

INTERNATIONAL JOURNAL OF LAW MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

Volume 3 | Issue 4

2020

© 2020 *International Journal of Law Management & Humanities*

Follow this and additional works at: <https://www.ijlmh.com/>

Under the aegis of VidhiAagaz – Inking Your Brain (<https://www.vidhiaagaz.com>)

This Article is brought to you for “free” and “open access” by the International Journal of Law Management & Humanities at VidhiAagaz. It has been accepted for inclusion in International Journal of Law Management & Humanities after due review.

In case of **any suggestion or complaint**, please contact Gyan@vidhiaagaz.com.

To submit your Manuscript for Publication at **International Journal of Law Management & Humanities**, kindly email your Manuscript at editor.ijlmh@gmail.com.

The Protection and Enforcement of Intellectual Property Rights in the E-Commerce Industry

LIPI PARASHAR¹

ABSTRACT

“The internet has been the revolutionary technology of the new millennium, empowering consumers and businesses alike with blessings of connectivity” (Kotler & Armstrong 2004:72). The World economy gives today capital importance to e-commerce. In fact, most of the countries on this planet, have an internet platform to conduct electronic transactions, whether it is a developing or developed countries.

The World Trade Organization characterizes e-commerce as, "e-commerce is the production, distribution, marketing, sales or delivery of goods and services by electronic means." There are numerous issues beyond the rise of e-commerce, but one of them is, the issue related to the enforcement of the intellectual property rights (IPR). The IPR and e-commerce are related and complementary. The product or the services offered, in electronic commerce platform, involves IPR and its licensing. More than that, the IPR makes e-commerce working.

This paper aims to provide some highlights about the protection of IPR in electronic commerce.

The intellectual property law deals with the rules for securing and enforcing legal rights to inventions, designs, and artistic works. In this digital era, the accesses to copyrighted works become easier: music, videos, and books are available, just by clicking. This fact increases the chance of infringement. Indeed, the selling of counterfeits product, through an e-commerce platform, constitutes a challenge for IP enforcement. Trademarks infringement causes considerable losses to the IP owner. The IP assets are mostly the substantial parts of the enterprise resources. Therefore, the entrepreneurs should invest in the protection of their property. Nevertheless, the protection of IPR is not only the duty of company. The government and the citizens should play a significant role”

Keywords: IPR, Copyrights, Patents, Trademarks, e-commerce, IP infringement, Counterfeits product.

¹ Author is a student at Student at Christ (Deemed to be University), India.

I. INTRODUCTION

We live in the era of information which the new ideas and innovations have the first importance. The wealthiest persons in this world are those who have a plan and have developed it to satisfy the needs of the market. It can be a product or a service. We can cite as an example Bill Gates, the founder, and CEO of Microsoft. Gates is one of the best-known entrepreneurs of the personal computer revolution. With US\$77.5 billion of Net worth, he is the wealthiest person in the world, according to the Magazine Forbes. Why is it possible? The answer is that there are many problems in this world, and those who come up with the solution became wealthy.

Also, with the phenomena of globalization, the global marketplace has known development and continues to offer many opportunities for creativity and entrepreneurship.² Today, the internet becomes a dominant platform that companies use to sell their products. It is a kind of extension of businesses distribution channel. "The internet has been the revolutionary technology of the new millennium, empowering consumers and businesses alike with blessings of connectivity" (Kotler & Armstrong 2004:72)³. Through technology, it is possible, for the economic operators, to have a significant presence, in the globalised market. Electronic commerce is the best mean to do business and to earn profits.

Electronic commerce, commonly known as e-commerce, consists of the buying and selling of products or services over electronic systems such as the Internet and other computer networks. The World Trade Organization defines e-commerce as, "e-commerce is the production, distribution, marketing, sales or delivery of goods and services by electronic means."⁴

The Organization for Economic Co-operation and Development (OECD)⁵ defines e-commerce as commercial transactions, involving both organisations and individuals, which consists of the processing and the transmission of digitised data. Such data includes text, sound and visuals images and that is carried out over open networks (like, the internet) or closed networks (like, AOL or Mintel) that have gateway onto a public system".⁵

² Globalization means the process of international integration arising from the interchange of world views, products, ideas and other aspects of culture

