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Liability for Indirect Trademark Infringements in E-Commerce Platforms



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Abstract

The article explores the issue of the liability of electronic trading platform operators for indirect trademark infringement. The author addresses the key question: to what extent platform operators should be liable for preventing and suppressing the sale of counterfeit goods. The article also includes a comparative analysis of practices in other countries, particularly China, where notice-and-removal rules have been implemented and enforced. Furthermore, the article offers a comprehensive study to balance the interests of rights holders, e-commerce platforms, and consumers, ensuring the fair protection of intellectual property rights in the digital economy. The article utilises an analysis of United States case law and international practices in trademark protection. It examines legislative initiatives and proposed changes to the regulation of platform liability. Comparative studies of the US and Chinese legal systems are also employed. The author considers and justifies possible changes to the legislative framework to increase platforms' role in combating counterfeit goods and assesses existing liability standards and their impact on rights holders. In order to balance the interests of all participants in the online trading process, considerable changes to liability for indirect trademark infringement are required. The focus is on the need for active cooperation between platforms and rights owners to combat counterfeiting better.



Keywords

e-commerce; indirect infringement; trademarks; counterfeiting; platform; legislation; digital economy.

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Background

In recent years e-commerce has firmly established itself as the mainstream of shopping destination. E-commerce platforms have increased consumer choice significantly and simplified the shopping process. However, these changes have also had negative consequences: the sale of counterfeit goods on electronic trading platforms is a major concern for legislators and rights holders. The peculiarities of the online environment mean new regulatory challenges are emerging. This requires a revision of traditional trademark infringement rules. E-commerce platforms have significantly increased consumer choice and simplified the shopping process. However such changes have also had negative consequences: the sale of counterfeit goods on electronic trading platforms has become a major concern for legislators and rights holders. New regulatory challenges are emerging that require a revision of traditional trademark infringement rules due to the peculiarities of the online environment.

In this context, the question of the liability of these platform operators for indirect trademark infringement becomes relevant. Specifically, how should their ‘duty of care’ obligations be interpreted? To what extent should they be involved in preventing and stopping the sale of counterfeit goods? These questions are of critical importance, particularly in light of the numerous high-profile cases, the most notable of which is the US Court of Appeals for the Second Circuit’s decision in *Tiffany vs eBay*¹. This case set a precedent determining that platforms are vicariously liable for trademark infringement only if they knowingly turn a blind eye to infringement, thus placing a high evidentiary burden on rights holders.

The article not only discusses current legislative initiatives, but also the prospects of new liability standards such as shared or vicarious liability, which could increase the involvement of platform operators in tackling the sale of counterfeit goods. It also considers comparative analyses of international practices, such as legislation and enforcement in China, where ‘notice-and-takedown rules’ have been implemented and are enforced. In view

¹ *Tiffany (N.J.) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010)

of this, the article proposes a comprehensive study to balance the interests of rights holders, e-commerce platforms, and consumers, thus ensuring the fair protection of intellectual property rights in the digital economy.

1. Rules for Determining Liability of E-commerce Platforms for Indirect Trademark Infringement in the US Law

There are no specific rules in US trademark law. The Lanham Act does not set out any specific guidelines for determining liability for trademark infringement relating to the sale of counterfeit products by e-commerce platforms. Relevant rules have been developed in several case laws. In 1982, the US Supreme Court in *Inwood vs Elvis Inwood Laboratories, Inc.*² has applied the common law rule of joint tort liability to trademark infringement cases.

As business models evolve, the rules of joint and several liability for trademark infringement established by the Supreme Court in the *Inwood vs Ives* case are being applied to other business environments, including online platforms. With respect to business platforms, a case on vicarious liability for trademark infringement that has a significant impact and far-reaching implications is the 2010 Second Circuit Court of Appeals case of *Tiffany (NJ) Inc. vs eBay Inc.*³. However, the Second Circuit disagreed with the district court's view. The Court of Appeal held that, to establish liability for indirect trademark infringement, a network service provider must have more than just general awareness that its services are being used to sell counterfeit goods. The provider must have specific reasons to know about the infringement—mere general knowledge is not sufficient. Specific references to the sale of counterfeit infringing goods and possible future references to the sale of such goods must be recognized promptly. Mere knowledge or reason to know that trademark infringement may occur does not, by itself, satisfy the subjective requirements necessary to establish indirect trademark infringement liability for an e-commerce platform. Further, eBay has no legal obligation to verify the authenticity of goods sold through its platform or to take further steps to prevent the sale of counterfeit and infringing goods. More probably, the burden should be on Tiffany to monitor and identify links to the sale of infringing goods that should be removed from eBay.

