, a product that is intended to be sold in one country can be available in other countries too. Although it may not be the intention by the trade mark proprietor

---

<sup>22</sup> James Nurton, 'Questions referred to ECJ in L'Oreal v eBay Battle', *Managing Intellectual Property* (2009) 12, 12.

<sup>23</sup> Trademark Directive, article 7(1).

<sup>24</sup> Trademark Directive, article 7(1).

and thus the question of trade mark infringement arises. In *L'Oreal v eBay* the offers for sale were located in a third state but were targeted at consumers in the EU. The products were bearing a trade mark registered in a Member State of the EU. These products had not previously been put on the market in the EU nor had the trade mark proprietor, *L'Oreal*, given his consent.

However, article 7(1) is not applicable when there exists “legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.”<sup>25</sup> There are circumstances where the trade mark proprietor’s right is not exhausted. This will be further discussed below where the ECJ in *L'Oreal v eBay* is discussing the issues.

## 2.5 E-Commerce Directive

### 2.5.1 Online Operator

Online marketplaces such as eBay<sup>26</sup> and Amazon<sup>27</sup> are operators where, third parties can sell and purchase goods from the website. These providers only work as an intermediary between the seller/vendor and the purchaser/consumer. Infringing activities such as counterfeits or parallel imports cannot always be monitored by the service provider, however, different website do offer trade mark proprietors to sign up for programmes that can help to prohibit illegitimate activity.<sup>28</sup>

The E-Commerce Directive has the objective to ensure that the free movement of information society services between the Member States of func-

---

<sup>25</sup> Trademark Directive, article 7(2).

<sup>26</sup> [www.ebay.com](http://www.ebay.com) accessed 6 May 2013.

<sup>27</sup> [www.amazon.com](http://www.amazon.com) accessed 6 May 2013.

<sup>28</sup> See the Vero Program in *L'Oreal v. eBay*, para 46; E-Commerce Directive, article 15 where it is not required by an online operator to actively monitor all the information transmitted.



tioning correct.<sup>29</sup> The E-Commerce Directive is applicable to all kinds of infringing activities and provides safe harbours for cases like mere conduit, caching and hosting as, will be discussed below.<sup>30</sup>

## 2.5.2 Exemption from liability

An information service provider is not liable for information that is transmitted when it involves information or traffic that is delivered via their networks.<sup>31</sup> Thus, there is no legal liability of information service provider. Nonetheless, three conditions have to be considered if the provider is liable for the information transmitted.

According to article 12 of the E-Commerce Directive, a service provider is not liable if he:

*(a) does not initiate the transmission*

*(b) does not select the receiver of the transmission; and*

*(c) does not select or modify the information contained in the transmission.*

Although a service provider cannot be liable under article 12(1), the current article shall not affect the fact that a court or administrative authority has the possibility in accordance with a Member State's legal system, to require the service provider to terminate or prevent an infringement.<sup>32</sup>

## 2.5.3 Caching

Article 13 of the E-Commerce Directive is another article dealing with an Internet service provider's liability. "Caching is the temporary storage of information in a computer's memory."<sup>33</sup> This article regulates circumstances where an Internet service provider is not liable for automatic and temporary

---

<sup>29</sup> E-Commerce Directive, article 1.

<sup>30</sup> Katja Weckström, 'Liability for Trademark Infringement for Internet Service Providers' (2012) 16(1) Marquette Intellectual Property Law Review 1, 16.

<sup>31</sup> E-Commerce Directive, article 12(1).

<sup>32</sup> E-Commerce Directive, article 12(3).

<sup>33</sup> Tamber Christian, 'Internet Caching: Something to Think About' (1999) 67(3) UMKC Law Review 477, 477.

storage of information. In this case, eBay as an intermediary between a seller and buyer might store information regarding the description of the item and pictures.

A service provider is not liable for caching:

- when he does not modify the information<sup>34</sup>
- when complying with rules regarding the updates of the information<sup>35</sup>
- when he does not “interfere with the lawful use of technology”<sup>36</sup>
- when he acts with efficiency to remove information which has been removed from the initial resource.<sup>37</sup>

## 2.5.4 Exemption of liability – actual knowledge

According to the E-Commerce Directive, Internet service providers such as eBay can rely on hosting defence on Article 14(1) of the Directive, however, depending on the case and what type of role the Internet service provider has played. A service provider could be “any natural or legal person providing an information society service”.<sup>38</sup> What does article 14 state? Article 14 of the E-Commerce Directive regulates *hosting*. It regulates different instances where an information society service does not bear the liability for information in certain exempted cases.

*“Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of the service”<sup>39</sup>.*

There are however two different conditions when the abovementioned applies. The first condition states that the information service provider is *not*

---

<sup>34</sup> E-Commerce Directive, article 13(1)(a).

<sup>35</sup> E-Commerce Directive, article 13(1)(c).

<sup>36</sup> E-Commerce Directive, article 13(1)(d).

<sup>37</sup> E-Commerce Directive, article 13(1)(e).

<sup>38</sup> E-Commerce Directive, article 2(b).

<sup>39</sup> E-Commerce Directive, article 14(1).

liable when he “does not have actual knowledge of illegal activity or information”.<sup>40</sup> In addition, nor is the provider liable if he “is not aware of facts or circumstances from the illegal activity or information is apparent”.<sup>41</sup> The question is however how one is to determine the terms “aware of facts”, this will be further discussed in *L’Oreal v eBay*. The ECJ examines how the active versus passive role of the service provider affects the liability. This will then lead on to the question of how the liability of counterfeit products is treated, and how it affects the scope of protection of a trade mark on the Internet. The second condition where an information society service provider is not held liable is when the provider obtains knowledge or becomes aware of the illicit activity and “acts expeditiously to remove or to disable access to the information”.<sup>42</sup>

Moreover, the mentioned exemptions do not affect the possibility for a court or administrative authority together with the Member States’ legal systems “of requiring the service provider to terminate or prevent an infringement, nor does it affect the possibility for Member States of establishing procedures governing the removal or disabling of access to information”.<sup>43</sup> Consequently, *L’Oreal v eBay* is a good example of how the court interpret article 14 and how it affects the question of liability.

### **2.5.5 No general obligation**

In addition, article 15 of the E-Commerce Directive stipulates that there is no general obligation on the Internet service providers “to monitor the information which they transmit or store, nor a general obligation actively to seek facts or circumstance indicating illegal activity”.<sup>44</sup> This entails that a Member State cannot therefore impose any such general obligation on a provider which performs services that are covered by article 12,13 and 14.<sup>45</sup>

---

<sup>40</sup> E-Commerce Directive, article 14(1)(a).

<sup>41</sup> E-Commerce Directive, article 14(1)(a).

<sup>42</sup> E-Commerce Directive, article 14(1)(b).

<sup>43</sup> E-Commerce Directive, article 14(3).

<sup>44</sup> E-Commerce Directive, article 15(1).

<sup>45</sup> E-Commerce Directive, article 15.

However, a Member State does have the power to establish obligations for information society providers. This is only when it is crucial to “inform the competent public authorities of alleged illegal activities undertaken or information provided by recipient of their service or obligations to communicate to the competent authorities, at their request, information enabling the identification of recipients of their service with whom they have storage agreements”.<sup>46</sup>

## **2.6 Enforcement directive**

### **2.6.1 Purpose of the Directive**

The Commission had a very ambitious aim by adopting this directive. The intention was to overcome privacy and counterfeiting.<sup>47</sup> The goal of the Commission with the Enforcement Directive was to give measures that would be more effective, since the measures that are governed by the TRIPS agreement were not considered to have an effective nature.<sup>48</sup> Therefore, it can be said that the inspiration to the Enforcement Directive came from the TRIPS agreement.

### **2.6.2 Injunctions**

Article 11

*Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a re-*

---

<sup>46</sup> E-Commerce Directive, Article 15(2).

<sup>47</sup> Thomas Cottier & Pierre Véron, *Concise International and European IP Law: TRIPS, Paris Convention, European Enforcement and Transfer of Technology* (2nd edn, Kluwer Law International 2011), p. 521.

<sup>48</sup> Cottier & Véron (n 47) 521.