³ E-commerce and the future of modern business - mega essays (May 21, 2020, 10:04 PM), <http://www.megaessays.com/viewpaper/27919.html>

⁴ "The Work Program on Electronic Commerce; Background Note by the Secretariat, Addendum", Council for Trade – related Aspects of Intellectual Property Rights, WTO (2003) (May 21, 2020, 11:00 PM), http://www.wto.int/english/tratop_e/trips_e/ta_docs_e/8_1_ipcw128add1_e.pdf

⁵ OECD Glossary of Statistical Terms - Electronic commerce Definition, OECD, (May 20, 2020, 2:00 AM), <https://stats.oecd.org/glossary/detail.asp?ID=4721>

The World economy gives today capital importance to e-commerce. Most of the countries on this planet, have an internet platform to conduct electronic transactions, whether it is a developing or developed countries. In China, for example, there is a famous website called “Taobao.” Taobao is a platform that allows small business and corporations to sell their products. According to Alexa, it is up to the top 10 of world’s most visited website. Moreover, the total of Taobao’s Gross Merchandise Volume (GMV) exceeded 1 trillion Yuan (in 2013).⁶

There are many issues beyond the rise of e-commerce, but one of them is, the issue related to the enforcements of the intellectual property rights (IPR). The IPR and e-commerce are related and complementary. The product or the services offered, in electronic commerce platform, involves IPR and its licensing. More than that, the IPR makes e-commerce working. The system that makes e-commerce functioning such as the software, user interface are forms of IPR. As well, the trademarks, companies brand are essential for the success of e-commerce.

The aim of this paper is to provide some highlights about the protection of IPR in electronic commerce. We will also discuss the challenges that IP faces, and we’ll give some recommendations to improve the situation.

II. THE PROTECTION OF IPR IN E-COMMERCE

The intellectual property law deals with the rules for securing and enforcing legal rights to inventions, designs, and artistic works. Just as the law protects ownership of personal property and real estate, so too does it protect the exclusive control of intangible assets. These statutes aim to give an incentive for people to develop creative works that benefit society, by ensuring they can profit from their jobs without fear of misappropriation by others.⁷

Despite the fact that the IPR has great importance in our life whether domestically and internationally, the commonly agreed definition of “intellectual property” do not exist. Many discussions of intellectual property would avoid offering a firm description of the intellectual property, instead mostly start with the delimitation of the protection scope an IP regime

⁶ Alexa.com Taobao Statistics, (May 26, 2020, 9:38 AM), www.alexa.com.

⁷Ihab Law Firm - Intellectual Property, (May 21, 2020, 2:22 PM), <http://www.ibrahimlaw-firm.com/Intellectual-Property>

provides. In general, both domestic and international practices agree that IPR covers areas of patent, trademark, copyright, and trade secret.⁸

According to 1979 *Convention Establishing the World Intellectual Property Organization* (WIPO), intellectual property includes the rights relating to the following:

- Literary, artistic, and scientific works
- Performances of performing artists, phonograms, and broadcasts
- Inventions in all fields of human endeavour
- Scientific discoveries
- Industrial designs
- Trademarks, service marks, and commercial names and designations
- Protection against unfair competition
- All other rights resulting from intellectual activity in the industrial, scientific, literary, or artistic fields.⁹

This section will cover an overview of IPR and the contract related to its enforcements.

(A) Overview of IPR

1. Copyright

Subject Matter of Copyright: In General (a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.¹⁰

Copyright is the legal protection automatically given to original literary, dramatic, musical or artistic works; sound recordings, films, and broadcasts; databases; and computer programs. Therefore, the music, books, software and so on that we find on the online platform are subject to copyright protection. Even the software that the e-commerce website use is a copyrighted work. The symbol “©”, or simply the word “Copyright”, serves as an indication

⁸ Ewnwei Guan, *Intellectual Property: Concept, History, and Contentions*, (May 15, 2020, 15:22 PM), http://link.springer.com/chapter/10.1007/978-3-642-55265-6_1

⁹ Overview of Intellectual Property Rights and the TRIPs, OECD, (April 22, 2020, 9:43 PM) <http://www.osec.doc.gov/ogc/occic/ipr.html>

