

Intellectual Property Protection on E-Commerce Platforms: New Legal Initiatives

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Abstract. E-commerce platforms that provide the virtual marketplace play a crucial role in digital trade. They can not only cultivate new brands in trade but also provide effective protection for intellectual property rights. Legal reforms are happening in multiple dimensions to optimize platform intellectual property measures. The Chinese law requires that platform operators proactively engage with intellectual property right holders in the development of platform rules and cooperate with all the stakeholders in enforcement of these rules. EU laws, on the other hand, delegate very large platforms to affirmatively decide whether right holders' notices against on-platform operators' infringing activities are sufficiently substantiated and whether to act upon them. The notice-and-takedown model that had been integrated into the platform liability system is shifting gradually to a progressive and comprehensive platform governance mechanism that may keep appropriate balance among different stakeholder groups. Platforms are legally required to conduct due process to protect the legitimate interests of both intellectual property right holders and businesses on the platform. The legal reforms strengthen platform's legal obligations and intensify legal review of platform governance. Platform alternative dispute resolution (ADR) mechanisms that provide on-platform operators an appeal process against the platforms' measures taken against them also provide an important safeguard to the legitimate rights and interests of on-platform operators.

Keywords: E-commerce platform, intellectual property, platform rules, governance, ADR

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INTRODUCTION

A large proportion of cross-border e-commerce is conducted through digital platforms, which provide enterprises with fast and efficient online channels to integrate offline resources, promote brand upgrading, build independent brands for overseas markets, and establish brand reputation.

Cross-border e-commerce lowers the threshold for enterprises to do international trade, and provides a new path for them to find business opportunities and creates branding. Platforms are helping Small and Medium-Size Enterprises (SMEs) to cultivate brands in cross-border e-commerce. For example, TEMU, the cross-border arm of Pinduoduo, has rolled out the "DuoDuo Overseas Brand Supportive Program", championing the overseas venture of 100 manufacturing brands in its inaugural phase. TEMU's footprint has spread across over 100 manufacturing hubs situated in Guangdong, Zhejiang, Shandong, Anhui, and beyond, aiding the foray of high-caliber manufacturing products into more than 40 countries spanning North America, Australia, Europe, and Asia. This is accomplished through a suite of comprehensive services encapsulating contract fulfillment, brand incubation, logistics backing, legal support, and resource subsidies. TEMU helps Chinese manufacturing entities embark on a rejuvenated pathway overseas. Backed by TEMU's holistic overseas solution, best-selling products ranging from children's attire from Zhili, Zhejiang Province; daily essentials from Yiwu, Zhejiang Province; electronic gadgets from the Pearl River Delta to thermal insulation cups from Jinhua, Zhejiang Province; are leveraging cutting-edge technologies to effectively dismantle trade and logistics hurdles, broadening the overseas sales spectrum of their high-quality products.

H2O Limited is another example, which builds a cross-border e-commerce platform for building digital brands in the Japanese consumer market. Join Digital Group (JDG), on the other hand, uses social media platforms such as Facebook and Join Chat for brand communications, building a global marketing matrix, and carrying out differentiated and localized marketing campaigns during Christmas and New Year holidays, which has attracted the participation of millions of fans and effectively enhanced brand awareness and user interaction.

Intellectual property rights protection on platform is developing towards a comprehensive system with preventive measures, in-process governance, and post-event mechanism.

PLATFORM COLLABORATIVE GOVERNANCE

The Chinese E-Commerce Law, implemented from January 2019, requires all e-commerce businesses, including platform operators, on-platform operators and independent operators, to protect intellectual property rights according to the Chinese Copyright Law, Trademark Law, Patent Law and other relevant laws and regulations. With respect to platform operators, that provide virtual marketplace to enable a large number of on-platform operators to do business online, the E-Commerce Law establishes the additional mechanism for intellectual property protection, which consists of three interrelated parts: rules, measures, and liabilities.

(i) Platform rules

Large digital platforms' policies can directly define the business models of their users and affect the value chain of the relevant sector of the digital economy. Apple's charge of 30% of the commission on every purchase in its App Store operating on more than 1 billion iPhones around the world had been in the media spotlight because of the case with Epic Games. Apple's so-called "Apple Tax" and payment exclusivity policies showcase digital platforms' governance powers within their own systems (Fu et al. 2021).

Platform governance and policies have been recognized in law. The 2019 Chinese E-Commerce Law requires the e-commerce platform operators set out the rules on the users' rights and obligations in respect of joining and quitting the platform, consumer protection, personal information protection, etc. These platform rules, through contracting into the service agreements, become binding to the on-platform operators. The platform operators are specifically required to formulate the rules for the protection of intellectual property rights in cooperation with the intellectual property right holders.

