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Trademark Counterfeiting on Online Marketplaces

A Legal and Economic Analysis of Luxury Goods

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Trademark Counterfeiting on Online Marketplaces – A Legal and Economic Analysis of Luxury Goods

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Abstract

This thesis addresses the significant issue of trademark counterfeiting on online marketplaces, with a specific focus on luxury goods. The distinctive characteristics of trademarks, rooted in consumer perception and the associated prestige, make luxury goods prime targets for counterfeiters. The anonymity and global reach of the internet facilitate the distribution of counterfeit goods, posing challenges for trademark owners to protect their intellectual property effectively. This paper investigates the extent to which current Swiss law provides civil liability for online marketplaces in cases of trademark counterfeiting. Through a comprehensive economic and legal analysis based on literature and case law, the supply and demand characteristics of counterfeit goods are explored and the effectiveness of the existing liability framework in mitigating this issue is assessed. The findings reveal that Swiss law predominantly relies on strict liability for negative actions, with considerable legal uncertainty surrounding reparatory actions. Although there is no specific duty of care mandated for platform providers under current Swiss trademark law, the enhanced protection for famous trademarks offers a viable defence for luxury brands, particularly through keyword blocking on internal search engines. The paper proposes a negligence-based liability framework, featuring a "Good Samaritan" clause, to encourage platforms to take reasonable steps against counterfeiting without the risk of over-removal of legitimate offers.

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List of Abbreviations

Art.	Article
BBI	Federal Gazette
BGH	Federal Court of Justice of Germany
BSK	Basler Kommentar
CC	Swiss Civil Code of 10 December 1907 (SR 210)
cf.	Latin word confer, meaning: compare
cit.	cited
CHF	Swiss Francs
CJEU	Court of Justice of the European Union
CO	Federal Act of 30 March 1911 on the Amendment of the Swiss Civil Code (Part Five: Code of Obligations) (SR 220)
cons.	consideration
CopA	Federal Act on Copyright and Related Rights of 9 October 1992 (SR 231.1)
COVID-19	coronavirus disease of 2019
CPC	Swiss Civil Procedure Code of 19 December 2008 (SR 272)
CR	Commentaire Romand
CSC	Cantonal Supreme Court
cum	Latin prefix, meaning: with
DesA	Federal Act of 5 October 2001 on the Protection of Designs (SR 232.12)
DFSC	Decisions of the Swiss Federal Supreme Court, Official Collection
Diss.	doctoral thesis
DMCA	Digital Millennium Copyright Act
DSA	Digital Services Act
ECJ	European Court of Justice
ed.	editor(s)

edn.	edition
e.g.	exempli gratia, meaning: for example
et al.	et alia, meaning: and others
et seq(q).	and that (those) which follow(s)
EU	European Union
EUIPO	European Union Intellectual Property Office
EUROPOL	European Police Office
FOCBS	Federal Office for Customs and Border Protection
FSC	Federal Supreme Court
Ibid	ibidem, meaning: in the same place
i.e.	id est, meaning: that is
INTA	International Trademark Association
IP	Intellectual Property
IPI	Swiss Federal Institute of Intellectual Property
let.	letter
LugC	Convention of 30 October 2007 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (SR 0.275.12)
N	number, note
n.p.	no place
min.	minute
OECD	Organisation for Economic Co-operation and Development
OFK	Orell Füssli Kommentar
p.	page
para.	Paragraph
PatA	Federal Act of 25 June 1954 on Patents for Inventions (232.14)
PILA	Federal Act of 18 December 1987 on Private International Law (SR 291)
pp.	pages

SEO	search engine optimisation
sic!	Zeitschrift für Immaterialgüter-, Informations- und Wettbewerbsrecht
SHK	Stämpflis Handkommentar
TmPA	Federal Act of 28 August 1992 on the Protection of Trademarks and Indications of Source (SR 232.11)
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
US(A)	United States (of America)
USD	US Dollars
U.S.C.	United States Code
v.	versus
vol.	volume
WTO	World Trade Organisation
%	percent
$	US-Dollars

§1. Introduction

"There is no success without copies and imitations, it does not exist."[1]

-Coco Chanel, 1959-

Coco Chanel's words capture the paradox at the heart of the luxury goods market: the very success and desirability of luxury brands make them prime targets for counterfeiters. The distinctiveness and popularity of authentic products are essential to their appeal, driving both legitimate demand and the incentive to produce imitations. However, this phenomenon is not confined to luxury products. Indeed, any item can be subject to counterfeiting if there is a profit motive that stems from the protection of intellectual property rights. Intellectual property can add significant economic value to a product, creating premium prices that attract counterfeiters.[2] Trademarks, as one of the forms of intellectual property, are used to differentiate products from anonymity. They play a crucial role in increasing the appeal of products and establishing consumer preferences.[3]