*curing penalty payment, with a view to ensuring compliance. Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC*<sup>49</sup>

This article allows a Member State to authorize judicial authorities to issue an injunction in order to prohibit the continuation of an infringement against the person committing it.<sup>50</sup> Although according to the Commission report on the application of the Enforcement Directive “injunctions are not intended as penalty against [intermediaries] but are simply based on the fact that such intermediaries (e.g. Internet service providers) are in certain cases in the best position to stop or to prevent an infringement”.<sup>51</sup> Although, depending on the case, the measures provided should aim at preventing further infringement of intellectual property rights, and the corrective measures shall take into account the interests of third parties such as consumers and private parties who are acting in good faith.<sup>52</sup>

In other words this article entitles the trade mark proprietor to apply for an injunction against intermediaries, where the services in questions are used by a third party to infringe an intellectual property right. This means according to the wording that a trade mark proprietor can apply for an injunction, however, it has to comply with the law of the Member State.

---

<sup>49</sup> Enforcement Directive, article 11.

<sup>50</sup> Cottier & Véron (n 47) 541-543.

<sup>51</sup> Analysis of the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights in the Member States Accompanying document to the Report from the Commission to the Council, the European Parliament and the European Social Committee on the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights COM (2010) 779 final, Brussels 22/12/2010 SEC (2010) 1589 Final, page 16.

<sup>52</sup> Enforcement Directive. preamble, recital 24.

## 3 *L'Oreal v eBay*

### 3.1 Facts

This case has been very controversial with regard to issues such as, how online marketplaces should or should not bear the liability of infringing activities occurring on their website. This case involves different kinds of issues within the area of intellectual property rights, however, only the issue concerning liability in relation to counterfeit products will be touched upon. In this case, the cosmetic manufacturer, L'Oreal, sued eBay as well as individual sellers for trade mark infringements as there were the appearance of counterfeit products and goods not intended for sale.<sup>53</sup>

L'Oreal is a manufacturer, supplier and trade mark proprietor of numerous national trade marks as well as Community trade mark.<sup>54</sup> The company eBay on the other hand operates an electronic marketplace, where goods are offered for sales, for the website's registered users. On the eBay's website a user, could be both a seller and a purchaser, who has to accept eBay's online market user agreement. One of the terms they have to accept is relevant for this thesis and deals with prohibition of selling counterfeit products as well as prohibiting infringements of trade marks.<sup>55</sup>

### 3.2 Legal Issues in *L'Oreal v eBay*

In the case, L'Oreal sent a letter notifying the infringement of L'Oreal's intellectual property rights on eBay's European website. This letter is of relevance as it can be regarded as a notification to eBay of the occurrence of trade mark infringements.<sup>56</sup> As the plaintiff was not satisfied with eBay's reactions, L'Oreal brought actions against eBay in several Member States in-

---

<sup>53</sup> Michaels & Norris, (n 5) 147.

<sup>54</sup> *L'Oreal v. eBay*, para 26.

<sup>55</sup> *L'Oreal v. eBay*, para 30.

<sup>56</sup> This because it is crucial in the assessment whether eBay played an active role.

cluding England.<sup>57</sup> L'Oreal sought a ruling, that eBay and the individual seller would be held liable for the goods that the rights conferred by L'Oreal were infringed. The items that infringed L'Oreal's trade mark rights were inter alia counterfeits, goods that were not aimed to be sold (such as samples), goods that were bearing L'Oreal's trade mark but were intended for sale in North America and not in the European Economic Area (EEA) and at last some products that were sold without packaging.<sup>58</sup>

To summarise, there were several allegations and disputes from L'Oreal's perspective, where, inter alia, all of them involved its trade mark being infringed:

1. Counterfeit items bearing the L'Oreal trade mark
2. Goods that were not intended to be sold (not put into the market) bearing the L'Oreal trade mark
3. Goods bearing the L'Oreal trade mark intended for sale in North America and not in EEA
4. Products that were sold without the packaging.
5. Testers/samples/dramming products
6. Liability of eBay as an intermediary service provider
7. Injunctions

These different kinds of infringements mentioned above show that there are various ways of infringing a trade mark on the Internet. These infringements can occur with or without the awareness of the operator at the online marketplace. Compared to physical possession, it is harder to detect from a trade mark proprietor's perspective an infringement on the Internet as users, buyers and sellers can just upload pictures on the Internet, possess counterfeit items yet claiming that they have the genuine products with no one actually checking it. As an intermediary, eBay is not legally obliged to monitor all the information that is transmitted.<sup>59</sup> These different examples from

---

<sup>57</sup> *L'Oreal v. eBay*, para 33.

<sup>58</sup> *L'Oreal v. eBay*, paras 34-36.

<sup>59</sup> E-Commerce Directive, article 15(1).

*L’Oreal v eBay* will be used to illustrate the scope of protection a trade mark proprietor is granted or rather loses when the trade mark appears on the Internet consent from the right holder.

### 3.3 Short about the outcome(s)

The outcome in *L’Oreal v eBay* will be shortly summarised under this heading in order to have an in depth look at the case in the subsequent chapter.

The ECJ considered the goods bearing L’Oreal trade mark that were offered and sold via eBay’s website to consumers within the EU, which were not intended for sale in the EU. One of the questions that the ECJ had to consider was if a trade mark proprietor must show that the goods in question will be put on the market in the EU or if the sole fact of targeting EU consumers in an advertisement on eBay’s website sufficient.<sup>60</sup> The ECJ concluded that “the mere fact that a website is accessible from the territory covered by the trade mark is not sufficient basis for concluding that the offers for sale displayed there are targeted at consumers in that territory.”<sup>61</sup> Thus, the ECJ left it to the national courts to assess on a case-by-case basis to decide the existence of relevant factors, which can affect the assessment of where an advertisement is targeted.<sup>62</sup>

The question of whether testers and dramming products which were intended solely for demonstration to consumers could be regarded as “put on the market” in the EEA within the meaning of article 13(1) of the Trade-mark Directive, were referred to the ECJ. The ECJ referred to a previous ruling<sup>63</sup> where it was held that products that were provided free of charge

---

<sup>60</sup> Birgit Clark & Maximilian Schubert, ‘Odysseus between Scylla and Charybdis? The ECJ ruled in *L’Oreal v eBay*’ (2011) 6(12) *Journal of Intellectual Property Law & Practise* 880, 883.

<sup>61</sup> *L’Oreal v eBay*, para 64; Joined Cases C-585/08 and C-144/09, *Peter Pammer v Reederei Karl Schlüter GmbH & Co. KG and Hotel Alpenhof GesmbH v Oliver Heller* [2010] ECR I-12527 paras 68-69.

<sup>62</sup> *L’Oreal v eBay*, para 67.

<sup>63</sup> Case C-495/07, *Silberquelle GmbH v Maselli-Strickmode GmbH* [2009] ECR I-137, paras 21-22.



could not as a rule be regarded as being put on the market by the trade mark owner. The underlying reason was mainly because these products were not intended to be put on the market.<sup>64</sup> This shows that even though the testers and samples were accessible from the online marketplace, the trade mark proprietor still had the right to prevent this infringing activity.

The other issue that the ECJ considered dealt with items that were bearing L'Oreal's trade marks that had been sold without its original packaging or were offered for sale unboxed.<sup>65</sup> The ECJ referred to *Arsenal Football Club*<sup>66</sup> and reiterated that the essential function of a trade mark is to provide the consumer a guarantee as to the identity of origin of the marked goods.<sup>67</sup> Essential information that was to be required by law would mean that the removal of such information due to an unboxing of the goods could impair the function of the trade mark.<sup>68</sup>

A complex and interesting question that the ECJ had to answer dealt with was eBay's liability under the E-Commerce Directive. The question referred to the ECJ was in essence whether eBay had a defence against liability for trade mark infringements, which are conducted by the individual sellers within the meaning of Article 14 of the E-Commerce Directive (liability exemption).<sup>69</sup> There were many different factors that had to be taken into account when deciding eBay's liability. For instance, if eBay played a neutral<sup>70</sup> role when it stored information, and whether or not eBay was notified<sup>71</sup> about the infringing activity and if eBay had actual knowledge<sup>72</sup>

---

<sup>64</sup> *L'Oreal v eBay*, para 71; *Silberquelle GmbH v Maselli-Strickmode GmbH*, paras 20-22.

<sup>65</sup> *L'Oreal v eBay*, paras 75-76.

<sup>66</sup> Case C-206/01, *Arsenal Football Club plc v. Reed*, [2002] ECR I-10273, para 48.

<sup>67</sup> *Arsenal Football Club Plc v. Reed*, para 48.

<sup>68</sup> Clark & Schubert (n 60) 884.