However, in its decision, the Court of Appeals for the Second Circuit also noted: if there is reason to suspect a platform operator is infringing another person's trademark, the operator cannot intentionally avoid "knowl-

² *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 US 844 (1982)

³ *Tiffany (N.J.) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).

edge” of the infringing transaction, i.e., avoid it or ignore it with voluntary blindness. In this case, however, the appellate court did not hold that eBay intentionally ignored a complaint about the sale of infringing counterfeit goods on its website.

Perhaps because the standard for determining indirect trademark infringement by e-commerce platforms, as set out in the Tiffany case, is too high, there have been few cases of indirect trademark infringement by on-line e-commerce platforms since the case was decided. Nevertheless, subsequent decisions on whether an e-commerce marketplace is indirectly infringing a trademark and what its liability is still take into account the Tiffany case. For example, in *Coach Corp. vs International Coach, Inc. vs Int'l Bazaar Inc.*⁴ the federal district court for the Texas Northern District applied the standard of determination in the Tiffany case, holding that Coach's notice of counterfeiting in International Bazaar's large physical market was too general. It was insufficient to find that International Bazaar indirectly infringed the trademark because the market lacked specific knowledge of a particular tenant's particular infringement of the counterfeit. In the case of *Luxottica Group vs Airport Mini Mall and Architect Mall, LLC*,⁵ 11th Circuit Court of Appeals applied the voluntary blindness standard to Tiffany. The conduct of the market landlord rose to the level of wilful neglect, and the court held the company liable for trademark infringement. In the recent case of *Omega SA vs 375 Canal, LLC*,⁶ US Court of Appeals for the Second Circuit held that, relying on the Tiffany case, «In Tiffany, we held that a defendant will be liable for indirect trademark infringement if it knowingly turned a blind eye to the identity of a potential infringer, i.e., the defendant did not know the identity of the particular infringer in a given situation.” Thus, the defendant was dismissed. ‘Plaintiff Omega needs to identify specific infringers in order to continue leasing its premises...’

Following the Tiffany case, it is clear the obligation to monitor trademark infringement on online platforms falls to the trademark rights holder. This means the rights holder must independently detect any infringement and then notify the platform to take action. However, e-commerce platforms are not required to take preliminary measures to prevent the sale of goods that infringe the trademark rights of others on their websites. They are only obliged to respond to complaints from specific rights holders.

⁴ *Coach Inc et al v. International Bazaar Inc et al* , No. 3:11-CV-1733-N, 2013 WL 12310712. N.D. Tex. June 7,213.

⁵ *Luxottica Group, S.p.A. v. Airport Mini Mall, LLC*, No. 18-10157, 2019 WL 3676340 (11th Cir. Aug. 7, 2019).

⁶ *Omega SA v. 375 Canal, LLC*, 984 F.3d 244, 248 (2d Cir. 2021).

Although the definition of the liability of online platforms for indirect copyright and trademark infringement differs, the consequences based on judicial enforcement are actually very similar. The US Digital Millennium Act⁷ establishes a ‘safe harbour’ mechanism for notifying users of the rules. The removal mechanism clarifies how a copyright holder can serve a compliance notice to an online platform to claim infringement of links [Friedmann D., 2014: 151]. If the network platform removes the allegedly infringing link after receiving the required infringement notice and takes other necessary measures to mitigate potential infringement, liability for indirect copyright infringement of the network platform may be waived, even if direct infringement of users’ copyrights on the platform is established. Furthermore, according to the notice-removal rule (also known as the ‘notice and take-down’ rule), online platforms are not required to proactively monitor and remove infringing links in advance [De Beer J., Clemmer C., 2008: 375], as the court has ruled that under the Digital Millennium Act, ‘knowledge’ must include awareness of the specific infringement. In the field of trademark law in the United States, there is no legislation defining the notice-and-take-down rule; therefore, major e-commerce platforms developed their own rules.⁸ Although the procedures for notifications to large e-commerce platforms regarding removal requests may vary, they are mainly based on the same structure: the rights holder identifies a potential infringement of their trademark sales link. The rights holder then notifies the network platform via a special procedure or by entering relevant information. Some network platforms require a purchase test to verify the alleged infringement. Once the notification has been successfully submitted, the network platform will review it and can then remove the infringing link or discontinue the service.