¹⁰ See 17 U.S. Code § 102 - Subject matter of copyright, Cornell Law School, (April 29, 2020, 8:33 AM), <https://www.law.cornell.edu/uscode/text/17/102>

that there is a right attached to the work.¹¹

In most countries, copyright is automatic on fixation. Nevertheless, it is convenient to remarks that the procedure of registration is necessary, not as a condition of granting protection but as a means to enforce further security in the case of infringement. In the U.S, the registration of copyrighted works was required until the U.S joined the Berne Convention in 1989. After that, the record was no longer required for granting copyright protection. However, it still needed to register to enjoy some benefits such as awards of statutory damages.¹² In general, the duration of the security is 70 years after the death of the author.¹³

The Copyright Act grants five rights to a copyright owner:

- the right to reproduce the copyrighted work
- the right to prepare derivative works based upon the work
- the right to distribute copies of the work to the public
- the right to perform the copyrighted work publicly
- the right to display the copyrighted work publicly

It means that anyone cannot use the copyrighted work without the authorization of its author. However, there are some exceptions to the protection. It is permissible to copy the link or the URL of the website and e-mail it to someone. Also, it is permissible to make a copy of the works, under the doctrine of fair use. The jurisprudence has developed the fair use doctrine to create a balance between the rights of the copyright holder and the social interests, by allowing the copies of the copyrighted work, in certain circumstances. The core ideas behind are that all copies should not be banned, especially, when it concerns the activities in which the society can benefit such as criticism, research, and teaching, reporting the news¹⁴.

Nevertheless, to determine if there is fair use or not, four criterions should be analyzed:

- The purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes;
- The nature of the copyrighted work;

¹¹ The Licensing of Intellectual Property Rights, (May 27, 2020, 5:02 PM), http://www.wipo.int/sme/en/ip_business/licensing/licensing.htm

¹² Rights Granted under Copyright Law, Bit Law, (May 23, 2020), <http://www.bitlaw.com/copyright/scope.html>

¹³ According to the 17 U.S.C. 302, (a) In General.—Copyright in a work created on or after January 1, 1978, subsists from its creation and, except as provided in the following subsections, endures for a term consisting of the life of the author and 70 years after the author's death. (b) Joint Works.—In the case of a joint work prepared by two or more authors who did not work for hire, the copyright endures for a term consisting of the life of the last surviving author and 70 years after such last surviving author's death

¹⁴BLAKENEY, Trademark Protection and the Internet, WIPO/IPR/MRU/00/6, July 2000

- The amount and substantiality of the portion used, about the copyrighted work as a whole;
- Moreover, the effect of the use upon the potential market for or value of the copyrighted work.¹⁵

In this digital era, the accesses to copyrighted works become easier: music, videos, and books are available, just by clicking. This fact increases the chance of infringement. After all, if the works are available freely for download, who wants to buy it anymore? Also, one person can copy contents from one website and then sell it to the e-commerce platform. Therefore, it is the duty of the site owner and the stakeholder, to ensure that the contents they offer to the public respect the IPR.

2. Patents

A patent is a set of exclusive rights granted by a sovereign state to an inventor or assignee for a limited period in exchange for detailed public disclosure of an invention. An invention is a solution to a particular technological problem and is a product or a process.¹⁶ In the US, the importance of granting a monopoly to the new inventions is recognised by the Constitution.¹⁷

The invention should meet some criteria to obtain patent protection:

- (i) The device must consist of patentable subject matter;
- (ii) The device must be capable of industrial application (or, in certain countries, be useful);
- (iii) It must be new (novel);
- (iv) It must involve an inventive step (be non-obvious); and
- (v) The disclosure of the invention in the patent application must meet certain formal and substantive standards.