<sup>69</sup> Andreas Rühmkorf, *eBay on the European Playing Field; A Comparative Case Analysis of L'Oreal v eBay*, (2009) 6(3) SCRIPTed – A Journal of Law, Technology & Society 686, 687.

<sup>70</sup> *Google France and Google*, paras 114 & 120 & *L'Oreal v eBay*, para 113.

<sup>71</sup> *L'Oreal v eBay*, para 122.

<sup>72</sup> *L'Oreal v eBay*, para 119.

Moreover, the last legal issue that the ECJ was engaged in dealt with injunctions against an operator of an online marketplace. Not only did it concern an injunction against the party infringing the trade marks, such as sellers, but also against eBay, as an intermediary whose services had been used to infringe L'Oreal's registered trade mark.<sup>73</sup> The ECJ confirmed that Member States are required to ensure that their national courts can grant injunctions by ordering the operator of an online marketplace to take measures to end an existing infringement as well as prevent further infringements of the same kind.<sup>74</sup> However, the conditions and procedures relating to such injunctions are dependent on the national law.<sup>75</sup>

---

<sup>73</sup> Clark & Schubert (n 60) 886.

<sup>74</sup> Enforcement Directive, article 11; Clark & Schubert (n 60) 887.

<sup>75</sup> Enforcement Directive, preamble, recital 23; Weckström (n 30) 26.

## 4 *L'Oreal v eBay* in depth

### 4.1 Different types of trade mark infringements

The previous chapter dealt with the general background of the case, the legal issues, and a short summary regarding the outcomes from the ECJ. As the case is complex, attention need to be given to each individual issue that the ECJ considered as well as a thorough analysis of the outcome and its effects on the function of a trade mark. Therefore, this chapter will concentrate on the different issues relating to trade mark infringements.

### 4.2 In the course of trade / economic operator

The Court highlights and refers back to the Advocate General (AG) Jääskinen who states that “exclusive rights conferred by trade marks may, as a rule, be relied on only as against economic operators”.<sup>76</sup> In addition, for a trade mark proprietor to prevent a third party from using its trade mark or a sign similar to the trade mark, the use of that sign or trade mark must take place in the course of trade.<sup>77</sup> There were six different conditions that the ECJ had established in previous case law that affects whether or not a trade mark proprietor can succeed in claim under article 5(1)(a) of the Trademark Directive. The six conditions involve:

1. *there must be use of a sign by a third party;*
2. *the use must be in the course of trade;*
3. *it must be without the consent of the proprietor of the trade mark;*
4. *it must be of a sign which is identical to the trade mark;*

---

<sup>76</sup> *L'Oreal v eBay*, para 54; *L'Oreal v eBay*, Opinion of AG Jääskinen, para 79.

<sup>77</sup> *L'Oreal v eBay*, para 54.

5. *it must be in relation to goods or services which are identical to those for which the trade mark is registered; and*
6. *it must affect or be liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods or services.*<sup>78</sup>

These six conditions were also considered in the *L'Oreal v eBay* by the UK Court.<sup>79</sup> The use of a trade mark in the course of trade is a condition that is repeated in several cases. Thus, a trade mark proprietor can only prevent infringements by third parties when it is conducted in the course of trade.

The ECJ further explains who falls into the definition of an economic operator. A trade mark owner cannot rely on his exclusive right as referred in article 5 of the Trademark Directive, in a situation where an individual seller who sells products through an online marketplace such as eBay, where the products are bearing a trade mark and where the transaction “does not take place in the context of a commercial activity”.<sup>80</sup> This is also emphasised in other cases such as *Anheuser-Busch*<sup>81</sup> and in *L'Oreal and Others*<sup>82</sup> where the ECJ puts emphasis on infringements occurring in the course of trade.

Nevertheless, the Court denotes that depending on the volume of the goods, the frequency or other characteristics, products that are sold on an online marketplace which “go beyond the realms of a private activity”<sup>83</sup>, that seller will be acting in the course of trade within the meaning of the article 5 as mentioned above.<sup>84</sup> Thus, the trade mark protection in the context of non-

---

<sup>78</sup> Case C-17/06 *Celine SARL v Celine SA*, [2007] ECR I-7041, para 16.

<sup>79</sup> *L'Oreal SA v eBay International AG* [2009] EWHC 1094, para 283; Michaels & Norris (n 5) 143.

<sup>80</sup> *L'Oreal v eBay*, para 55.

<sup>81</sup> Case C-245/02 *Anheuser Busch* [2004] ECR I-10989, para 62.

<sup>82</sup> Case C-487/07 *L'Oreal SA and Others v Bellure NV and Others*, [2009] ECR I-5185, para 57.

<sup>83</sup> *L'Oreal v eBay*, para 55.

<sup>84</sup> *L'Oreal v eBay*, para 55.

business transactions does not entitle the trade mark proprietor protection of its trade marks.<sup>85</sup>

It is established in the case that the sales on eBay took place in the course of trade and that L’Oreal did not approve this action, hence the court will consider whether L’Oreal had the right to prevent those sales.<sup>86</sup>

It is further emphasised in *Arsenal*<sup>87</sup> that the use of a sign identical to the trade mark is in fact used in the course of trade, as the use takes place “in the context of commercial activity with a view to economic advantage and not as a private matter”.<sup>88</sup> Consequently, the use in the course of trade as well as the use of the trade mark by a third party must affect the function of the trade mark is a crucial factor. It appears that, although a third party infringes the right of a trade mark proprietor, it does not fall within the meaning of Trademark Directive as it is not considered to be a commercial activity.

## 4.3 Sale of infringing products

### 4.3.1 Non-EEA goods

The question whether a trade mark proprietor has the right to prevent offers for sale, where these goods had not previously been put on the market in EEA by the trade mark proprietor was also referred to the ECJ. In addition, the ECJ was also issued by the question of interpretation of article 7(1) in the Trademark Directive, and the meaning of wording “put in the market”.<sup>89</sup> This assessment was of decisive nature as the principle of exhaustion of rights conferred by a trade mark played a vital role in the decision. A trade mark does not entitle its owner to preclude its use in relation to goods that

---

<sup>85</sup> *L’Oreal v eBay*, Opinion of AG Jääskinen, para 51.

<sup>86</sup> *L’Oreal v. eBay*, para 57.

<sup>87</sup> *Arsenal v. Reed*.

<sup>88</sup> *Arsenal v. Reed*, para 40.

<sup>89</sup> Irene Calboli, ‘International Intellectual Property Series, Reviewing the (Shrinking) Principle of Trade mark Exhaustion in the European Union (Ten Years Later)’ (2012) 16(2) *The Marquette Intellectual Property Law Review* 258, 271.

have been put onto the market or when the proprietor's has given its consent.<sup>90</sup> Consequently, for a product that has been launched on the market by the trade mark owner, the trade mark owner loses the ability to control further sales of the products which bears the protected trade mark.<sup>91</sup> The ECJ reiterated its holding from the case *Coty Prestige*<sup>92</sup> that the product in question was not put on the market within the meaning of article 7(1) of the Trademark Directive. When offers for sale and advertisements which are related to trade marked goods that have not been previously marketed within the EU with the trade mark proprietor's consent, the EU trade mark rules are applicable for those goods in question when it becomes clear that the goods which are offered for sales are targeted at consumers within the EEA.<sup>93</sup> However, it remains to the national courts to assess case-by-case whether there are factors that speak for that an offer for sale on an online marketplace may be perceived as it is aimed for consumers in the territory covered by the trade mark.<sup>94</sup>

The ECJ held that a seller or a trader, which offers goods as abovementioned, would be infringing trade mark laws. However, the Court emphasised that the mere fact that a website is accessible in a Member State that is covered by the trade mark, is not a sufficient ground for stating that the offers for sale displayed on the website are targeted at consumers in that Member State or territory.<sup>95</sup> That is again left to the national courts to decide on a case by case basis.

---

<sup>90</sup> Trademark Directive, article 7(1).

<sup>91</sup> Christiana Aristidou, 'Cyprus: Trade Mark Infringement on the The Internet: Current Issues and Concerns in Europe (Online Marketplaces, eBay, L'Oreal v. eBay: A Case With No Winners) – Part 3, December 2011  
<http://www.mondaq.com/x/157748/Trademark/Trade+Mark+Infringement+On+The+Internet+Current+Issues+And+Concerns+In+Europe+Part+3> accessed 5 May 2013.