2. USPTO Study on Rules for Determining the Liability of E-Commerce Platforms for Indirect Infringement under the US Law

On 20 November, 2020 the United States Patent and Trademark Office (USPTO) has published Federal Notice PTO-T-2020-0035⁹ to solicit the

⁷ US Congress. 1998. Digital Millennium Copyright Act, 17 USC § 1201 et seq. Available at: <https://www.govinfo.gov/content/pkg/PLA105publ304/pdf/PLA105publ304.pdf> (accessed: 24.05.2024)

⁸ See USPTO Report. Indirect Trademark Infringement Liability in the E-commerce Environment, p. 6. Available at: <https://www.uspto.gov/sites/default/files/documents/Secondary-TM-Infringement-Liability-Response.pdf> (accessed: 25.11.2021)

⁹ Available at: <https://www.regulations.gov/document/PTO-T-2020-0035-0001> (accessed: 16.10.2024)

views of the business community and stakeholders on whether the current US law rules should be amended to define indirect liability for trademark infringement on e-commerce platforms and apply contributory or vicarious liability.

2.1. Whether the Indirect Tort Liability Rules of US Jurisprudence Effectively Address the Issue of Online Counterfeiting

On one hand, the opposition camp agreed that judicial rules for determining liability for indirect trademark infringement by e-commerce platforms cannot effectively curb online counterfeiting, and relying on market forces alone is not enough to change the behavioural pattern of online platforms. In addition, it is also about advertising counterfeit and infringing goods through social media platforms. In recent years false advertisements on social media platforms encouraging the purchase of counterfeit and infringing goods have been on the rise [Chaudhry P., 2022: 723]. The objectors' dissatisfaction with the existing legal system is mainly manifested in the following aspects.

With respect to the subjective test for indirect tort liability (the knowledge test), the standards are vague and not uniformly applied.

The burden of proving that e-commerce platforms have knowledge of infringing counterfeit goods is too heavy for trademark owners. The Opposition Group discussed the trademark owner's decision to satisfy *Ingwood* ... 'Knowing or having reason to know ...'. The complexity of the evidentiary requirements, especially as interpreted by the Second Circuit in the *Tiffany* case. The American Apparel and Footwear Association believes that requiring rights holders to provide evidence of knowledge of specific infringement would be too costly, particularly given the expense of procurement testing and other measures required to prove authenticity. Furthermore, the Association argues that the current standards do not provide sufficient incentives for e-commerce platforms to take on prior regulatory responsibility, leaving the legal system open to counterfeiters and sellers. In practice, this contrasts with the 'There's reason to know' standard proposed by the Supreme Court.

The current legal system places an obligation on rights holders to monitor and report links to the sale of counterfeit infringing goods to e-commerce platforms. This places a disproportionate burden on rights holders. While it is unclear whether an e-commerce platform has an obligation to track the sale of infringing counterfeit goods on its platform, notification to large platforms is unclear, too.

However, legal rules have not kept pace with technological developments. Although the e-commerce landscape has changed dramatically in

recent years, the legal framework for indirect tort liability has remained sluggish. Rights holders rarely sue e-commerce platforms because they believe they have little chance of success. In particular, the current legal framework does not take into account the ability of e-commerce platforms to own and control operator information on their platforms. In fact, e-commerce platforms have explained that there are many operators on their platforms, and the argument of a lack of oversight is ridiculous one. The scale of platforms continues to expand and the number of operators continues to grow precisely because e-commerce platforms regulate their operators and the goods sold on their platforms with relative ease. This is a business strategy of the platform, not a natural law that cannot be controlled. In summary, the opposition camp suggests that the interests of trademark owners, e-commerce platforms, and consumers should be balanced better, and that e-commerce platforms should be obliged to take proactive pre-emptive measures.

Conversely, those in favour of the current system of rules argue that changing it would have the following negative consequences (Buiten M. et al., 2020: 155).

It would be to the detriment of legitimate competition. Amazon and the Computer Communications Industry Association are sure changing the standard of liability for indirect trademark infringement would harm the secondary market for legitimate goods.

It would have a harmful and negative impact on the secondary market for safe and genuine goods, inhibiting price competition and consumer choice and harming the interests of consumers and SMEs. Amazon.com also believes that combating counterfeiting and piracy requires close collaboration between rights holders and online platforms. However, if legal rules encourage rights holders to sue platforms more easily than to use their expertise and resources to fight counterfeiting, this partnership will be undermined.

