

Why active advertising services need active anti-counterfeiting measures

A recent judgment in a dispute between Facebook and Tommy Hilfiger could have a significant impact on the fight against fakes

As the flourishing trade in fake products shifts to online marketplaces and social media platforms, so are the anti-counterfeiting actions of well-known brands such as Tommy Hilfiger and Calvin Klein. However, as these online platforms become more and more active, the position of well-known brands in their fight against counterfeiting might be strengthening as well. A court in the Netherlands has held that Facebook must take additional measures to combat the trade in fake Tommy Hilfiger products via advertisements on its social media platforms Facebook and Instagram.

Facebook ordered to take additional measures

PVH Europe, Tommy Hilfiger Licensing and Tommy Hilfiger Europe initiated preliminary relief proceedings against Facebook Ireland Limited and Facebook Netherlands before the Amsterdam court, after establishing that Facebook showed hundreds of ads that blatantly infringed Tommy Hilfiger's trademarks, including the Benelux word mark TOMMY HILFIGER. Tommy Hilfiger argued that Facebook failed to take

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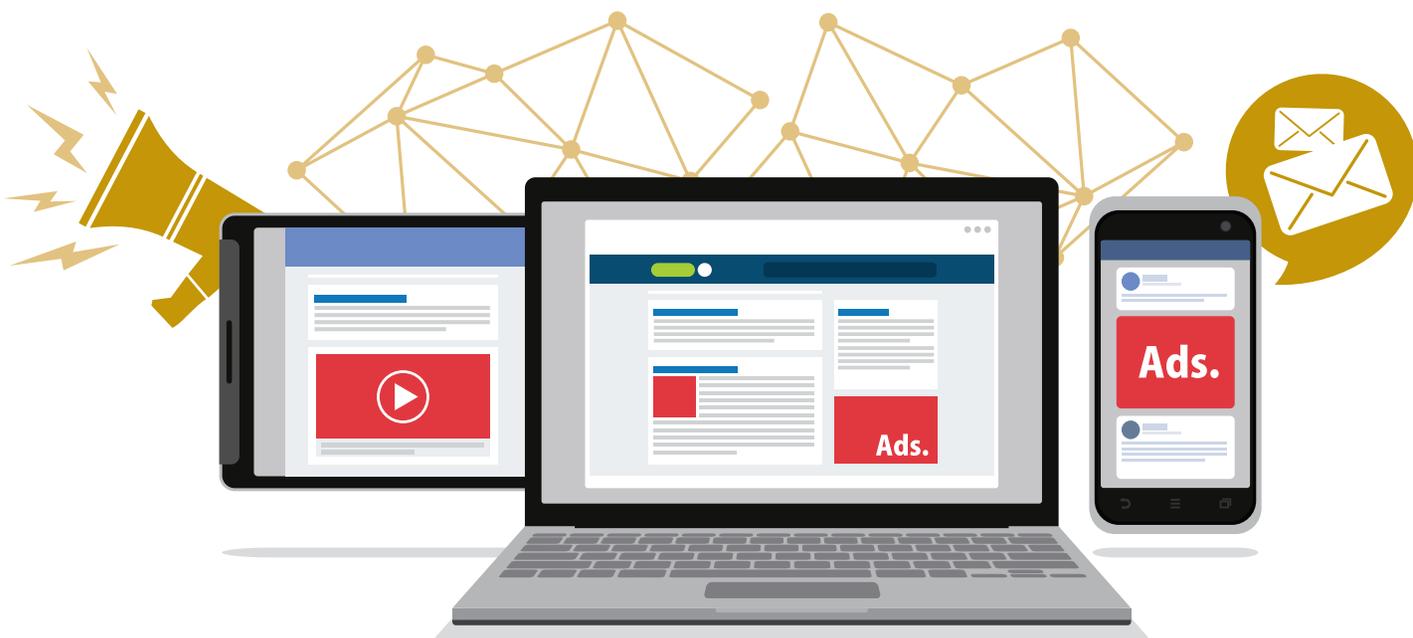
sufficient anti-counterfeiting measures given the number of infringing ads that it hosted. Further, it should provide identifying information of infringing advertisers upon Tommy Hilfiger's request, to allow the clothing company to take the proper legal action.