<sup>92</sup> Case C-127/09, *Coty Prestige Lancaster group GmbH v Simex Trading AG* [2010], ECR I-4965.

<sup>93</sup> Joel Smith & Joanna Silver, 'L'Oreal v eBay: a Warning o Online Marketplace Operators' (2011) 6(11) *Journal of Intellectual Property Law & Practise* 765, 766.

<sup>94</sup> Smith & Silver (n 93) 766.

<sup>95</sup> *L'Oreal v eBay*, para 64; *Peter Pammer*, para 69.

### 4.3.2 Testers

L’Oreal had indicated to its authorised distributors that testers and dramming products were not intended for sale. The testers and samples which were marked ‘not for sale’<sup>96</sup> were supplied free of charge and cannot be regarded as being put on the market by the trade mark owner.<sup>97</sup> These goods in absence of any other evidence to the contrary, are not put into the market within the meaning of article 5 in the Trademark Directive.<sup>98</sup>

The trade mark proprietor had not exhausted his right in relation to goods that were marked with “not for sale”. Hence, goods that are intended for demonstration to consumers in authorised retail outlets, where it is affixed with a mark as being a free sample or a tester is in the absence of any evidence to the contrary are not put on the market within the meaning of the Trademark Directive.<sup>99</sup>

### 4.3.3 Unboxed products

Moreover, in this case there were also goods that were sold without their packaging. When it comes to packaging, some of the products may lose their value, the reputation of the trade mark, lose substantial information especially when it comes to cosmetics.<sup>100</sup> Hence, a situation like this appearing on an online marketplace is a difficult way to detect. The question then was if it entitles L’Oreal as the trade mark proprietor to oppose the resale of goods which are missing their packaging or have been removed.<sup>101</sup> As the packaging is an essential part of the product, and could have the effect of damaging the reputation of the trade mark.<sup>102</sup>

---

<sup>96</sup> *L’Oreal v. eBay*, para 70.

<sup>97</sup> *L’Oreal v eBay*, para 71.

<sup>98</sup> *L’Oreal v eBay*, para 73.

<sup>99</sup> *L’Oreal v eBay*, para 73.

<sup>100</sup> *L’oreal v eBay*, Opinion of AG Jääskinen, para 113.

<sup>101</sup> *L’Oreal v eBay*, para 75.

<sup>102</sup> *L’Oreal v eBay*, para 78.

It appears that depending on what kind of infringement that has occurred, the question of liability might change. There are different ways of infringing on an online marketplace, as different ways involves different rules covering the specific issue. The court established that a trade mark proprietor can in line with article 5 of the Trademark Directive and Trademark Regulation, oppose selling of goods that do not have their packaging on the ground that removing essential information such as the manufacturer, or person responsible affects the product.<sup>103</sup> Even though cases where the removal of packaging might not result in absence of such information as mentioned above, a trade mark proprietor can nevertheless claim that removing the packaging when selling affects the image of the product and damages the reputation of that trade mark.<sup>104</sup>

The essential function of a trade mark is to provide the consumers with an assurance in terms of the identity of the product's origin.<sup>105</sup> The function of a trade mark serves to particularly guarantee that all the products which are affixed with the mark have been manufactured or supplied under to control of one single undertaking which is responsible for the quality of the goods.<sup>106</sup> Since the products in question were cosmetic products, the ECJ considered that irrespective of whether a removal of packaging is not in compliance with the Cosmetics Directive<sup>107</sup> a packaging is an essential part of cosmetics.<sup>108</sup> If it is a matter of essential information missing because of removal of packaging it consequently has the effect of impairing the trade mark's function of assuring the identity of the origin of the product, thus the essential function of the trade mark is denied.<sup>109</sup>

---

<sup>103</sup> *L'Oreal v eBay*, para 81; Birgit & Clark (n 60) 884.

<sup>104</sup> *L'Oreal v. eBay*, para 83.

<sup>105</sup> Trademark Directive, preamble, recital 11; *Arsenal*, para 48.

<sup>106</sup> *C-59/08 Copad SA v Christian Dior couture SA and Others* [2009] ECR I-3421, para 45; *L'Oreal v eBay*, para 80.

<sup>107</sup> Council Directive, 76/768/EEC, July, 1976 On The Approximation Of The Laws Of The Member States Relating To Cosmetic Products (Cosmetics Directive).

<sup>108</sup> *L'Oreal v eBay*, para 77.

<sup>109</sup> *L'Oreal v eBay*, para 81.



The AG in *L'Oreal v eBay* emphasised this view in his opinion saying that the outer boxes of luxury cosmetic products may sometimes be seen as it is a part of the product itself due to the special design.<sup>110</sup> In a situation like this, the trade mark proprietor is entitled to oppose further selling of un-packaged goods. However, the definition of what a luxury product is can be discussed, as the interpretation of this word can vary from person to person.

In addition, the ECJ settled that trade mark proprietor had the possibility to rely on article 7(2) and oppose to further sales of their product. This would become the case if boxes or the original outer packaging have been removed from the product or replaced. Particularly, the trade mark proprietor could rely on article 7, when such removal of the packaging of a product would affect essential information of the product, such as “the identity of the manufacturer or the person responsible for marketing the cosmetic product is missing”<sup>111</sup>, or when the removal of packaging may damage the image of product and thus the reputation of the trademark.<sup>112</sup>

## 4.4 Use of trade marks on eBay

One of the last questions discussed, was the use of signs, which corresponded to trade marks on online marketplaces. When signs are being used on an online marketplace, these signs are being displayed for the customers, sellers therefore these signs will inevitably shown everywhere on the website.<sup>113</sup> The AG stated that the use of signs which are identical or similar to a trade mark which are offered for sale and displayed on an online marketplace is made by those who sell the products who are customers “of the operator of that marketplace and not by that operator itself”.<sup>114</sup> Therefore, the role of an operator of an online marketplace cannot be assessed in accor-

---

<sup>110</sup> *L'Oreal v eBay*, Opinion of AG Jääskinen, para 44.

<sup>111</sup> *L'Oreal v eBay*, paras 72 & 81.

<sup>112</sup> *Calboli* (n 89) 271; *L'Oreal v eBay*, para 83.

<sup>113</sup> *L'Oreal v eBay*, paras 98-100.

<sup>114</sup> *L'Oreal v eBay*, Opinion of AG Jääskinen, para 119-120; *L'Oreal v eBay*, para 103.

dance with the Trademark Directive, but have to be assessed in light the E-Commerce Directive.<sup>115</sup>

## 4.5 Liability of an operator of an online marketplace

The ECJ provided clarification when it comes to the liability of the operator of online marketplaces in terms of trade mark infringements committed by users. In certain cases the operator may be liable for the trade mark infringement as a result of the postings (offers for sale) made by its users.<sup>116</sup>

Article 14(1) of the E-Commerce Directive states that it “restricts the liability of service providers to the hosting of information provided by the recipients of its services”<sup>117</sup> which is the starting point to discuss the liability of an operator of an online marketplace. Thus, the following part of this thesis will consider, the active and passive role of an operator, awareness of the online operator and what he/she is obliged to do by law.

In addition, the role of an online marketplace operator cannot be assessed according to the ECJ under the Trademark Directive and the Trademark Regulation. It has to be examined from the conditions that are set in the E-Commerce Directive, in particular where liability of intermediary service providers<sup>7</sup> in electronic commerce and comprises is regulated, more specifically article 12 and 15 of that Directive.<sup>118</sup>

The ECJ regards the question if an operator of an online marketplace is covered by article 14(1) (hosting) of E-Commerce Directive. In addition, the Court established which different circumstances that can be decisive when assessing if an operator of an online marketplace has “awareness” within the meaning of article 14(1) of the E-Commerce Directive.<sup>119</sup>

---

<sup>115</sup> *L’Oreal v eBay*, para 104 & *Google France and Google*, para 57.

<sup>116</sup> *Smith & Silver* (n 93) 765.

<sup>117</sup> *Smith & Silver* (n 93) 765.

<sup>118</sup> *L’Oreal v eBay*, para 5; *Google France and Google*, para 57.

<sup>119</sup> *L’Oreal v eBay*, para 106.

Article 12 and 15 are means to restrict the liability for intermediary providers of information society pursuant to applicable national law. Therefore, in the context of national law, the conditions under which that liability arises must be sought by virtue of article 12-15. Some situations cannot give rise to liability on the party of intermediary service providers.