There will be more trademark bullying. Under the current system strong brands exploit the intellectual property protection rules of e-business platforms to target authorised genuine sellers of goods. If the exemption conditions for e-commerce platforms and other online intermediaries are improved further, this will lead to even more severe trademark bullying.

This does not help to combat counterfeiting and source piracy. Assuming the legal changes make it easier to determine liability for counterfeiting on platforms, trademark owners will be more inclined to sue e-commerce platforms directly for infringement, instead of than taking action against the direct infringers themselves.

E-commerce platforms are unable to verify references to the sale of counterfeit or infringing goods. Changing the current law would be un-

fair because one cannot expect online platforms to distinguish between licensed genuine goods and counterfeit, infringing goods. Trademark owners are best placed to initiate the process of removing trade references from e-commerce platforms. They know their brand best. They also know what is and isn't allowed and what constitutes copyright infringement. In turn, e-commerce platforms do not understand these situations. Therefore, when deciding which trade references to remove, they do not have as much relevant information as the trademark owner.

Amending the relevant laws would be too costly and inefficient, so it is now common industry practice to develop monitoring systems to filter out infringing trade references. The development of such systems is costly and not permanent, and in practice, 'false injury rates' remain high. Some small or start-up business platforms cannot bear the costs and risks if the law requires them to take the initiative to monitor the availability of goods on their platform for potential infringement of third-party trademarks, as this could be fatal for these SMEs. [Hira A., Reilly K., 2017: 183].

3. Determination of Liability for Trademark Infringement on E-commerce Platforms in China

In the case of trademark infringement, Article 57(6) of the Trademark Law¹⁰ sets out the characteristics of trademark infringement, whereas the original Tort Liability Law only made specific provisions in Article 36, which is relatively simple in content. Following the implementation of the Civil Code¹¹, substantial adjustments have been made to the Tort Liability Law.¹²

3.1. Duty of Pre-Examination

Article 27 of the E-commerce Law clearly sets out the obligation of prior review, requiring the platform to check network user information, register files, and update them in a timely manner. In addition to these legislative provisions, the service agreement of an e-commerce platform also contains relevant provisions. For example, Taobao's «Taobao platform service agree-

¹⁰ Trademark Law of the People's Republic of China, Article 57(6), passed by the Standing Committee of the National People's Congress, revised on November 1, 2019.

¹¹ Civil Code of the People's Republic of China, passed at the Third Session of the 13th National People's Congress on May 28, 2020, in force January 1, 2021.

¹² Tort Liability Law of the People's Republic of China, passed at the 12th Meeting of the Standing Committee of the 11th National People's Congress on December 26, 2009, in force from July 1, 2010.

ment» [Kwak J. et al., 2019: 119] contains such provisions. The pre-audit obligation of the e-commerce platform mainly includes two points: the first is auditing the main qualifications, and the second is auditing the product information preliminarily. Firstly, the obligation of prior review requires the qualification of the subject to be reviewed, and e-commerce platforms should verify the identity of buyers and sellers within a reasonable time-frame. This enables them to swiftly and accurately identify infringers in the event of trademark infringement disputes. [He H., 2020: 225]. Secondly, the seller should register product information before the transaction. After the e-commerce platform has passed the preliminary examination, the information will be published in a legal and reasonable manner so that buyers and sellers can access it.

Regarding the extent of the pre-audit, it is believed it should only involve verifying and controlling identity and product information, rather than reviewing and identifying. The e-commerce platform should not be too strict because its main role is to provide a convenient trading platform (Xu X. et al., 2019: 400). If e-commerce platforms were required to identify and review goods involving trademark rights, this would require a large investment of human and financial resources, which could eventually lead to e-business platforms exiting the internet trading industry. This would not be conducive to the industry's sound development.

3.2. Duty of Assistance

In the event of a trademark infringement dispute, a trademark owner or interested party can generally seek relief for their legitimate rights and interests in one of three ways. The first option is to negotiate with the infringer; the second is to seek relief from the administrative department; and the third is to file a lawsuit directly with the People's Court. All three methods require the identity of the infringer to be clarified. Due to the virtual nature of the Net, it is often difficult for rights holders to obtain the true identity of infringers directly from transactions or web pages. It is also difficult for rights holders, administrative departments, and judicial departments to collect and investigate evidence [Huang W., Li X., 2019: 105347]. Therefore, if sufficient evidence is provided, e-commerce platforms should disclose the true personal information of the infringer to individuals or departments who can assist in protecting trademark rights. Of course, the realisation of the obligation to assist is based on the existence of the obligation to conduct prior reviews. Only when the obligation to examine and register products in advance is fulfilled can the obligation to assist play its role. At the same time, e-commerce platforms must also do a good job of

protecting information and privacy, and only provide the information collected by the platform under sufficient evidence.