Facebook's advertising service allows advertisers to publish paid ads on Facebook and Instagram; the service is governed by Facebook's own ad policy, according to which, ads are checked before publishing. Ads that do not comply with Facebook's policy can be rejected; in particular, ads that infringe the rights of third parties (ie, copyrights, trademarks and privacy rights) are prohibited. Tommy Hilfiger itself is also one of Facebook's ad customers.

Upon Tommy Hilfiger's request, Facebook removed various infringing ads and provided the company with so-called 'identifiers' (including ad account identifications (IDs), page IDs and admins). However, when Tommy Hilfiger asked for identifying information and payment information, Facebook refused to provide it.

In filing suit, Tommy Hilfiger argued that Facebook was infringing its trademark rights by taking insufficient measures against infringing advertisers. Alternatively, it

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stated that Facebook was acting unlawfully by not taking any measures in addition to the insufficient measures that it had already taken.

Facebook acknowledged that its platforms regularly show ads for fake Tommy Hilfiger products. However, it insisted that it regularly removes these after being notified of them. Facebook was also willing to share identifiers. However, the social media giant stated that a court order is required before it can provide identifying information. Moreover, Facebook opposed the notion that it could carry out any investigations in advance, as this would basically boil down to screening ads in a way that goes beyond its current policy.

ECJ: neutral ISPs exempt from liability

Article 14 of the EU E-commerce Directive (2000/31/EC) establishes that internet service providers (ISPs) that store information provided by their customers, are not liable for that information, on the condition that the ISP:

- has no actual knowledge of illegal activity or information, and – as regards claims for damages – is not aware of facts or circumstances from which the illegal activity or information is apparent; or
- acts expeditiously to remove or disable access to the information upon obtaining such knowledge or awareness.

It follows from the European Court of Justice's (ECJ) landmark decision in *Google France* that in order to fall within the scope of protection for ISPs as laid down in Article 14, the ISP's activities must be of a mere technical, automatic and passive nature. This implies that the ISP should have no knowledge or control over the information being transmitted or stored. If the ISP plays an active rather than a passive role, the exemptions from liability do not apply.

In its decision in *L'Oréal v eBay* (which concerned the liability of online marketplace operator eBay), the ECJ considered that the mere fact that an online marketplace operator stores offers for sale on its servers, sets the terms of its service, is paid for that service and provides general information to its customers does not mean that it should be denied this exemption from liability. Such activity may still be deemed sufficiently neutral.

However, when the operator has provided assistance, which entails optimising the presentation of the offers for sale or promoting those offers, then its position is no longer neutral. Instead, the operator has played an active role of such a kind as to give it knowledge of or control over the data relating to those offers for sale. In that case, the operator is no longer exempt from liability.

Facebook is too active for exemption

The Amsterdam court applied the same criteria as the ECJ in determining whether Facebook could be held liable for infringing ads on Facebook and Instagram. According to the court, Facebook's role is far too active for it to qualify as a neutral ISP; Facebook determines the content of ads by controlling them, as described in its ad policy. For this reason, it could not be exempt from liability as described in Article 14 of the E-commerce Directive. It should therefore take appropriate measures to prevent systematic infringements upon the IP rights of third parties such

as Tommy Hilfiger as much as possible. In this respect, preventive measures with regard to the future may be ordered, because there is a sufficiently specific threat of future unlawful actions from infringing advertisers.