What is eBay? It is a service which consists of facilitating relations between a seller and buyer of goods. Thus, it is a service within the meaning of the E-Commerce directive.<sup>120</sup> The company eBay in this case stores the data supplied by its customers in its server.<sup>121</sup> This storage is carried out every time a seller opens an account. For the Internet service provider to fall within the meaning of article 14 of the E-Commerce Directive, it is vital that the provider is an intermediary provider within the meaning intended by the legislature.<sup>122</sup>

#### **4.5.1 Active and passive role**

Depending on whether an internet service provider plays an active or passive role, the question of liability is affected. The situation when an operator has provided assistance such as “optimising the presentation of the offers for sale” or “promoting offers” shall be deemed as not to have taken a neutral position between the customer-seller relation concerned as well as for the potential buyers.<sup>123</sup> This action is an active role by the operator, which is of a kind as to give it knowledge, or have control over the data. Hence, the operator cannot rely on the exemption from liability that is mentioned in article 14(1) of the E-Commerce directive.<sup>124</sup> This is due to the offers for sale which had an optimised presentation resulting in that eBay had not used the data in a neutral way.

---

<sup>120</sup> *L’Oreal v eBay*, para 108.

<sup>121</sup> *L’Oreal v eBay*, para 110.

<sup>122</sup> *L’Oreal v eBay*, para 112.

<sup>123</sup> <http://www.scl.org/site.aspx?i=ne21303>, accessed: 2 May 2013.

<sup>124</sup> *L’Oreal v eBay*, para 116.

As explained above, hosting under article 14 of the E-Commerce Directive precludes liability for operators of an online marketplace when they do not have any knowledge of the information or when the operator acts with efficiency to remove the infringing item.<sup>125</sup>

Moreover, a service provider does not fall within the scope of article 14 of E-Commerce Directive when a service provider, “instead of confining itself to providing that service neutrally by a merely technical and automatic processing of the data provided by its customers, plays an active role of such a kind as to give it knowledge of, or control over, those data.”<sup>126</sup> In order to assess the active role of an Internet service provider, the ECJ considered several factors. The fact that eBay processes data that is entered by its customer’s sellers and how eBay provide assistance intended to optimise or promise some offers for sale, affects the assessment of active role.<sup>127</sup> When an operator of an online operator has provided assistance, which results in particularly optimising the appearance of the offers for sale or promoting the offers in question, it cannot be seen that the operator has taken a neutral position between the customer and seller. This is therefore seen as the operator playing an active role. This active role is thus of a kind that it gives knowledge of, or control over the information or data relation to the products and offers in question. Subsequently, Internet service providers such as eBay cannot rely on the exemption of liability, which is referred in article 14(1) of E-Commerce Directive.<sup>128</sup>

Thus it is not necessary for an operator to have actual knowledge as it is referred in article 14(1)(a) E-Commerce Directive it is sufficient that the operator has constructive knowledge. This will be enough to preclude liability

---

<sup>125</sup>Alex Batteson, ‘EU – Trade marks: Hosting Defence Now Narrower’ <http://www.linklaters.com/Publications/Publication1392Newsletter/October-2011/Pages/EU-Trademarks-Hosting-defence-now-narrower.aspx> accessed 3 May 2013.

<sup>126</sup> *L’Oreal v eBay*, para 114; *Google France and Google*, paras 114 & 120.

<sup>127</sup> *Smith & Silver* (n 93) 767.

<sup>128</sup> *L’Oreal v eBay*, para 116.

of the operator, since in situations like that the online marketplace or the operator will no longer “merely store” information.<sup>129</sup>

## 4.5.2 Awareness

The ECJ then examines “awareness” by eBay. In order to deny the entitlement to the exception from liability, it is sufficient for the provider of an information society to have “been aware of facts or circumstances on the basis of which a diligent economic operator should have identified the illegality in question”<sup>130</sup>, as stated in article 14(1)(b) of E-Commerce directive.

An operator becomes aware when it:

- through an investigation uncovers an illegal activity or illegal information
- is notified that such an activity exists.

A notification will be treated by the national court as a factor that could determine whether the operator was actually aware of facts, on the “basis of that a diligent economic operator should have identified the illegality.”<sup>131</sup>

The Court finally ascertains that even when an operator of an online marketplace has not played an active role as mentioned above, the operator *cannot* nevertheless in cases which may result in an order to pay damages, rely on the exemption from liability. For instance when the operator was aware of circumstance or facts that an economic operator should have realised, that the products for sale in question were unlawful, and in the event of it being aware, it failed to act expeditiously in accordance with article 14(1)(b) of the E-Commerce Directive.<sup>132</sup> Although an online marketplace is showing that its role is neutral on the infringements, an operator may nevertheless be

---

<sup>129</sup> Alex Batteson, ‘EU – Trade marks: Hosting Defence Now Narrower’  
<http://www.linklaters.com/Publications/Publication1392Newsletter/October-2011/Pages/EU-Trademarks-Hosting-defence-now-narrower.aspx> accessed 3 May 2013.

<sup>130</sup> *L’Oreal v eBay*, para 120.

<sup>131</sup> *L’Oreal v eBay*, para 122.

<sup>132</sup> *L’Oreal v eBay*, para 124.

deprived of the exemption stated in article 14 if he or she has actual knowledge.<sup>133</sup> In order to decide whether an operator of an online marketplace has actual knowledge, there is a test to apply. This test is similar to when deciding whether a trade mark is applied for in bad faith but a somewhat different standard is applied. The first part to consider is which activities the operator or the marketplace knew of when it comes to the infringements and secondly, whether a diligent operator in that situation would have realised that the acts were illegitimate.<sup>134</sup>

Moreover, in order to establish whether an operator is exempted from liability, it is necessary to examine whether eBay played a neutral role in the sense that its conduct is “merely, technical, automatic and passive pointing to a lack of knowledge or control of the data which it stores.”<sup>135</sup> Additionally, article 14(1) of the E-Commerce Directive is interpreted to cover “every situation in which the provider concerned becomes aware, in one way or another, of such facts or circumstances.”<sup>136</sup>

## **4.6 Injunctions – what should an operator do to prevent infringement by its users?**

Nevertheless L’Oreal also alleged that even if eBay is not held liable for the infringements of its trade mark rights, L’Oreal should be granted an injunction against eBay by virtue of article 11 of Directive 2004/48.<sup>137</sup>

Injunctions, which are effective and proportionate, can be issued against operators of online marketplaces. As the AG Jääskinen emphasises in his opinion<sup>138</sup>, if an operator of an online marketplace does not decide to stop an infringement of intellectual property rights in order to prevent potential in-

---

<sup>133</sup> Batteson, <http://www.linklaters.com/Publications/Publication1392Newsletter/October-2011/Pages/EU-Trademarks-Hosting-defence-now-narrower.aspx> accessed 3 May 2013.

<sup>134</sup> Batteson, <http://www.linklaters.com/Publications/Publication1392Newsletter/October-2011/Pages/EU-Trademarks-Hosting-defence-now-narrower.aspx> accessed 3 May 2013.

<sup>135</sup> *Google France and Google*, para 114.

<sup>136</sup> *L’Oreal v eBay*, para 121.

<sup>137</sup> *L’Oreal v eBay*, para 43.

<sup>138</sup> *L’Oreal v eBay*, Opinion of AG Jääskinen, para 182.

fringements of the same kind by the same seller, it “may be ordered by means of an injunction to do so.”<sup>139</sup> The third sentence of article 11 of the Enforcement Directive, shall be interpreted as that the Member States have the right to order an operator of an online marketplace to take measure which contribute, to inter alia bring an end to infringements, but also to prevent further infringements of that kinds. These injunctions must be: effective, proportionate, dissuasive and must not create barriers to legitimate trade.<sup>140</sup>

The company eBay, operating as intermediary service provider never gets the physical possession of the goods. Consequently, eBay cannot determine whether the goods in questions are counterfeit or not. Then the question arises how can eBay then be liable for trade mark infringement? The company eBay has developed a VERO programme which it operates on the website. This programme provides the possibility to the trade mark proprietor to report the goods that eBay list as infringing the rights of the trade mark owner.<sup>141</sup>

Different European national courts have not been consistent in their judgments and findings. For instance, the Brussels Court in a case between *Lancôme v eBay* did not hold eBay liable for the sale of counterfeit cosmetic products that were sold through eBay’s website.<sup>142</sup> On the contrary two different French Courts: the Tribunal d E-Commerce in Paris in the case *Louis Vuitton Malletier v eBay*<sup>143</sup> and Troyes High Court in the case *Hermes v eBay*<sup>144</sup> had ruled that eBay did violate the rules concerning trade mark laws. This shows us that the interpretation of the Trademark Directive along with other Directives, national courts do have different ways of how to in-

---

<sup>139</sup> *L’Oreal v eBay*, para 141.