3.3. Duty of Reasonable Care

It mainly refers to the duty that e-commerce platforms should assume when they 'know' or are notified that goods sold on their platforms may infringe other legal rights. The extent and boundaries of this duty are determined by the nature and means of the violation, and the level of technology. The core 'notice and take-down' and 'counter-notice rule' of the duty of reasonable care are described in detail below.

If an e-commerce platform sells products that infringe trademarks and the platform provider sells directly in its own name, for example, through «self-operated» or «self-selling» methods, then its behaviour constitutes direct infringement. In practice, however, the seller of the counterfeit goods should bear most of the liability for infringement. However, because the seller is often difficult to find or has limited liability, trademark owners often sue the e-commerce platform service provider directly to hold it liable for trademark infringement.

4. The Dilemma of Article 57 of the Trademark Law

In China infringement of intellectual property rights is divided into two categories: direct and indirect ones. Professor Wang defined indirect copyright infringement in the context of copyright: «Instigating or inducing another person to commit copyright infringements or providing substantial assistance to such infringement when aware of the infringement, constitutes indirect copyright violation» [Wang J., 2018: 31]. In the case of trademark infringement in China, it is generally believed that Article 57(6) of the Trademark Law regulates indirect infringement of trademark rights. In other words, there must be direct trademark infringement, the indirect actor must provide help or inducement in the implementation of the direct infringement, and there must be subjective fault. However, upon analysing this provision of the Trademark Law, the author concluded that the behaviour of e-commerce platforms does not, in practice, meet the description of indirect infringement as set out in the Trademark Law.

4.1. Subjective Level

Indirect infringement is a kind of helping or inducement behaviour: «Networks service providers need to have subjective fault». Helping be-

haviour is usually intentional, and those who help can realise the consequences of their actions. In practice, e-commerce platforms do not intend to infringe. For example, Taobao clearly states that sellers are not allowed to sell goods that infringe the intellectual property rights or other legitimate interests of others, nor are they allowed to publish relevant information. At the same time, Taobao's complaint platform and 'three strikes out' and other punishment mechanisms strictly regulate sellers of goods infringing trademark rights. Therefore, Taobao does not intentionally help sellers to infringe trademark rights.

Indirect infringement is a kind of helping or inducement behaviour; «network service providers need to have subjective fault.» Helping behaviour is mostly done intentionally for helping people, and helping people can realize the consequences of their helping behaviour. In practice, e-commerce platforms do not have the intention of infringement. For example, Taobao clearly states that Taobao sellers are not allowed to sell goods that infringe upon the intellectual property or other legitimate rights and interests of others, nor are they allowed to release relevant information. At the same time, Taobao's complaint platform and «three strikes out» and other punishment mechanisms strictly regulate sellers selling goods that infringe trademark rights. Therefore, on the subjective level, Taobao does not have to help the seller to intentionally implement the infringement of trademark acts.

4.2. Objective Level

A helping act is usually a positive act. «The so-called helping act is the act of giving assistance to another person, such as providing a tool or a method of instruction, so that the other person can easily commit an infringement». For example, if an e-commerce platform provider knows that others are committing trademark infringement but still provides online platform services to enable them to sell through the platform, this constitutes aiding infringement. However, if the e-commerce platform is considered to be 'helping' the direct infringer of the trademark by 'providing a trading platform', this is problematic. This argument runs counter to the purpose of the e-commerce platform and the results of its implementation, so the e-commerce platform cannot actively help the direct infringer. Therefore, as the e-commerce platform merely provides a trading platform, it cannot be said to provide help or convenience to the seller for their infringement. The special business model and behavioural characteristics of e-commerce do not conform to the general provisions of Article 57(6) of the Trademark Law, and the reasons for determining that e-commerce platforms bear liability for infringement are insufficient.

5. Indirect Tort under the Common Law System

According to the jurisprudence of common law countries, most e-commerce platforms do not directly participate in the sale of counterfeit goods. Therefore, most courts rely on the indirect infringement theory to determine infringement. In the Anglo-American legal system, indirect torts mainly include auxiliary liability, inducement liability, and agency liability [Sun X., 2024: 194].