Does this make Facebook an infringer? Not according to the court. Facebook's ad policy is designed to prevent infringing ads and the company generally removes such ads upon notification. However, insofar as Facebook's measures are insufficient to prevent future infringements on its online platforms, it can be held liable on the basis of tort. According to the Amsterdam court's preliminary judgment, such liability applied given that the infringing ads pop up continuously and Facebook's measures were apparently insufficient. In the circumstances at hand, Facebook must meet the standard of due care, which means that it must take efficient, preventive measures, insofar as this can be reasonably expected.

Does this provide trademark owners with a *carte blanche* to act against any and all advertisers without the necessary safeguards in place? The court believes not. Tommy Hilfiger's claims were limited to ads containing the word mark TOMMY HILFIGER and the following specific characteristics:

- low prices or large discounts;
- combinations of three or four pictures;
- the website to which the ad refers is another website to the one mentioned in the ad;
- the product description is in broken English or irrelevant to the products offered;
- the ad offers free delivery; and
- the advertisers are Facebook community pages that were created just before the ad was placed.



It must be borne in mind that ISPs' exemption from liability is designed to protect activities that are of a mere technical, automatic and passive nature only

The Amsterdam court considered that as Facebook already applies an advertising policy according to which it performs a check in advance and as Tommy Hilfiger's claims were limited to a specific kind of ad, the social media giant's business operation would not be unreasonably impeded by checking on these ads in advance.

ECJ: providing identifying information requires balancing fundamental rights

It follows from the ECJ's landmark decisions *Promusicae* and *Bonnier Audio* that there is no obligation for EU member states to lay down an obligation to always provide identifying information in the context of civil proceedings. Instead, the courts and authorities of member states must balance the fundamental rights involving IP protection and the right to an effective remedy on the one hand, with the right to protection of personal data and private life on the other. In *UPC Telekabel*, the ECJ also identified the ISPs and internet user's own fundamental rights, namely the ISP's freedom

to conduct a business and the internet user's right to freedom of information.

Leaving sufficient room to strike a balance between these fundamental rights, the Netherlands court maintained the use of the standard criteria set by the Dutch Supreme Court in *Lycos v Pessers* in 2005. The case concerned stamp dealer Pessers, who was anonymously accused of fraud on a website. Pessers requested ISP Lycos to disclose the contact details of the person accusing him of fraud, which Lycos refused to do, with reference to the exemptions from liability set out in the E-commerce Directive. The Supreme Court considered that an ISP can be obliged to provide identifying information about an infringer if:

- it is plausible that the content is unlawful;
- the third party has a legitimate interest in obtaining the identifying information;
- it is plausible that there is no less intrusive way to obtain the identifying information; and
- the interests of the third party prevails over the interests of the service provider and the infringer.

Pessers won the case in all instances. Nevertheless, it was a Pyrrhic victory: the identifying information had been faked by the website owner and Lycos had no other information than this fabricated identity.

Facebook also ordered to provide identifying information

With regard to Tommy Hilfiger's request for Facebook to provide identifying information, the Amsterdam court took into consideration the abovementioned criteria from *Lycos v Pessers*. When assessing the infringing Tommy Hilfiger ads, the court established that all these criteria had been met. In particular, Tommy Hilfiger successfully argued that there were no other, less intrusive ways to identify the infringers. Even though it is theoretically possible to send cease and desist letters to the hosts of websites on which products are offered for sale, it is plausible that these hosts are difficult to identify and the websites are often taken offline in the blink of an eye. Facebook remains the main contact for these infringing advertisers and therefore provides continuity.

The court did take into consideration the right to protection of personal data and private life. However, it considered that such privacy rights did not stand in the way of providing identifying information to Tommy Hilfiger. In this particular case, the advertisers whose identifying information was sought are commercial businesses offering infringing products rather than private persons. Not only Tommy Hilfiger, but also consumers visiting the websites were disadvantaged by these infringing ads. It is essential for Tommy Hilfiger to obtain identifying information in order to take appropriate actions. Therefore, there are sufficient legal grounds for providing such identifying information, as described in Article 6 of the EU General Data Protection Regulation.