<sup>140</sup> *L’Oreal v eBay*, para 144.

<sup>141</sup> Aristidou (n 91)

<http://www.mondaq.com/x/157748/Trademark/Trade+Mark+Infringement+On+The+Internet+Current+Issues+And+Concerns+In+Europe+Part+3> accessed 5 May 2013.

<sup>142</sup> *Lancôme v. eBay*, Brussels Commercial Court, Aug. 12, 2008, Docket No. A/07/06032.

<sup>143</sup> Case No. 200677799, S.A. Louis Vuitton Malletier v. eBay Inc, Tribunal de Commerce de Paris, Premiere Chambre B., June 30, 2008.

<sup>144</sup> *Hermes v. eBay*, Troyes High Court, June 4, 2008 Docket 06/0264.

interpret the provisions. Therefore, inconsistency occurs and thus it makes it difficult to know what the laws in the European Union are aiming for. If different Member States interpret the trade marks directive differently, it means that the ECJ needs to give better guidance on how to interpret the laws, as the issue of the Internet is fairly new.<sup>145</sup>

The AG Jääskinen in his opinion recognised that the ECJ had a difficult task in front of them, as the ECJ had to balance the legitimate interests of the trade mark proprietors on one hand and the interests of businesses and private individuals utilising the possibilities offered by the Internet on the other hand.<sup>146</sup> In addition, the AG also emphasises that the preliminary reference cannot be in the nature as to restrain the legal use of a trade mark, which a trade mark proprietor cannot legitimately oppose.<sup>147</sup>

## 4.7 Summary of the problems

To sum up, the different issues discussed above affect the question of liability as well as the scope of protection a trade mark proprietor is granted in relation to the use on the Internet. In order for a trade mark infringement on an online marketplace to fall within the article 5(1) of the Trademark Directive, it must be taken place in the course of trade. Consequently, a third party acting as an economic operator falls within the scope of the Trademark Directive. Moreover, a trade mark proprietor's right is not exhausted when products which are not intended to be put on the market in the EU have been available for consumers in the EU. This includes products such as testers and samples not intended for sale. Additionally, products that are sold without their original packaging can be damaging the reputation of the trade mark. Thereof, an unboxed product can result in that essential information important for the consumer can be missing. The mark proprietor has the

---

<sup>145</sup> Aristidou (n 91)

<http://www.mondaq.com/x/157748/Trademark/Trade+Mark+Infringement+On+The+Internet+Current+Issues+And+Concerns+In+Europe+Part+3> accessed 5 May 2013.

<sup>146</sup> *L'Oreal v eBay*, Opinion of AG Jääskinen, para 4.

<sup>147</sup> *L'Oreal v eBay*, Opinion of AG Jääskinen, para 52.



right to prevent the sales of unboxed products. Many different affects the assessment of an Internet service provider's liability on online marketplaces. The role played by an Internet service provider, whether its active, passive or neutral will have an impact on liability. At last, Member States can grant injunctions to stop an infringing activity occurring on an online marketplace. This is foremost the case when the operator of an online marketplace does not stop the infringing activity in its own initiative.

# 5 Analysis

## 5.1 The extent of protection

The question of whether or not the protection of a trade mark is weak or strong on an online marketplace has to be assessed through several different factors. Seeing that this is one of the first cases in which ECJ had to give a preliminary ruling on liability of Internet service providers, there is much that is still unclear. Thus, it appears from the ruling from the ECJ that there are still some issues that are not clarified and still need a clearer guidance from the Court. Since, the question of liability of intermediaries have been brought up by several courts in the EU, one can tell that this issue is becoming more apparent nowadays. Therefore, the interpretation of the Trademark Directive is needed, since the use of trademarks has widened to the Internet and to online marketplaces.

Considering the different issues of trade mark infringement in *L'Oreal v eBay* it is noticeable that the assessment of the protection of the trade mark depends on how the trade mark has been infringed and under which circumstances. Given that the Trademark Directive does not cover liability of intermediaries, the interpretation of E-Commerce Directive is therefore important.

Products that were sold on eBay's website without the intention of the trade mark proprietor to put the goods on the EU market was one of the issues the ECJ considered. What kind of protection did the trade mark proprietor have and was it enough? Does the trade marks proprietor govern the right to prevent these infringing activities on the Internet? As the phenomenon of the Internet and thereby online marketplaces has expanded so broadly lately, there are more difficulties assessing some parts of the EU trade mark law.

In terms of goods that are not intended to be put on the EU market by the trade mark proprietor, it seems that the situation is unclear although some guidance was provided from the ECJ. The ECJ contemplates and discusses different factors that can affect whether or not the goods are to be put on the market within the meaning of article 5(3) of the Trademark Directive. It appears that the first placing of goods in the market should be controlled by the proprietor's consent, however, as Internet is accessible everywhere, what line can be drawn? The question remains what can the trade mark proprietor do to protect its trade mark if the purpose of a trade mark proprietor is not to market the products in the EU but in a third state, but even though, through an online marketplace the products appears on the website. Although those goods are accessible for consumers in the EU, the ECJ established that the mere fact that products are accessible from the territory covered by that trademark does not naturally mean that it is targeted to the customers in that territory. Therefore, it depends on whether or not the products bearing a trade mark are targeted at consumers in that territory. However, the geographic areas which the seller is ready to dispatch to does have an importance in the assessment.<sup>148</sup> The ECJ only gave this specific guidance concerning the geographic area, which can affect the assessment on where it was targeted. The ECJ did not mention any other factors than the geographic area which could have impact on the assessment. For instance, other factors such as if the consumer could change the currency to a European, or the language.

There is still unclarity in relation to what other factors play a role. Considering the fact that a trade mark proprietor cannot control all activities going on the Internet it appears to be a hard task to control what is on the online market places, compared to a situation where one has physical possession of the product and it is thus easier to tell where this product is from and where it will be sold. The fact that there is no restriction on the online marketplaces as to the accessibility, it is not possible to control every single action or sale by a third party. Thus, the protection a trade mark proprietor acquires is lim-

---

<sup>148</sup>*L'Oreal v eBay*, para 65.

ited to an online marketplace as he or she might not be able to control how the products bearing the trade marks are sold. It is therefore important, in order to keep the function of the trade mark consistent that the trade mark proprietor is able to control the use of its trade mark.

Moreover, the function of the trade mark would be impaired if the trade marks are used without the consent of the proprietor. How should this be resolved then? The geographic area is one factor affecting the assessment, however the ECJ does not give examples of any other factors that may or may not affect the assessment, which therefore will be up to the national courts to decide. In order to prevent products that are not aimed to be dispatched to another country, there are several things that an online marketplace can do.

As mentioned before, the ECJ was issued with a difficult task to balance the legitimate interests of the trade mark proprietor and the business/commercial interests. However, preventing sales that are not intended cannot be discouraging the commercial interests if the primary goal was not to sell. Although the exclusive right of a trade mark proprietor is exhausted when the products are put on the market, it cannot mean that the trade mark proprietor's right is exhausted when products that are placed on the market without the trade mark proprietor's consent. It leaves the door open to the national courts.<sup>149</sup> Therefore, I would say that the trade mark proprietor have the extent of protection to prevent the selling of goods that are not intended to be sold in certain areas. The possibility that the trade mark proprietors can prevent the selling shows that scope of protection of trade mark is favourable for trade mark owners.<sup>150</sup>

---

<sup>149</sup> Aristidou (n 91)

<http://www.mondaq.com/x/157748/Trademark/Trade+Mark+Infringement+On+The+Internet+Current+Issues+And+Concerns+In+Europe+Part+3> accessed 5 May 2013.

<sup>150</sup> Smith & Silver (n 93) 767.

Testers and samples show again that products which the trade mark proprietor does not intend to sell can be prevented. This is mainly because samples and testers are not aimed to be put on the market. Therefore, it gives the trade mark proprietor the right to prevent selling of goods that are not intended to be put on the market. This again shows that although samples and testers are offered for sale on the Internet, the trade mark proprietor still has the right to prevent, thus, the right granted by the trade mark proprietor is not exhausted in cases like this.