Most of the time, the issue of patent infringement in e-commerce concerns the software and the business method. As an example, there is a famous case, between Amazon.com Inc. and Bernesandnoble.com Inc.¹⁸

¹⁵ See U.S. Copyright Office - Copyright Law, Copyright.gov, (May 12, 2020, 5:02 PM), <http://copyright.gov/title17/92chap1.html>

¹⁶ See WIPO Sub-Regional Workshop on Patent Policy and from Copyright, WIPO, (May 2, 2020, 4:00 PM) http://www.wipo.int/edocs/mdocs/patent_policy/en/wipo_ip_skb_13/wipo_ip_skb_13_

¹⁷ Article 8, 'Congress shall have power... to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries'

¹⁸ Amazon loses 1-click Patents, (May 28, 2020, 7:23 PM), <http://www.forbes.com/sites/timworstall/2011/07/07/amazon-loses-1-click-patent/#6e1516cc788e>

Amazon filed a patent for the process called “one-click”. One click is a technique that allows the customer, to buy something online, by just clicking one-time. The client does not need to use shopping cart software. Instead, he can buy directly from the internet marketplace. Since the customer did registration on Amazon, he does not need to fill, the information about his credit card again. The patent was granted to Amazon on September 28, 1999.¹⁹

Bernes and Noble have developed, on their site, an option of one-click ordering called “Express Lane.” Therefore, Amazon sued them for patent infringement. The Court has ordered Bernesandnoble.com, to stop offering this one-click option, by an injunction. In 2002, the lawsuit was settled, but the terms of the settlement were kept secret. Nevertheless, the Amazon “one-click patent” involves many discussions among the scholars. In fact, the patent of Amazon is valid in the US but invalid in the E.U.²⁰ The European Patent Office stated that the claimed invention could not obtain patent protection due to the lack of inventive step.²¹ Right now, the issue of the patentability of software, and business method arises. The point is, the components of the software are mainly code and algorithm; which constitutes abstract ideas and therefore should not be patentable. However, in certain conditions, patent can be granted for such invention, but the view of the stakeholder in the software industry has a different opinion on it. For instance, in the US, the software, and method of business are still patentable, under certain conditions such as it should be useful and have a technical effect, linked to a process. In the E.U, the software itself cannot obtain a patent, but “computer-implemented invention” is eligible for a patent.

3. Trademarks

The following are some definition of Trademarks:

For Robin D. Roberts, it is “a distinctive word, symbol, design, phrase or another thing that is intended to distinguish the origin of goods or services.”²²

For Bit Law, it is a law that governs the use of a device (including a word, phrase, symbol, product shape, or logo) by a manufacturer or merchant to identify its goods and to distinguish those goods from those made or sold by another.²³

¹⁹ How U.S Patents Hinder Progress in the Tech Industry, (May 15, 2020, 5:33 PM, 10:44 AM), <https://faculty.ist.psu.edu/bagby/432spring08/t5/Case%20Study%20-%20Amazon.com.html>

²⁰ Intellectual Property: Concept, History, and Contentions, (May 28, 2020, 5:29 PM), http://link.springer.com/chapter/10.1007/978-3-642-55265-6_1

²¹ See Amazon loses 1-click Patents, Tim Wortstall, (May 6, 2020, 8:33 PM), <http://www.forbes.com/sites/timworstall/2011/07/07/amazon-loses-1-click-patent/#6e1516cc788e>

²² Tradition & Trademarks, Robin Roberts, (May 3, 2020, 9:33 PM) <http://accordingtohoyt.com/2013/08/11/tradition-trademarks-a-guest-post-by-robin>

²³ Trademark, Patent, or Copyright?, USPTO, (May 21, 2020, 7:25 PM), <http://www.uspto.gov/trademarks->

Thus, the main idea behind trademarks is the identification of the origin of a service or a product. Usually, the customers associate the quality of the product/ service to the name of the brand of the company who made it. As an example, the iPhone is a product from Apple Inc. For the customer who will buy the smartphone, the central fact in his mind is the name of the brand Apple and the quality of its product.

There are two major issues on trademarks in electronic commerce: In one hand, trademarks infringement related to physical goods. In another side, trademarks infringement pertaining to the transaction information.²⁴

For the physical goods, the case of infringement concerns: the selling of counterfeit goods through e-commerce platform; or selling parallel imported products on an e-commerce site. Most of the time, we can find a fake product in the internet marketplace, which is sometimes lead the customer to confusion because of the similarity to the original. In particular, in China, there are much of counterfeits product, in technologies and textile sector. So, the important things here to do are, to determine the source of counterfeits product, and then, decide the jurisdiction which has the authority to judge the case. It is not a straightforward task, but with the help of the site platform, or the Internet Service Providers (ISP), the seller can be located. Then, two options are available for the choice of jurisdiction: the place of domicile of the defendant; or the place where the infringement occurs.