Platform intellectual property protection rules should be made based on a general consensus of the right holders. When formulating or modifying the intellectual property protection rules, the platform operator shall take reasonable measures to ensure that not only the intellectual property right holders on the platforms but the other right holders outside the platform can fully express their opinions in a timely manner.

Platforms should guarantee that all relevant intellectual property rights holders (both on and out of the platform) participate in the platform's intellectual property rights prevention and governance activities, so that they can speak on the governance and rules of the platform. Many intellectual property rights holders, though not becoming operators within the platform, have joined the specialized intellectual property protection schemes on the platform. These schemes provide necessary information to the platform, so as to facilitate the platform to prevent, avoid or timely stop and penalize intellectual property rights infringement on the platform in accordance with these rules.

Platform operators shall, in accordance with the platform service agreements which incorporate intellectual property rules, implement the necessary measures against the on-platform operators to ensure intellectual property protection.

(ii) Platform measures

Under the Chinese E-Commerce Law, platform measures for intellectual property protection have a series of components and are more complicated with the so-called "notice-and-takedown" model.

Where a holder of an intellectual property right believes that his/her intellectual property right has been infringed upon by an on-platform operator, he/she shall have the right to require, by a notice to the e-commerce platform operator concerned to take the necessary measures to protect their rights, such as deleting, blocking or disconnecting links or terminating transactions and services. The method of submission and the essential contents of the notices should be specified in the platform rules. The notice shall include the identity of the right holder, proof of the right and prima facie evidence that the infringement has been committed on the platform. A right holder who sends out an erroneous notice shall bear the civil liability for any damage caused to the on-platform operator. If the right holder sent out the erroneous notice in bad faith, he/she shall bear the liability of double compensation for any damage caused to the on-platform operator.

A platform operator, having received such a notice from a right holder, shall take timely and necessary measures of blocking links or terminating services and forward the notice to the on-platform operator that's been alleged to be responsible for the infringement.

The platform operator that fails to take timely and necessary measures upon receiving such a notice shall bear joint and several liability with the on-platform operator for subsequent damages caused by the infringement to the intellectual property right holder.

An on-platform operator may, upon receipt of the notice of infringement forwarded by the platform operator, submit a declaration of non-infringement to the platform operator. The declaration shall include prima facie evidence of non-infringement.

The platform operator shall, upon receipt of the on-platform operator's declaration, forward it to the holder of the intellectual property right who gave the notice, and advise that the holder may file a complaint with the competent authority or a lawsuit before a people's court.

Upon receipt of the declaration forwarded by the platform operator, the holder of the intellectual property right may file a complaint or lawsuit within 15 days and notify the same to the platform operator to continue the actions taken against the on-platform operator. If the platform operator receives no further notice from the right holder within the 15-day grace period, it shall promptly terminate the measures it has taken.

The platform operator shall publish in a timely manner the notices from right holders, declarations from on-platform operators and platform actions (or inactions) taken under the Chinese E-Commerce Law.

The Chinese E-Commerce Law incentivizes platform operators to take down the users' materials notified of infringements, and enables the platform rules recalibrate the notice-and-takedown method. The platform rules specify the operational details of the notice-and-takedown method. Under the rules, the platform operators provide the web-based submission system to receive the right holders' notices and request for additional information following up to the right holders' notices. The right holders, before submitting the notices, are requested to sign up with the platform's submission system and agree upon the rules built into the system. The platform operators that receive the notices verify the identity of the right holders and assess the substance of the notices. The platform rules may offer to the right holders the so-called fast-track takedown treatment. The platform rules empower the platform operators to integrate the take-and-takedown method into the platform governance process.

Platform rules may enable some large platform operators, upon the receipt of the copyright notices, to take alternative measures rather than removing notified content. In the circumstances that the right holders send the malicious notices to disrupt the competitors' business, the platform operators, after receiving the users' counter notices, cannot terminate the takedown measures against the users until the right holders do not take any legal action within 15 days after being notified of the counter notices. During the intensive promotional periods like Cyber Monday or Chinese November 11 Single Day, the 15-day window will seriously affect the legitimate interests of the platform businesses (such as huge loss of profits or business leapfrog opportunity), even though the right holders that sent out an erroneous notice shall eventually bear the civil liability for the damage caused to the businesses that were subject to the takedown measure. To fix the loophole, the platform rules permit the notified users continuing their business on the condition that they submit sufficient funds to guarantee to compensate the right holders, if infringements are proved later on. The alternative measures in the platform rules have been criticized by the right holders as the shield of piracies.