Moreover, products that are offered on online market places, which are sold without their outer packaging, are also infringing trade marks. If a trade mark loses its value or if the reputation of the trade mark is damaged due to the removal of packaging, the trade mark proprietor in cases like this has the right to prevent sales of its products. When it comes to cosmetic products such as in *L'Oreal v eBay*, it was crucial to have some essential information, as the removal of information could affect the consumers.

Finally, the trade mark proprietor has the right to prevent infringing activities that occur in the forms of unboxed products and testers and samples. Therefore, the trade mark proprietor due to the effects on the function of the trade mark has the right to prevent the trade mark being misused or used in a way to harm the trade mark.

## **5.2 Liability**

The question of liability in terms of operators of online marketplaces is somewhat clear, even though it is not entirely clear. The ECJ in *L'Oreal v eBay* showed that an internet service provider can be liable for infringing activities appearing on an online marketplace, even though there is an exemption in the E-Commerce Directive. As it was held in the case, the infringing activity must be in the course of trade, which means that when there are instances when private users are selling goods which are infringing the trade mark, it is not in the course of trade. As a result, the trade mark proprietor cannot claim that the operator of an online marketplace is liable. It depends

on the volume, characteristics and the frequency of selling the goods. Therefore, only third parties, whose activities come in the realm of business, can possibly be seen as acting in the course of trade. It leaves the door open for private users and third parties to sell counterfeit products, samples, or products not intended for sale in a country, as this will not be an underlying reason for infringing or acting in the course of trade. Although it seems impossible for an online marketplace to catch every infringing activity, there are other means to improve the protection on an online marketplace, which will be discussed in the next heading.

The ECJ however, confirmed that an Internet service provider can be precluded the exemption in article 14(1) of the E-Commerce Directive<sup>151</sup>, which was a clear guidance that the Court gave. This puts more pressure on online marketplaces to control their services and also ensures that the function of trade marks is used in the correct way. However, in order to determine whether an Internet service provider is liable or not depends on the kinds of role he or she plays. The Court left it to the national courts to decide whether the operator played an active or passive role.<sup>152</sup> Only a few elements were discussed in the case such as actual knowledge, awareness of the operator, what a diligent economic operator should have done in case of an infringement, and how a notification of the infringement plays a role in the assessment. For instance optimising the presentation of an offer for sale was an active role played by the operator. However, the Court did not consider that the optimisation of offers for sale is not done individually but is an automated process on eBay's website.<sup>153</sup> Although the Court gives examples of elements that affect the liability of the operator it is not year clear. It is still not clarified what exactly falls into the definition of active or passive role. A sole notification to the operator does not automatically preclude the exemption from liability in article 14(1) E-Commerce Directive, but is a factor that the referring court has to take into account when assessing the role

---

<sup>151</sup> *L'Oreal v eBay*, para 116.

<sup>152</sup> *L'Oreal v eBay*, para 117.

<sup>153</sup> Clark & Schubert, (n 60) 886.

played by the operator.<sup>154</sup> Again, the ECJ leaves it to the Court to decide the role played by the operator.

The question of liability is seen as affected by many different factors and it affects the function of a trade mark as well. If an operator of an online marketplace is not liable for the infringing activities appearing on the website the function of a trade mark on the Internet is impaired. The whole purpose behind the trade mark is that the consumers can be guaranteed the identity of the product as well as the quality. If an online marketplace is exempted from liability when there are clearly infringing activities going on, then the whole point of having a trade mark falls.

Moreover, national courts can grant injunctions against online marketplaces requiring the operator to restrain future infringement when the operator does not on its own initiative suspend the perpetrator of the trade mark infringement itself.<sup>155</sup> This shows that even though an operator does not remove the trade mark infringements on its website the national courts can however grant injunctions to make them do so. The injunctions must be effective and proportionate and not create a barrier to legitimate trade.<sup>156</sup> Consequently, there must be some kind of proportionality test done in order to decide whether or not an injunction is effective. As a Member State only has a general obligation to provide measures and remedies to ensure the enforcement of the trade mark rights.<sup>157</sup> Moreover, the measures and procedures have to be fair and not complicated or costly.<sup>158</sup> The Court does not give examples of factors that can be decisive however, it would not be proportionate to prevent the sales of products which bear a particular trade mark, as this

---

<sup>154</sup> *L'Oreal v eBay*, para 122.

<sup>155</sup> *Aristidou* (n 91)

<http://www.mondaq.com/x/157748/Trademark/Trade+Mark+Infringement+On+The+Internet+Current+Issues+And+Concerns+In+Europe+Part+3> accessed 5 May 2013.

<sup>156</sup> *Aristidou* (n 91)

<http://www.mondaq.com/x/157748/Trademark/Trade+Mark+Infringement+On+The+Internet+Current+Issues+And+Concerns+In+Europe+Part+3> accessed 5 May 2013.

<sup>157</sup> Enforcement Directive, article 3(1).

<sup>158</sup> Enforcement Directive, article 3(1).

would create barriers to trade.<sup>159</sup> On the other hand, requiring an operator of an online marketplace to suspend a trader who for instance offers counterfeit products could be effective and proportionate.<sup>160</sup> It is important that the balance between the protection of trademark and legitimate trade is equal.<sup>161</sup> The fact that a national court can grant an injunction in certain circumstances gives the impression that when the trade mark proprietor does not succeed or not have the power to prevent the infringement on an online marketplace, shows that trade mark proprietor is granted the scope of protections it needs to stop an infringing activity.

In order to maintain the function of a trade mark on online marketplaces it is crucial that trade marks infringements that appears on the website are dealt with. Therefore, the fact that an online marketplace can be held liable for infringing activities going on the online marketplace, shows that the trade marks which are used on online marketplaces have not lost their value. Using trade marks inappropriately and misleading consumers that they purchase genuine products, renders the function and purpose of trade mark laws.

### 5.3 Effective IP System

Could the function of trade mark be more effective on online marketplaces? The clarification the ECJ made concerning injunctions is one way to protect and ensure the protection of trade marks on online marketplaces. An effective way to prevent trade marks infringement on online marketplaces would be if websites itself created a system that filtered potential infringement.

The situation when a Member State imposes an injunction on an Internet service provider to install a filtering system was considering in *Sabam*.<sup>162</sup> It

---

<sup>159</sup> Aristidou (n 91)

<http://www.mondaq.com/x/157748/Trademark/Trade+Mark+Infringement+On+The+Internet+Current+Issues+And+Concerns+In+Europe+Part+3> accessed 5 May 2013.

<sup>160</sup> Aristidou (n 91)

<http://www.mondaq.com/x/157748/Trademark/Trade+Mark+Infringement+On+The+Internet+Current+Issues+And+Concerns+In+Europe+Part+3> accessed 5 May 2013.

<sup>161</sup> Enforcement Directive, article 3(2).

<sup>162</sup> C-360/10 *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v Netlog NV* [2012] ECR I-0000.



was held that the filtering system in question did not meet the requirements of proportionality. A filtering system that involves monitoring all information related to all of its service users in order to prevent future infringements would be incompatible with article 15(1) of the E-Commerce Directive.<sup>163</sup> Accordingly, requiring an Internet service provider to carry out general monitoring is prohibited.<sup>164</sup>

There are however different means which an operator could take into account and apply, in order to prevent these trade mark infringements.<sup>165</sup> If the operator itself can prevent the trade mark infringement then the issue of liability is out of the question. As liability only becomes an issue when the operator does not act upon infringements when they should.

The company eBay could however do more to prevent or minimise the appearance of trade mark infringement on counterfeit products or other infringements such as the sales of testers, or products not intended for sale in a country. For instance, eBay could introduce a filtering system which filter the products before they are posted on the website. A filtering system could also involve the use of additional filters to detect if there testers, samples or other not-for-sale products, or unboxed products. In addition, when it comes to sellers that are acting in the course of trade, eBay could require them to disclose the names and address. This would make it easier also to suspend the perpetrator of the infringement.<sup>166</sup>

For cases where the sale of non-EU goods occur without the consent of the trade mark proprietor, eBay could adopt some kind of policy to combat these infringement, as there is no such policy in the current state. An operator of an online marketplace could also apply sanction more strictly.

Even though it may seem that eBay could do all this to prevent trade mark infringement from occurring on its website, it is nevertheless also a question

---

<sup>163</sup> *SABAM*, para 38.