Both auxiliary tort liability and inducement tort liability originate from common law tort determinations. The subjective component of both is knowledge or awareness that others are engaged in direct infringement, while the objective component is providing significant assistance or inducement [Cao Y., 2016: 253]. The defining feature of seduction is that the seducer does not directly carry out the infringement themselves, but rather induces others to commit the infringement. For example, publishing or disseminating information about the benefits of selling products that infringe trademark rights in order to encourage sellers to sell counterfeit goods. However, the above analysis of China's trademark law provisions shows that e-commerce platforms have never intentionally or knowingly induced others to sell fake goods [Feng S., 2017: 196]. On the contrary, e-commerce platforms try their best to regulate or restrict trademark right infringement by formulating rules and setting up a punishment system; therefore, the path of inducement infringement is not applicable to e-commerce platforms.

The essence of alternative liability lies in «liability for losses caused by the acts of others or objects under their control», whereby a person is obliged to protect others from harm posed by things under their control. 'Control theory' can be divided into a narrow and a broad sense [Xianzhi Z., 2011: 49]. In the narrow sense, the indirect infringer has the actual capacity to distinguish between infringement and non-infringement. In the broad sense, tort liability is extended to the legal sense, or the potential to control the tort. In vicarious liability, the 'control' cannot be understood as the person's responsibility to discover and stop ongoing infringements. Nor can it be understood as the responsible person expressing control subjectively. Rather, it should be understood that the indirect tortfeasor is best placed to prevent infringement, so the law imposes an obligation to do so [Liu X., 2012: 300]. It is possible to analyse whether the e-commerce platform has an obligation to control infringement from two aspects: the ability to control behaviour and the protection of public interests (Feng S., 2019: 1095). Some trademark owners believe sellers can only release sales information through an online trading platform. On this platform, the e-commerce platform acts as a 'bridge' for completing the transaction and provides the necessary condi-

tions for doing so, so it should have the obligation to control. However, the creation of an obligation presupposes feasibility. In the process of online transactions, e-commerce platform providers differ from traditional physical stores in that they only provide a platform for transactions between two parties and cannot intervene specifically in the details of transactions to ensure their efficiency [Kwak J. et al., 2019: 120]. Furthermore, the growth of online transactions makes it impossible for e-commerce platforms to monitor all trademark infringements; these can only be reviewed before the parties enter into the transaction. If e-commerce platforms were required to conduct direct audits, this would consume significant financial resources, manpower and time, greatly increasing the cost of network transactions. Even if an e-commerce platform provider employs a large number of personnel to monitor networks and examine every product, they will not be as accurate as a trademark rights holder in determining infringement. Furthermore, if e-commerce platforms were to undertake monitoring obligations, this could strengthen the monopoly position of trademark owners in the circulation of goods and damage the interests of consumers [Zhang R. et al., 2023: 190]. Therefore, it would not only be unfeasible but also against the public interest to require e-commerce platforms to monitor electronic transactions.

Does the e-commerce platform profit from the transaction? Another important element of vicarious liability is that the tortfeasor derives benefit from the tort. In common law jurisprudence, the court held that ‘the decisive factor is the ability to control, not direct economic benefits’. Benefit is not a decisive factor in establishing liability, but it does affect its scope, such as the confiscation of illegal gains or the return of unjust enrichment”. The American eBay website is a typical for-profit e-commerce platform, which charges a fee for goods sold on its platform. When the platform causes losses to the trademark owner due to the sale of counterfeit goods, eBay also profits from the transaction [Turban E., 2015: 143]. Unlike eBay, China’s Taobao still implements a free strategy and does not charge users registration fees or rent. However, the author believes that, as the business model changes, the concept of profit should also change [Chen T., Ku Y., 2016: 659]. Therefore, although Taobao did not directly obtain a certain percentage of benefits from the infringement, it indirectly profited through other fees.

6. Comparison between the US and China’s Relevant Legal Rules and Judicial Practice, and its Enlightenment

Overall, Chinese legal rules in relevant fields are more advanced than those in the United States. Although it is generally believed that these rules

originated in the United States with the Digital Millennium Act, China has introduced them earlier. ‘Notice and take-down’ rules apply to trademark infringement in Para 2, Article 36 of the PRC’s Tort Liability Law, whereby if a network user infringes a trademark through the network, the infringed party is entitled to notify the network service provider to take measures such as deleting, blocking, and breaking the link. If the ISP fails to take the necessary measures promptly after receiving the notification, it shall be held liable for any additional harm caused. As this article does not specify that it is limited to the field of copyright, the provision can also apply to operators selling goods on electronic business platforms who infringe the trademark rights of others by using the network to carry out infringement. With the development of e-commerce and the digital economy in China, the E-Commerce Law of the People’s Republic of China came into force in 2019, based on useful experience in the field of network intellectual property protection.