The interests of infringing advertisers simply do not outweigh the interests of Tommy Hilfiger in obtaining identifying information so as to protect its trademark rights. Tommy Hilfiger also succeeded in pointing out that commercial parties are already obliged to identify



In filing suit, Tommy Hilfiger argued that Facebook had infringed its trademark rights by taking insufficient measures against infringing advertisers

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themselves on the basis of Article 4 of the E-commerce Directive. Moreover, Facebook itself lacks any real interest in opposing the provision of identifying information, because it is consistent with its own ad policy. Therefore, Facebook's freedom to conduct a business was not impeded – at least not unreasonably.

Based on this, the Amsterdam court ordered Facebook to cease and desist its unlawful actions against Tommy Hilfiger – in particular, permitting infringing ads to be placed on Facebook and Instagram that meet the specific characteristics described by Tommy Hilfiger. Facebook was also ordered to provide Tommy Hilfiger with all information regarding the origin and distribution channels of the infringing ads – in particular, information on the advertisers, ad accounts, web pages, name, address, place of residence, email address, telephone number, date of registration, IP addresses, payment methods and payment information. Moreover, Facebook was ordered to cease its contracts with these infringing advertisers. The court imposed a penalty of €10,000 for each day that Facebook failed to comply with these orders, up to a maximum of €2 million. With regard to future infringements, Facebook was ordered to provide aforementioned information and cease its contract with the infringer within 14 days from notification of infringement from Tommy Hilfiger.

Lessons from the Amsterdam court

This might not be the final word on the case. The Amsterdam court's judgment was rendered in preliminary relief proceedings in first instance. At the time of writing, it is not yet known if Facebook has started appeal proceedings against this judgment. Moreover, Tommy Hilfiger may start proceedings on the merits within six months from the date of this preliminary judgment. Facebook could, in theory, start appeal proceedings against any such future judgment in proceedings on the merits as well. In the meantime, there are several useful takeaways.

Unfortunately for trademark and copyright owners, there are limits to IP rights protection. Such protection must be balanced with the fundamental rights at issue – in particular, the ISP's freedom to conduct a business,

the internet user's freedom of information and the advertiser's right to privacy.

The factual circumstances of a case will dictate which interest prevails. For example, in an earlier case before the Leeuwarden Court of Appeal between Stokke and Dutch online market platform Marktplaats, the court took into account that the advertising parties were generally not professional traders but merely natural persons selling a product as a private activity. Further, Marktplaats only registered users' email addresses and not their full identifying information. As most individuals on Marktplaats are not involved in illegal activities, Marktplaats is not obliged to register and check their identity or to provide Stokke with their identifying information. Moreover, installing a costly filter system would cause disproportional disadvantages to Marktplaats and only limited advantages to Stokke. Further, ads of individuals lawfully advertising on Marktplaats would be quarantined before publishing, which would lead to delays in publishing and damage to Marktplaats' commercial attractiveness.

When comparing this case with the dispute between Tommy Hilfiger and Facebook, the factual differences are striking; not only were the infringing advertisers on Facebook considered to be professional, Facebook's

role was more knowing and controlling than that of Marktplaats.

It must also be borne in mind that ISPs' exemption from liability is designed to protect activities that are of a mere technical, automatic and passive nature only. If the ISP actively knows, optimises and controls the content of the ads, a risk of liability may arise.

This does not mean that any general obligation to monitor information or to actively seek facts or circumstances indicating illegal activity can be imposed on an ISP, as follows from Article 15 of the E-commerce Directive. The ECJ's judgment in *Scarlet v Sabam* confirmed that any general filtering system would not be EU law proof.

However, if a court order to block specific infringing ads is already consistent with the ISP's own policy, it would not unreasonably impede the ISP's business operation. This also holds true for ISPs providing identifying information with regard to infringing advertisers; if this is consistent with the ISP's own advertising policy, the ISP's business would not be unreasonably impeded by such a request. **WTR**



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