Under Chinese E-Commerce Law, where a platform operator knows or should have known that an on-platform business operator is infringing an intellectual property right, it shall take necessary measures such as deleting, blocking, disconnecting links or terminating transactions and services; otherwise, it shall become joint and several liable with the infringer. The liability doctrine incentivizes platform operators to take actions proactively against infringements committed on the platforms even without any notification from the right holders. A platform operator that is blind to apparent infringements is subject to legal punishment.

A NEW MODEL OF INTELLECTUAL PROPERTY PROTECTION ON PLATFORM

The Chinese legal mechanisms on platform governance are different from the traditional "notice-and-takedown" model, under which an online service provider shall perform the following actions:

- receiving a takedown notice from a right holder;
- expeditiously removing access to the notified material;
- undertaking reasonable steps promptly to notify the subscriber (user) regarding the removal of the material;
- receiving and forwarding to the right holder any counter-notice filed by the subscriber (user), and;

- restoring access to the material that is the subject of a counter-notice within 10–14 days of receipt of the counter-notice unless informed of a court action by the rightsholder.

(i) Failure of old model

Clearly, the service providers, in the notice-and-takedown method, are only required to duly act upon the notices (and the counter-notices), rather than to take on the role of adjudicating the infringement claims contained in the notices. The service providers that act upon the notice or counter-notice in good faith are protected by the limitation of liability, regardless of whether the materials or activities are ultimately determined to be infringing (Gabison and Buiten 2020).

However, the service providers cannot completely rely on the safe harbors. Apart from the eligibility prerequisite of the safe harbors, a service provider cannot take advantage of the safe harbors unless lacking knowledge of infringement on its system. The knowledge requirements have dramatically reshaped the availability of the safe harbors for hosting and information location tool service providers, because knowledge could be established even without receiving the notices.

Apart from the actual-knowledge standard, a red-flag standard obligates the service providers to remove or disable access to infringing content in the circumstances from which infringing activity is apparent. Although there are different interpretations on the red-flag standard and its correlation with the actual knowledge standard, it is commonly accepted that the service providers shall act against the infringing activities apparent to a reasonable person operating under the same or similar circumstances. Even absent actual knowledge or red-flag knowledge, a service provider can still lose the protection of safe harbors if its willful blindness to possible exposure to infringing activity by its users can be proved.

The notice-and-takedown method is originally designed to provide the legal certainty for the service providers on copyright liability. However, as a component of the liability system, the method is constantly in tension with the complicated liability standards. The service providers, even if maintaining the responsive role in the notice-and-takedown method and avoiding the issue whether the users committed infringement, may still expose themselves to the liability under the knowledge standards, one way or another.

If a service provider should already have the duty of care regarding the users' materials in the liability system, why should it respond to the notices indifferently? In practice, service providers in operating their online businesses with users must assess their overall liability risks and tend to monitor the notices for risk management. In addition, users being the source of revenues, the service providers are actually reluctant to take down the materials of the users.

Many large online service providers have already adopted the additional requirements on right holders' notices, which make them no longer in sync with the responsive role in the notice-and-takedown method. Instead of playing a passive role to remove the material in response to a right holder's notice, some service providers have taken a more active role in evaluating the sufficiency of such notice, for example requiring a rightsholder to submit the proof of ownership before processing a takedown notice. The service providers may even decline to act on the right holders' notices for suspect misrepresentation, lack of evidence, breach of the users' fair use rights, etc. The service providers contend that their acts are to address quality problems of the right holders' notices or to protect the users' free speech. In the service providers' belief, the notice-and-takedown method is obviously short of effective, *ex ante*, safeguard for the abusive notices, which makes the service providers take their own action (Jütte 2020).

A service provider's requirement for additional supporting documentation for the notices is already not consistent with responding expeditiously to remove or disable access to the material under the notice-and-takedown method, let alone outright rejection to act upon the notices. Therefore, the service provider would rather to take the risk of losing the safe harbor protection in the liability system than to keep the responsive role in the notice-and-takedown method.

The service providers' shifting role demonstrates the changing landscape of digital economy. The change becomes even more significant while the service providers are increasingly growing into large digital platforms that offer comprehensive online services and facilitate large-number interactions among users. The typical examples are the huge social media platforms (like Facebook or Twitter) or e-commerce platforms (like Alibaba, Amazon or Apple's app store).

