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Online Marketplace Liability: Court of Justice of the European Union Ruling in *Coty v. Amazon*

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On April 2, 2020, the Court of Justice of the European Union (“CJEU”) delivered its ruling in *Coty Germany v. Amazon*—a case that raised important questions regarding the liability of online marketplaces. The case had raised the possibility that online marketplaces could be found directly liable for infringing products sold on their platforms.

Currently, if a third party sells infringing products on an online marketplace, within the EU, the online marketplace is not liable if it: (i) does not have actual knowledge of the infringement, or (ii) acts promptly to remove the infringing content once it becomes aware of the infringement. European Commission guidance¹ states that if the online marketplace has knowledge and does not remove the infringing content, it will be evaluated under the applicable Member State law’s tortious doctrine of secondary or indirect liability instead of automatically being held liable for the infringing content.

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The German Federal Court had requested a preliminary ruling on the interpretation of Article 9(3)(b) of the 2017, and Article 9(2)(b) of the now-repealed 2009, Trade Mark Regulations,² asking:

Does a person who, on behalf of a third party, stores goods which infringe trade mark rights, without being aware of that infringement, stock those goods in order to offer them or put them on the market for the purposes of those provisions, if that person does not itself pursue those aims?

The CJEU addressed this question by ruling that a person who, “on behalf of a third party, stores goods which infringe trade mark rights, without being aware of that infringement, must be regarded as *not* stocking those goods in order to offer them or put them on the market for the purposes of those provisions, if that person does not itself pursue those aims.”³

While this ruling on its face leads away from the possibility of direct liability for online marketplaces, it is not definitive. The CJEU’s interpretation is subject to national courts’ application of the ruling to specific fact patterns. And although the CJEU’s judgment takes precedence over the opinion of Advocate General Manuel Campos

Sánchez-Bordona, it is possible that national courts may look to the broader and more analytical opinion of the Advocate General on points which were not addressed in the judgment when considering the application of the case to more specific fact patterns.

Thus, online marketplaces remain at risk for being found directly liable for infringing products sold on their platforms in the near future.

CASE BACKGROUND

In May 2014, a Coty mystery shopper purchased on Amazon a Davidoff Hot Water EdT 60 ml perfume (in relation to which the trade mark rights had not been exhausted) from a seller who had joined the Fulfilment by Amazon program. Coty requested that Amazon return to Coty all perfumes held by Amazon bearing the DAVIDOFF HOT WATER trade mark. Amazon sent 30 bottles of the perfume to Coty and noted that 11 of the 30 originated from another seller.

When Coty requested that Amazon reveal the second seller's identity, Amazon stated that it was not in a position to do so. Coty then sued Amazon for trade mark infringement in Germany but was unsuccessful both at first instance and on appeal.

Coty brought a further appeal on a point of law before the German Federal Court. The question referred to the CJEU arose on appeal. Since one of Coty's claims relates to the risk of repeat infringement, it was necessary for the CJEU to interpret the applicable law at the material time in the main proceedings and the current applicable law (hence the interpretation of the now repealed Council Regulation No 207/2009 as well as the currently applicable Council Regulation 2017/1001).

THE CJEU'S ANALYSIS

Use in the Course of Trade

In order to respond to the question, the CJEU first looked at the basic right afforded to trade mark owners by Articles 9 of the Trade Mark Regulations—the right to prevent all third parties from using in the course of trade any sign that is identical to, or likely to cause confusion with, the trade mark owner's mark. The CJEU considered whether “merely stor[ing] the goods concerned without offering them for sale or putting them on the market [or intending] to offer those goods for

sale or put them on the market” would constitute use in the course of trade, a concept which is not defined in the relevant Trade Mark Regulations. The CJEU instead looked to its previous decisions regarding the ordinary meaning of use noting, among others, the following points:

- Creating the technical conditions necessary for a third party to use trade marks is not, in itself, “use.”
- “Using” involves both:
 - Active behavior and direct or indirect control of the act constituting the use, and
 - The ability to stop infringing use as a result of the direct or indirect control.
- “Use” of signs identical or similar to trade marks in offers for sale displayed in an online marketplace is made by the sellers, who are customers of the operator of that marketplace, and not by that operator itself.
- An economic operator who imports or sends to a warehouse-keeper, for the purpose of their being put on the market, goods bearing a trade mark of which it is not the proprietor may be regarded as “using” a sign identical to that trade mark but that is not necessarily true of the warehouse-keeper.

PURPOSE OF THE STORAGE

The CJEU focused on the fact that in order for storage to be considered “use” pursuant to Articles 9 of the Trade Mark Regulations, the “user” must be storing the goods for the purpose of offering the goods or putting them on the market itself.

OTHER QUESTIONS RELATED TO THE CASE

Does Amazon Act as a Mere Warehouse-Keeper on Behalf of Third-Party Sellers?