The term “parallel importation” refers to goods produced and sold legally and subsequently exported. Therefore, there is nothing “grey” and mysterious on the goods itself. The point is on the distribution channel of the product in the importing countries. In fact, the national law can restrict the importation of some products, in the state, to avoid unwelcomely competition. Thus, if the products sold or imported, by third parties, fall under the scope of patents, trademarks or copyrights, in this particular country, such sales or import are considered as an infringement.²⁵ In most of the case, the goods, on the website, are genuine but are supposed to be sold in another country. There is a famous case in China: *Michelin Group vs. Tan Guoqiang and Ou Can*.

In this case, the defendant was importing “Michelin” tires which are from Japan to resell

getting-started/trademark-basics/trademark-paten

²⁴ Trademark Infringement in Parallel Importation, (May 23, 2020), <http://www.mondaq.com/x/113602/Trademark/Trademark+Infringement+in+Parallel+Impo>

²⁵ In the academic field, there are two prevailing opinions about parallel import: In one hand, some scholars argue that there not be infringement because of the first sale doctrine. In another side, for others, there is infringement based on the locality nature of IPR.

them in China²⁶. The tires here are from the same brand, but the quality and the price are not similar. Those from Japan are supposed to target the Brazilian market, but not China. Moreover, the price is more affordable than it is in China. So, the issue, in this case, was, whether the Defendants' sale of imported MICHELIN tires shall constitute trademark infringement upon the Plaintiff's exclusive right to use the registered trademark "MICHELIN & Device."²⁷ The Court decided that there be a violation of the brands, on the basis, that the standard of tires sold by the defendant was incompatible with the Chinese rule.²⁸ Moreover, it was foreseeable that, when a traffic accident occurs, the consumer will attribute the liability to Michelin Group as a manufacturer. Therefore, the position of Michelin as leading company in this field will be damaged.

Trademarks infringement relating to transaction information: The most frequent case concerns the domain name.²⁹ For example, a company creates a website, by using other's trademark as a domain name. Both companies may sell the same goods or have different activities, but the main idea is that the other company wants to create confusion to the public, to boost its business.³⁰

4. Trade Secrets

Trade Secrets consist of any confidential business information which provides an enterprise with a competitive edge. It includes sales methods, distribution methods, consumer profiles, and advertising strategies, lists of suppliers and clients, and manufacturing processes.³¹ In trade secrets, we do not talk about infringement but misappropriations of secrets. That is the case for example when someone stole the secret and used it. The point is that there is a misappropriation of secrets when the person discovered the secret by the illegal manner and then starts to use it. However, when the person found the secret independently without

²⁶ Work Program on Electronic Commerce; Background Note by the Secretariat, Addendum, Council for Trade – Related Aspects of Intellectual Property Rights, WTO, http://www.wto.int/english/tratop_e/trips_e/ta_docs_e/8_1_ipcw128add1_e.pdf

²⁷ Trademark Infringement in Parallel Importation, Kelly Chen, (May 9, 2020, 9:43 PM), <http://www.mondaq.com/x/113602/Trademark/Trademark+Infringement+in+Parallel+Impo>

²⁸ 4 The Court held that the Defendants' failure to obtain the 3C Certif were originally targeting the Brazilian market may raise quality and safety issues. Moreover, the Court concluded the Defendants' acts had caused substantial damages to the use the trademark "MICHELIN & Device".

²⁹ A domain name is an identification string that defines a realm of administrative autonomy, authority or control within the Internet. Domain names are formed by the rules and procedures of the Domain Name System (DNS). Any name registered in the DNS is a domain name.

³⁰ Moncler v. Beijing Nuoyakate Garment Co. Ltd, Edward Chatterton, (May 3, 2020, 10:56 PM), <https://www.dlapiper.com/en/uk/insights/publications/2015/12/law-a-la-mode-issue-18/landmark-casefor-counterfeit-goods-infringement/>

³¹ What is a Trade Secret, Gene Quinn, (May 25, 2020), <http://www.ipwatchdog.com/2016/04/09/what-is-a-trade-secret/id=68162/>

criminal behavior, the misappropriations of secrets do not exist.³²

(B) Licensing Trademark and Copyright assets

Licensing IP assets are one way to extend the business of the IP owner, and improving the quality of goods or services. A licensing agreement is a partnership between an intellectual property rights owner (licensor) and another who is authorized to use such rights (licensee) in exchange for an agreed payment (fee or royalty). Usually; the licensing agreement takes the form of franchise, joint venture, and technology license agreement.