(ii) Legal reforms

The notice-and-takedown method is no longer reflecting the reality of growing platform economy and its legal reform is inevitable. The reforms deriving from the notice-and-takedown methods can be roughly grouped in three clusters, *i.e.*

- legally recognizing the platform operators' active role; or,
- integrating the notice-and-takedown method with the platform governance; and/or,
- converting the right holders' notices into dispute resolution process.

The reforms empower the platform operators, but unchecked power and reinforced private ordering are not in public interests. Therefore, success of the reforms depends on strengthening platform's legal obligations, intensifying the legal review of platform rules and governance and improving platform alternative dispute resolution (ADR) mechanisms.

In this regard, Chinese E-Commerce Law is not alone. EU Digital Service Act (DSA) and Directive on Copyright in the Digital Single Market (DSM) clearly move toward this new model of "notice and action", under which all the providers of hosting services (such as file storage and sharing services, web hosting services, advertising servers, etc.) should put in place the user-friendly notice and action mechanisms, through which the notices should be sufficiently precise and adequately substantiated to allow a diligent economic operator to reasonably identify, assess and where appropriate act against the allegedly illegal content. Since, the service providers, upon receiving the notices, are able to identify and assess the preciseness and substantiation of the notices, they actually decide whether or not to act on the notices. If a hosting service provider decides to remove or disable information provided by a recipient of the service, upon a notice, the provider should inform the recipient of its decision, the reasons for its decision and the available redress possibilities to contest the decision. Unlike the notice-and-takedown method, the reformed notice-and-action method emphasizes the importance of transparency. The decisions and statements of reasons made by the hosting service providers should be published and publicly accessible in a database.

The notice-and-action method legally delegates the service providers to play the adjudicator's role upon receiving the right holders' notices. EU DSM actually adopts such method. Under the DSM Directive, online content-sharing service providers shall act expeditiously to disable access to, or to remove from their websites, the notified materials upon receiving the sufficiently substantiated notices from the right holders and made best efforts to prevent their future uploads. The right holders, when requesting to have access to their specific works or other subject matter disabled or to have those works or other subject matter removed, shall duly justify the reasons for their requests. The Directive therefore implies that the service providers identify and assess whether the notices are sufficiently substantiated and decide whether to act upon them. Although the notice-and-action method is still a component of the liability system, the service providers have got the discretion power to look into the substance of the notices, whose role is substantially different from that in the notice-and-takedown method. In addition, the DSM Directive requires that the online content-sharing service providers, in cooperation with the right holders, not result in the prevention of the availability of non-infringing works or other subject matter uploaded by users. Therefore, a service provider, when making the decisions, should take into consideration whether such works or other subject matter are covered by an exception or limitation (such as quotation, criticism, review or the use for the purpose of caricature, parody or pastiche) in the copyright legal system. The service providers' consideration for the possible exceptions or limitations available to the users and the potential of counterbalance to the right holders' excessive enforcement requests reinforce their adjudicator position with respect to the right holders' notices (Quintais et al. 2023). The service providers when making the decisions shall adhere to the principle of proportionality.

Under the DSM Directive, the service providers shall put in place effective and expeditious complaint and redress mechanisms allowing users to complain about the service providers' decisions and actions taken regarding their uploads (Stähler and Stähler 2022). The complaining mechanisms, as one of the essential elements of the notice-and-action methods, are the important safeguard for the users to benefit from an exception or limitation to copyright in relation to the uploads to which access has been disabled or that has been removed upon the right holders' notices. The users' complaints submitted under the mechanisms shall be processed by the service providers without undue delay and be subject to human review. The complaining mechanisms provide the users an appeal process against the service providers' decisions over the disabling of access to, or the removal of, works or other subject matter uploaded by users. The mechanisms effectively replace the counter notices in the notice-and-takedown method and enable the users to timely access to the redress from the service providers. Where a complaint contains the sufficient grounds for the service provider to consider that the information to which the complaint relates be not infringing and not incompatible with its terms and conditions, or the complainant's conduct not warrant the suspension or termination of the service or the account, the service provider shall reverse its decision without undue delay.

CONCLUSION

Cross-border e-commerce, characterized by the conclusion of sales contracts for goods or services via digital networks, has become integral to digital trade. Digital platforms play a critical role in cross-border e-commerce, enabling SMEs, and individuals to participate in international trade and conduct direct transactions with foreign parties. New cutting-edge technologies, supported by digital platforms that host tens of thousands of businesses, are profoundly changing the patterns of world trade and global trade rules. Legal rules on intellectual property protection, confronted with the new normal of cross-border e-commerce platform, have to be reformed to keep appropriate balance among different stakeholder groups. Platforms are legally required to conduct due process to protect the legitimate interests of both intellectual property right holders and businesses on platform.

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