<sup>164</sup> E-Commerce Directive, article 15(1).

<sup>165</sup> Nurton (n 22) 13.

<sup>166</sup> *L'Oreal SA v eBay International AG* [2009] EWHC 1094 (Ch), para 277.

of cost. The fact that eBay could do more to prevent the infringement, does not mean it has to do so in a way which affects the business nor is it obliged to do so by law. As the ECJ pointed out that it depends on what kind of role eBay plays, if eBay is actively optimising the sales of counterfeit products or products not intended for sale in EU, then eBay might be liable for the infringing actions.

Finally, from the aforementioned analysis, it gives the impression that the ECJ places a higher burden on operators of online marketplaces to keep an eye on the content of their users' posting on the website.<sup>167</sup>

---

<sup>167</sup> Smith & Silver (n 93) 767.

## 6 Conclusion

In conclusion, this thesis shows that there are different factors that play a role in the assessment of the scope of protection a trade mark proprietor acquires on online marketplaces. It appears that although trade mark infringements occur on the Internet, the trade mark proprietors have the right to prevent these infringing activities. Depending on the infringements, there are different conditions affecting the scope of protection. When it comes to goods that are counterfeit, not intended for sale in EU, unboxed products or testers and samples not aimed to be put on the market, the trade mark proprietor has the right to claim that the Internet service provider, such as eBay, should stop the infringements. Moreover, in cases where the Internet service provider does not stop these infringements, the national courts can issue injunctions against the intermediaries. However, the injunction has to be effective and proportionate. The intellectual property system could be more effective in terms of that filtering systems could be used to prevent future infringements. However, the filtering systems cannot be a barrier to legitimate trade or impose a general obligation on the Internet service providers to monitor the data on its server by its users. This would be incompatible with the E-Commerce Directive.

The liability of Internet service providers is very much dependent on the position they take. Whether the service provider is aware, has received a notification or has actual knowledge are a few of the factors the ECJ provided to affect the liability. However, future case law will hopefully make it clearer on the question of liability and what injunctions are to be seen as proportionate to prevent future trade mark infringements.

# Bibliography

## Books

Cottier T & Véron P, *Concise International and European IP Law: TRIPS, Paris Convention, European Enforcement and Transfer of Technology* (2nd edn, Kluwer Law International 2011)

Levin M, *Lärobok i immaterialrätt: upphovsrätt, patenträtt, mönsterrätt, känneteckensrätt- I Sverige, EU och Internationellt*, (10th edn, Norstedts Juridik 2011)

Michaels A & Norris A, *A Practical Approach to Trade Mark Law* (4th edn Oxford University Press 2010)

Murray B, *Defending the Brand: Aggressive Strategies for Protecting your Brand in the Online Area* (AMACOM 2003)

## Articles

Andreas Rühmkorf, *eBay on the European Playing Field; A Comparative Case Analysis of L'Oreal v eBay*, (2009) 6(3) SCRIPTed – A Journal of Law, Technology & Society 686

Birgit Clark & Maximilian Schubert, “Odysseus between Scylla and Charybdis? The ECJ ruled in L’Oreal v eBay” (2011) 6(12) Journal of Intellectual Property Law & Practise 880

Tamber Christian, ‘Internet Caching: Something to Think About’(1999) 67(3) UMKC Law Reviewed 477

Irene Calboli, 'International Intellectual Property Series, Reviewing the (Shrinking) Principle of Trade mark Exhaustion in the European Union (Ten Years Later)' (2012) 16(2) *The Marquette Intellectual Property Law Review* 258

James Nurton, "Questions referred to ECJ in *L'Oreal v eBay Battle*", *Managing Intellectual Property* (2009) 12

Joel Smith & Joanna Silver, *L'Oreal v eBay: a Warning o Online Marketplace Operators*, (2011) 6(11) *Journal of Intellectual Property Law & Practise* 765

Katja Weckström, "Liability for Trademark Infringement for Internet Service Providers" (2012) 16(1) *Marquette Intellectual Property Law Review* 1

Kurt M. Saunders and Gerlinde Berger-Walliser, "The Liability of Online Markets for Counterfeit Goods: A Comparative Analysis of Secondary Trademark Infringement in the United States and Europe" (2011) 32(1) *Northwestern Journal of International Law & Business* 37

## **European Union Legislation**

The Treaty on the Functioning of the European Union[2012], OJ C326/47

Directive 2004/48/EC of The European Parliament and of the Council of 29 April 2004 On The Enforcement of Intellectual Property Rights [2004] OJ L195/16 ("Enforcement Directive")

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 (Directive on electronic commerce) [2000] OJ L178/1 ("E-Commerce Directive")

Directive 2008/95 of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relation to trade marks [2008] OJ L299/25 (“Trademark Directive”)

Council Regulation (EC) 207/2009 of 26 February 2009 on the Community trade mark [2009] OJ L78/1 (“Community Trade Mark Regulation”)

Council Directive, 76/768/EEC, July, 1976 On The Approximation Of The Laws Of The Member States Relating To Cosmetic Products (“Cosmetics Directive”)

## **International Treaties**

Agreements on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

## **Documents**

Analysis of the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights in the Member States Accompanying document to the Report from the Commission to the Council, the European Parliament and the European Social Committee on the application of Directive 2004/48/EC of the European Parliament and the Council of 29 April 2004 on the enforcement of intellectual property rights COM (2010) 779 final, Brussels 22/12/2010 SEC (2010) 1589

## **Cases from ECJ**

Anheuser-Busch Inc v Budějovický Budvar, národní podnik (C-245/02) [2004] ECR I-10989

Arsenal Football Club plc v. Reed (C-206/01) [2002] ECR I-10273 (*Arsenal*)

Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA v  
Netlog NV (C-360/10) [2012] ECR I-0000 (SABAM)

Celine SARL v Celine SA (C-17/06) [2007] ECR I-7041

Copad SA v Christian Dior couture SA and Others (59/08) [2009]  
ECR I-3421

Coty Prestige Lancaster Group GmbH v Simex Trading AG (C-127/09)  
[2010] ECR I-4965

Google France S.A.R.L, Google Inc v Louis Vuitton Malletier SA Joined  
(Joined cases C-236/08 to C-238/08) [2010] ECR I-2417 (*Google France  
and Google*)

L’Oreal SA and Others v Bellure NV and Others (C-487/07) [2009] ECR I-  
5185

L’Oreal SA and Others v eBay International AG and Others (C-324/09)  
[2011] ECR I-0000 (*L’Oreal v eBay*)

Peter Pammer v Reederei Karl Schlüter GmbH & Co. KG and Hotel Alpen-  
hof GesmbH v Oliver Heller (Joined Cases C-585/08 and C-144/09) [2010]  
ECR I-12527 (*Peter Pammer*)

Silberquelle GmbH v Maselli-Strickmode GmbH (C-495/07) [2009]  
ECR I-137

## **AG Opinion**

Opinion of Advocate General Jääskinen Delievered on 9 December 2010  
(C-324/09)

## **Brussel National court**

Lancôme v. eBay, Brussels Commercial Court, Aug. 12, 2008, Docket No.  
A/07/06032

## **French National Court**

Case No. 200677799, S.A. Louis Vuitton Malletier v. eBay Inc, Tribunal de Commerce de Paris, Premiere Chambre B., June 30, 2008.

Hermes v. eBay, Troyes High Court, June 4, 2008 Docket 06/0264.

## **UK National Court**

L'Oreal SA v eBay International AG [2009] EWHC 1094

## **Electronic Resources**

Christiana Aristidou, *Cyprus: Trade mark Infringement on the The Internet: Current Issues and Concerns in Europe (Online Marketplaces, eBay, L'Oreal v. eBay: A Case With No Winners – Part 3* (20 December 2011)

<http://www.mondaq.com/x/157748/Trademark/Trade+Mark+Infringement+On+The+Internet+Current+Issues+And+Concerns+In+Europe+Part+3>

accessed 5 May 2013

Alex Batteson, EU – Trade marks: Hosting Defence Now Narrower

<http://www.linklaters.com/Publications/Publication1392Newsletter/October-2011/Pages/EU-Trademarks-Hosting-defence-now-narrower.aspx>

accessed 5 May 2013

<http://www.scl.org/site.aspx?i=ne21303> accessed 2 May 2013

[www.ebay.com](http://www.ebay.com) accessed 6 May 2013

[www.amazon.com](http://www.amazon.com) accessed 6 May 2013