“Notice and take-down” rules have been further refined and perfected:

Article 42 and Article 43 of the E-Commerce Law of the People’s Republic of China- Notification in the field of e-commerce — deletion rules and anti-notification rules are clearly defined.

Article 45 stipulates that electronic business platforms must take the initiative to take the necessary measures in certain circumstances, in an approach known as the ‘Red Flag’ principle. At the same time, Para 3 of Article 42 also stipulates that the rights holder shall bear the corresponding civil liability for any damage caused to the platform operator by erroneous or malicious notifications. In view of the problem of identifying the liability of platform operators in cases of intellectual property infringement online, it can be seen that China’s e-commerce law provides a complete system of rules. These rules apply not only to trademark infringement, but also to patent infringement in the network environment. In fact, some of the legislative proposals put forward by relevant parties in the USPCB report have already been enacted in Chinese legislation.

In the field of judicial practice, the development of China’s network economy and wide range of online shopping applications has resulted in countless relevant cases. As early as 2012, the Supreme People’s Court Bulletin (Case No. 1) has issued the ‘Notice and Takedown’ rule exemption. In cases of repeated infringement, the court held that, after receiving a notice to delete infringing information, a network service provider is exempt from liability, but this is not a sufficient condition. If the internet user continues to use the ISP’s network services to carry out the infringement after the ISP has deleted the information, the ISP shall take further necessary measures to stop the continued infringement. The necessary measures shall be determined according to the type of network service, technical feasibility, cost,

infringement, and other factors. For online trading platform service providers specifically, these measures can include public warnings to network users, reducing credit ratings, limiting release of product information, and closing the user's account. This case was selected as a Supreme People's Court bulletin case, demonstrating the Chinese courts' determination to crack down on repeated infringement and strengthen the protection of intellectual property rights online. This case has a guiding significance for similar cases, and the judicial practice for such cases is relatively uniform.

In the trademark infringement dispute between Xiexun Communication Co. Ltd., Beijing Jingdong 300 Lushidu E-commerce Co. Ltd. and Zhongshan Xiexun Outdoor Products Co. Ltd., the court has ruled the e-commerce platform permitted users to open 'flagship stores'. Reasonable care should be exercised in these shops. The examination rules for the qualifications of merchants set up by brand flagship stores on e-commerce platforms only require the submission of a notice of acceptance of trademark applications. This cannot be regarded as fulfilling the duty of reasonable care, and the e-commerce platform should be held liable for assisting infringement.¹³ Therefore, the interpretation of the reasonable duty of care owed by e-commerce platforms is not fixed and should be considered in light of multiple factors, such as platform size, business model, and the popularity of rights and trademarks. Additionally, this case involves the issue of judicial review of the platform's autonomy, a problem often encountered when determining whether the platform has fulfilled its reasonable duty of care. JD.com argues that, in addition to submitting a trademark registration certificate, merchants can submit a notice of acceptance of a trademark application in accordance with the website regulations regarding brand flagship store qualification. However, Zhongshan submitted a notice of application to register a trademark similar to the owner's trademark to JD.com, thus complying with the platform's rules, and JD.com claimed that it had exercised its reasonable duty of care. The court has found also this platform rule to be irrational and determined that JD Company had failed to fulfil its reasonable duty of care to review the identity and qualifications of operators on its platform. It is clear that e-commerce platforms cannot simply act according to their own rules to prove that they have fulfilled their reasonable duty of care, and the legality and rationality of their rules must withstand judicial review.

In another typical case, the issue is trademark infringement by a seller of authentic products that are not authorised by the trademark owner. In this case, the defendant sold the plaintiffs' brand of cosmetics with removed

¹³ See: Civil Judgment No. 1227 2015.

QR codes and production batch numbers on an online store, and the plaintiffs sued the defendant for trademark infringement. The court ruled that, in cases of trademark infringement, if the infringing product is genuine, it is an objective fact that the product originated from the rights holder. While some information, such as the two-dimensional code and production batch number of the infringing product, can be used to trace the product back to the dealer, if the seller has been fully informed of the removal of the code, this will not affect the ability to identify the source of the trademark, nor cause confusion or misidentification among consumers. It will also not affect consumers' evaluation of the quality of the goods themselves or the reputation of the trademark owner. Therefore, the principle of trademark rights exhaustion can be applied to the sale of such products, which does not constitute trademark infringement. Judicial rulings have helped to diversify the sale of authentic goods on the network platform and to maintain fair competition between various market players.

