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Cooperation in the Field of IPR Enforcement: Memorandum of Understanding on the Sale of Counterfeit Goods over the Internet

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On May 4 2011, in a ceremony hosted by the European Commission, a representative group of leading rights holders and internet platforms signed a Memorandum of Understanding (**MoU**) on the Sale of Counterfeit Goods over the Internet.[i]

The fight against counterfeiting is a key area of EU collaboration, although its methodology remains a subject of ongoing debate. The European Union already has a number of legal instruments in place, such as the 2004 Enforcement Directive [ii] which requires all member states to apply effective, dissuasive and proportionate remedies and penalties against those engaged in counterfeiting and piracy, thus creating a level playing-field for right holders.

The European Union has also created a European Observatory on Counterfeiting and

Piracy [iii] which serves, among other things, as a central resource for gathering, monitoring and reporting information related to infringements of trademarks, design rights and copyright.

The MoU states that although the Internet is not in itself the source of the counterfeiting problem, it has become an important medium for the sale of counterfeit goods. Counterfeiting is harmful to all stakeholders, including:

- consumers, who are at greater risk of buying inferior and possibly dangerous goods;
- right holders, as counterfeiting threatens their business and damages the reputation and value of their brands; and
- internet platforms,[iv] which see counterfeiting as undermining their efforts to be regarded as safe and legitimate.

The MoU was signed by major internet platforms and rights holders from a variety of sectors, including the luxury goods, wines and spirits, toys, sporting goods, consumer electronics, film, software and games industries. It applies only to its signatories, but is open to additional parties. The MoU applies to each signatory only to the extent that it provides services in an EU or EEA member state. As a code of practice, the MoU is not legally binding. However, trade associations which have signed it agree to make their members fully aware of its provisions and to encourage them to respect its principles.

The MoU focuses on counterfeit and pirated goods. As such, it does not cover parallel imports of goods, 'grey market' goods, disputes over licensing agreements or issues relating to the exhaustion of rights and selective distribution. It enhances collaboration between rights holders and internet platforms in the fight against the sale of counterfeit goods online. Within this collaborative framework, primary responsibility for the protection and enforcement of IP rights remains with the rights holders; internet platforms are primarily responsible for ensuring a safe online environment for consumers.

The signatories consider that notice and takedown (“N&T”)[v] procedures are indispensable in the fight against the online sale of counterfeit goods. In particular, internet platforms which agree to abide by the MoU commit to:

- offering efficient, effective and comprehensible N&T procedures, to be made accessible through the platform’s website;
- dealing with notifications in an efficient and comprehensive manner, without undue delay, and ensuring that a valid notification that counterfeit goods are being offered results in such offer being taken down promptly; and
- applying deterrent measures in relation to such vendors.

Rights holders commit to:

- using N&T procedures to notify platforms of offers of counterfeit goods in an efficient and comprehensive manner;
- clearly identifying both the reporting party and the specific offer of allegedly counterfeit goods; and
- using N&T procedures in good faith, avoiding unjustified, unfounded and abusive notifications.

Where it is obvious that notifications have been made without appropriate care, rights holders may be denied access to N&T procedures or may have such access restricted.

By signing the MoU, internet platforms and rights holders undertake to provide each other with feedback on notifications. The relevant vendors should also be informed when an offer is taken down. They should be informed of the reason for the decision and should be provided with a means of response. This includes access to the notifying party’s contact details, which rights holders must provide to internet platforms for this purpose.

Internet platforms and rights holders commit to providing appropriate means for consumers to identify and report offers of counterfeit goods to internet platforms and to rights holders, both before and after a purchase.

In addition to N&T procedures, the MoU sets forth proactive and preventive measures to be implemented by both rights holders and internet platforms. These measures must aim at a timely and adequate response to attempts to sell counterfeit goods, either before or after items are made available to the public. Among other things, rights holders must:

- take commercially reasonable steps to provide up-to-date information to internet platforms, giving priority to products that, in their opinion, are linked to a substantial and pervasive counterfeit goods problem on that internet platform. Typically, these will include products which present a high risk of counterfeit sale (eg, products that do not exist in a rights holder's product line, but have been specifically developed by counterfeiters to attract consumers). In this regard, the MoU clarifies that the provision of such information shall not constitute actual or implied notice or actual or constructive knowledge; and
- provide internet platforms, on request, a list of keywords commonly used by vendors when offering obvious counterfeit goods for sale.

Internet platforms agree to take appropriate, commercially reasonable and technically feasible measures to identify or prevent the sale of counterfeit goods, especially obvious counterfeit goods, and to prevent such goods from being offered or sold through their platforms, also taking into account the information provided by the rights holders. Any such measures are taken at their own discretion.

They also commit to:

- the adoption, publication and enforcement IP rights policies, which should be clearly displayed on their websites and reflected in contracts with vendors; and

- the disclosure, on request, of relevant information, including the identity and contact details of alleged infringers and their user names, insofar as permitted by applicable data protection laws.

The MoU sets forth special provisions for repeat infringers, focused on the internet platforms' commitment to implement and enforce policies to deter infringement. Such measures shall include:

- the suspension (temporary or permanent) or restriction of accounts or vendors; and
- efforts to prevent re-registration of permanently suspended vendors.

Deterrent policies for repeat infringers should take full account of the severity of a violation, the number of alleged infringements, the apparent intent of the alleged infringer and the record of notices and feedback received from rights holders.

The MoU promotes a moratorium on litigation: the signatories agree not to initiate new litigation against each other concerning matters covered by the MoU. The moratorium runs for a one-year assessment period from the date of signature.^[vi]

The signatories and the European Commission will meet at the end of the assessment period to evaluate, on the basis of an *ad hoc* report by the Commission, the effectiveness of the MoU in reducing the sale of counterfeit goods online. They will also discuss the continuation of the MoU and, if appropriate, propose follow-up actions. After the assessment period, signatories may extend the MoU indefinitely.

It is hoped that voluntary measures such as those embodied by the MoU, plus a clear regulatory framework and effective penalties, will give stakeholders the necessary flexibility to respond rapidly to technological developments and to find efficient solutions to online infringement.

[i] The MoU entered into force on May 5 2011.

[ii] Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of IP rights.

[iii] See Council Resolution on a comprehensive European anti-counterfeiting and anti-piracy plan, September 25 2008. On May 24 2011, the commission tabled a proposal for a Regulation of the European Parliament and of the Council to reinforce the European Observatory by entrusting its tasks to the Office for Harmonisation in the Internal Market (OHIM).

[iv] According to Clause 1 of the MoU, 'internet platform' means *"any information society service provider whose service is used by third parties to initiate online the trading of physical goods, and which is operated by a signatory of the MoU, to the extent so indicated by the service provider"*.

[v] According to Clause 5 of the MoU, 'N&T' means *"any procedure, including the associated processes, by an Internet Platform, that enables a Rights Owner to notify efficiently to an Internet Platform any relevant Offer, including closed Offers, of an alleged Counterfeit Good made publicly available using the relevant services of that Internet Platform, in order to allow the Internet Platform to take appropriate action, including making the Offer unavailable to the general public through the Internet Platform"*.

[vi] See Clause 10 of the MoU.