Coty submitted this question to the CJEU, but as the CJEU is limited to examining matters submitted by the referring court, it accepted the referring court's findings and did not respond to the question.

When delivering his opinion on November 28, 2019, Advocate General Sánchez-Bordona, being less restricted in the issues upon which he can comment, did consider this issue. The Advocate General noted that:

- An online marketplace does not only “create the technical conditions necessary for its sellers to use the mark”, but—when it offers a service enabling the distribution of the product bearing the mark—it then also creates a link between the service it offers and the infringed mark.⁴
- In determining whether an online marketplace engages in active behavior or has “control of the act constituting use”:
 - The buyer’s perspective is important. When using online marketplaces, a buyer is not always aware of whether the seller is the original brand owner, the online marketplace itself, or a third party seller, which undermines the essential function of a brand to indicate a product’s origin.⁵
 - The extent of the online marketplace’s participation in the sale is relevant. If it receives third-party sellers’ goods, stores them, prepares the goods for shipping, and organizes the shipping, this would seem to be active behavior. Additional activities such as organizing advertising of products, providing after-sales and returns/reimbursement services, and collecting and distributing payments all contribute to showing active behavior and “control . . . constituting use.”⁶
- If there is a presence of such active behavior and involvement in the fulfilment process, this would suggest that an online marketplace becomes akin to the economic operator sending goods to the warehouse-keeper and that the online marketplace would in fact, jointly with the third-party seller, have the objective of offering the products in question or putting them on the market.⁷

If these factors are established, the Advocate General considered it immaterial if the relevant online marketplace acquired no title to the products

during its intervention/participation in the relevant transactions.⁸

Can Online Marketplaces That Do Not Have Actual Knowledge of Infringement Rely on the eCommerce Directive “Hosting Safe Harbor”?

Coty requested that the CJEU address this question, but the CJEU again declined on the basis that the query had not been submitted by the referring court.

The Advocate General had the freedom to consider whether, in the circumstances outlined above, an online marketplace (being, for the purposes of Article 14 of Directive 2000/31/EC on electronic commerce, an “information society provider” hosting information provided by its users), cannot be found liable for information provided by or stored at the request of its users, if both:

- The online marketplace does not have actual knowledge of the illegal activity or information, and
- The online marketplace acts swiftly to remove or disable access to such information upon obtaining such knowledge or awareness.

The Advocate General noted that lack of “actual knowledge” of an online marketplace that engages in “active behavior” in placing products on the market does not necessarily exempt the online marketplace from liability. If an online marketplace is significantly involved in putting products on the market, it can be expected to show special care and diligence in matters regarding the legality of the goods they trade. The Advocate General did not expressly address whether swift removal or disabling of access should mitigate this liability. The Advocate General also did not address how online marketplaces should show such special care and diligence.

POTENTIAL IMPLICATIONS

In applying the CJEU’s judgment, national courts could establish direct liability for online marketplaces. However, if a national court follows the Advocate General’s analysis and finds that online marketplaces must show special care and diligence

in matters regarding the legality of the goods they trade, it is possible that the relevant Member State would be found to be in breach of Article 15 of the eCommerce Directive.

In applying the CJEU's judgment, national courts could establish direct liability for online marketplaces.

Article 15 of the eCommerce Directive prevents Member States from imposing a general obligation on providers when offering hosting services (as well as caching services and services that act as a “mere conduit”) that would require them to: (i) monitor the information that the providers transmit or store, or (ii) actively seek facts or circumstances indicating illegal activity. In the event of a direct liability regime, it seems the only way for online marketplaces to then ensure infringing products were not placed on their platforms would be to implement monitoring of the platforms.

This potential for direct liability and the lack of coherence with the eCommerce Directive mirrors the confusion around the liability of online content sharing service providers under Article 17

of Directive (EU) 2019/790 on Copyright in the Digital Single Market and its alignment with the eCommerce Directive. Both developments raise questions as to whether direct liability for service providers is the intended direction of the Digital Single Market.

With regard to *Coty Germany v. Amazon*, the German court's judgment will hopefully provide additional clarity, and—although not binding on other Member States—it is likely to be instructive.

Notes

1. https://www.ivir.nl/publicaties/download/hosting_intermediary_services.pdf.
2. Council Regulation 2017/1001 and Council Regulation No 207/2009 (as amended by Regulation 2015/2424), respectively.
3. Emphasis supplied.
4. Paragraph 43, Conclusions of Advocate General Manuel Campos Sánchez-Bordona, presented on November 28, 2019 (1), *Coty Germany GmbH, C - 567/18*.
5. Paragraph 54, *ibid.*
6. Paragraph 56-58, *ibid.*
7. Paragraphs 68 and 69, *ibid.*
8. Paragraph 61, *ibid.*

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