A general comparison of the relevant rules and judicial practice in China and the United States reveals at least three points. Firstly, the protection of intellectual property rights online is a common problem faced by all countries. China's relevant rules and judicial practices in this area have been at the forefront worldwide. Many typical cases also demonstrate China's firm determination and practical steps to enhance the protection of intellectual property rights online, combat counterfeiting and infringement, and protect the legitimate rights and interests of consumers.

Secondly, when it comes to applying specific rules, there is no set formula for determining the indirect liability for trademark infringement of online platforms, but it is generally difficult to avoid falling under US law. The theory of interpretation of rules should follow the correct frame of interpretation of the general principle of liability for fault. According to US law, whether an online platform constitutes infringement or indirect infringement is based on its subjective and objective circumstances, rather than simply deleting the sales link after receiving notification from the relevant person. However, with the new development of e-commerce and cross-border electricity suppliers, as well as new business models such as live shopping, new problems are bound to arise in terms of the liability of platforms identified in trademark infringement cases. Nevertheless, we should still apply the constitutive requirements of traditional tort theory to judge whether the platform constitutes aiding infringement or indirect infringement. In addition, the issue of trademark bullying has been raised by supporters of the camp, and this situation has occurred to varying degrees in China in the field of trademarks, with the «notice and take-down» process for electricity suppliers.

The rules are at risk of being abused. This issue has also sparked much discussion in academic and practical circles. The current solution is that platform operators can file an action against unfair competition or network infringement, and, under certain circumstances, can also apply for behaviour preservation. There are many things that deserve further discussion. For example, according to Para 3, Article 42 of the Electronic Commerce Law, there should be further discussion regarding the civil liability of those who make false notifications.

It seems that the person who reports an error should be liable even if they are not at fault, which is consistent with judicial practice. However, the section on intellectual property rights in the Chino-US first-stage economic and trade agreement has changed this rule. A request for exemption from liability for a bona fide false notice submitted by the end of August this year is covered by Article 5 of the Reply on Several Issues Concerning the Application of Law to Online IPR Infringement Disputes, issued by the Supreme People's Court: 'Where the content of the notice issued by the intellectual property rights holder is inconsistent with the objective facts, but claims in litigation that the notice was submitted in good faith and requests exemption from liability, and this can be proven, the People's Court shall support the claim after examining the facts according to law'. This actually revises the existing judicial rules. In practice, how should the 'duty of care and good will' be explained? Therefore, this is a problem worthy of further study.

Finally, from the perspective of relevant legislative trends in the United States, it appears that there is a move towards strengthening supervision of platforms and allowing them to undertake more prior supervision and active review obligations. Setting up the relevant legal rules to balance the interests of the network platform, trademark owners, and consumers will be a test of the wisdom of legislators and judiciaries.

This is an issue that requires ongoing attention and in-depth study.

Conclusion

The emergence of online trading platforms has significantly altered the consumer market and the legal landscape surrounding intellectual property protection. In light of the substantial growth of e-commerce and the growing globalization of trade, the issue of indirect liability of platforms for trademark infringement is becoming increasingly relevant.

The legal framework cannot fully resolve the issue of admission liability. The *Tiffany vs eBay* case has demonstrated that establishing a platform's vicarious liability for trademark infringement in practice requires substan-

tial proof of knowledge of infringement. This increases the burden of proof for rights holders, often rendering law enforcement against platforms ineffective.

The US legal rules on vicarious liability are inadequate for addressing the problem of counterfeiting. They place rights holders in a difficult position by requiring them to actively monitor and report infringements, that creates an unfair burden for them. There is also debate about whether platforms should take proactive measures to prevent the sale of counterfeit goods and how changes in legislation may affect competition, consumers, and business models based on the legal sale of genuine goods. International practice, as demonstrated by China, has attempted to establish clearer obligations for platforms, including the obligation to pre-screen and assist in identifying operators. This could serve as a model for other countries.

Therefore, a comprehensive approach to legal reform could involve establishing clear platform obligations to combat counterfeiting. This could help to strike a better balance between the interests of platforms, rights holders, and consumers, while ensuring fairer protection of intellectual property rights in the digital economy. It is becoming increasingly urgent to adapt legal frameworks to evolving technologies, that requires a deep understanding of the specifics of the online environment and the cooperation of all stakeholders to achieve the most effective anti-counterfeiting solutions.



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