Through a franchise agreement, the franchisor (who have a particular expertise, and usually has gained a certain reputation in connection with the use of trade or service) may team up with another enterprise (franchisee), to provide goods or services directly to the customers. In this kind of contract, the franchisor will ensure that the franchise possesses, the management and technical skills, to maintains the quality and other standards, about the use of the trade or service mark. The franchisee, in counterparties, will pay a royalty. KFC, McDonald is a famous example of the franchise.

As well, the copyrighted works can be, the object of licensing agreements. It may concern the manufacturing, distributing or marketing of the creative projects. For example, a music platform online can have the license agreement with the author, to sell the product.

III. CHALLENGES TO THE PROTECTION OF IPR IN E-COMMERCE

The Peer to Peer technology is one the best tools used by internet users to share files. Such technology constitutes one of the significant challenges of intellectual property law. For example, the Pirate Bay is a famous website which uses the peer to peer technology³³. When the users go there, he can access to various contents such as movies, music, software, books and can directly download the files to his computer easily. Most of the substance of this website is copyrighted works. The problem is, the person involved in the sharing activities lives in different countries, which constitutes a barrier to the application of the law. We know that today the uses of the internet is less regulated compared to other activities due to the lack of standard legislation. Also, the website here is an “Internet Service Provider”, the contents shared is not stocked on their servers. Therefore, usually, they do not take the liability in the case of infringement. Nevertheless, in some cases, they can be liable as a contributor to the

³²M. FICSOR, *Law of Copyright and the Internet*, Oxford, 2001

³³ E-Commerce and The Future Of Modern Business, *Mega Essays*, (May 27, 2020, 1:15 PM), <https://www.megaessays.com/viewpaper/27919.html>

copyright infringement.³⁴

Moreover, the sharing files activities online, contribute a lot to the development of piracy copyright, in a different kind of format such as CD/DVD.

Moreover, the selling of counterfeits product, through an e-commerce platform, constitutes a challenge for IP enforcement. Trademarks infringement causes considerable losses to the IP owner. In China, the data from State Administration of Industry and Commerce (SAIC) reported that 63 percent of the goods listed on the Taobao e-commerce platform are not genuine. In 2014, the administrative authorities handled 67,500 trademark infringement cases with a value of RMB 100 million; destroyed 1,007 infringing sites and had 2,800 instances against bad faith trademarks fillings.³⁵

Besides, the mechanism offers, in the legislation itself, is not sufficient to enforce the IPR, especially, when it concerns the cross-border e-commerce. The cooperation between State is an essential key to resolving the problem. The International organisations have the responsibility to promote the uniformization of the law.

IV. CONCLUSIONS AND RECOMMENDATIONS

Today, the e-commerce has a principal place, in the society. It is evident that the technology offered us many possibilities and opportunities. For companies and small business, electronic commerce is the best option to reach many potential customers. Moreover, the presence of company, in e-commerce contribute to the development of its assets. The IP assets are mostly the substantial parts of the enterprise resources. Therefore, the entrepreneurs should invest in the protection of their property.

It is essential to make sure that the various IP assets benefit the maximum protection. A law firm specialised in IP could help the company to manage their IP assets. Nevertheless, the protection of IPR is not only the duty of company. The government and the citizens should play a significant role. For example, the government can help by offering a legal environment adapted to the promotion of IP. The consumers should be aware of the investment of IP owners to the goods/ services and therefore, choose to buy the original product. In the same reasoning, the Internet Service Provider should take maximum care to stop the selling of counterfeits product. To conclude, the protection of IP assets in e-commerce is not straightforward, but with a good will and good governance, changes can be accomplished.

³⁴*Ibid.*

³⁵ China's New Trademark Law, Jones Day, (May 22, 2020, 1:15 PM), <http://www.jonesday.com>