Consumer demand drivers are only relevant in markets where buyers knowingly opt for counterfeit goods.[4] In such cases, the additional emotional benefits of a trademark, which extend beyond its distinctive function, become prominent. Brands can evoke desires, arouse emotions and convey a particular lifestyle.[5] Consumers take advantage of these prestige effects when they deliberately buy counterfeit products. Consequently, it is not the buyer who is deceived, but rather the observer who perceives the product's consumption.[6] However, counterfeiting is not only a consequence of consumer demand, but is also influenced by the actions of trademark owners. Inflated prices and limited availability of trademarked products with high demand can fuel the market for counterfeits and allow counterfeiters to exploit excess demand.[7] This dynamic is particularly evident in the luxury goods sector. Studies by the EUIPO and the OECD highlight the particular vulnerability of these products to counterfeiting.[8]

The economic impact of counterfeiting is substantial. In 2019, the volume of international trade in counterfeit and pirated products was estimated at USD 464 billion, equivalent to 2.5% of

[1] INA STARS, min. 5:46, original quote in French: "Pour moi, la copie c'est le succès. N'est pas de succès sans copie et sans imitation, ça n'existe pas."
[2] BLAKENEY, p. 15.
[3] ESCH, p. 1.
[4] BLAKENEY, p. 16.
[5] GHORBANI/WESTERMANN, p. 10.
[6] GROSSMAN/SHAPIRO, p. 82.
[7] BLAKENEY, p. 16; DING et al., p. 801.
[8] OECD/EUIPO, Global Trade in Fakes, p. 56.

global trade.[9] The proliferation of counterfeit goods is driven by high returns on investment, often exceeding those of drug trafficking, combined with significantly lower penalties and risks.[10] The rise of e-commerce has exacerbated this issue, as consumers increasingly turn to online platforms for their purchases.[11] Counterfeiters have adeptly utilized the digital domain to source components and distribute their products, further complicating enforcement efforts.[12]

Against this background, this thesis examines the extent to which current Swiss law provides for the civil liability of online marketplaces for trademark counterfeiting. It explores the legal and economic justifications for such liability for the case of luxury goods. The thesis is grounded in a comprehensive review of literature and case law, with a primary focus on Swiss law, supplemented by relevant cases from other jurisdictions. The remainder of this paper is structured as follows. Chapter 2 provides a conceptualisation of trademarks, defining them from legal, psychographic and economic perspectives. It explores the role of trademarks in the context of luxury goods and discusses the principle of territoriality in trademark protection. Additionally, it examines the definition, economic impact and trends in counterfeiting, highlighting the role of online marketplaces. Chapter 3 offers an economic analysis of counterfeiting in the luxury goods sector, focusing on the supply and demand sides of the counterfeit market and different liability regimes for online marketplaces. Chapter 4 conducts a legal analysis of counterfeiting on online marketplaces under Swiss law. It discusses the material and territorial scope of protection, defence claims against online marketplaces and the civil liability of online marketplaces, covering direct and joint liability. Based on the economic and legal analysis, chapter 5 explores anti-counterfeiting tactics and intellectual property strategies that luxury brands can employ. Finally, chapter 6 concludes the thesis, summarizing the key findings and reflecting on the research question.

[9] OECD/EUIPO, Global Trade in Fakes, p. 9.
[10] EUROPOL, p. 37, 48.
[11] EUIPO, EU enforcement, p. 12.
[12] EUIPO, EU enforcement, p. 12.

§2. Trademarks and Counterfeiting

This chapter examines the multifaceted nature of trademarks, defining them from legal, psychographic and economic perspectives. It explores the role of trademarks in luxury goods, trademark protection and the principle of territoriality. The chapter concludes with an overview of counterfeiting, its economic impact and contributing factors, particularly China's role and the influence of online marketplaces.

I. Conceptualisation Trademarks

The act of marking goods is not a recent invention; it has existed for centuries. From the symbolic labelling of bricks in ancient Egypt to the branding of cattle and livestock – giving the "brand" its English name to this day – individuals utilised markings to distinguish themselves from anonymity. The objective was to enhance the desirability of branded products in order to establish a preference for them over conventional goods. If a specific manufacturer's emblem was acknowledged and linked with favourable encounters, it had the potential to evolve into a symbol of excellence, thereby enhancing trust between the purchaser and the seller.[13] Trademarks continue to serve a crucial purpose of distinguishing and identifying both businesses and consumers.[14] Nevertheless, the perception of trademarks and the process of trademark creation (*branding*) have been fundamentally transformed by the industrial revolution, the advent of mass production and the emergence of consumer markets.[15]

A. Definition

The intricate concept of a trademark can be defined through three distinct approaches: the legal, the psychographic and the economic perspective.[16] The different approaches are described in more detail hereafter.

i. Legal Perspective

Trademark law, a component of intellectual property law, governs the allocation of exclusive rights to specific trademarks and establishes the conditions under which these rights can be claimed. Intellectual property rights are absolute rights that apply to everyone. Unlike physical possessions, intellectual property rights refer to intangible goods.[17] Trademark law must be differentiated from other forms of intellectual property rights, particularly design, patent and

[13] ESCH, p. 1.
[14] ESCH, p. 10.
[15] MURPHY, p. 18 et seq.
[16] GHORBANI/WESTERMANN, p. 16.
[17] MARBACH et al, N 3.

copyright law. It is important to acknowledge that a product can be protected by multiple intellectual property rights.[18] However, this thesis specifically concentrates on the aspect of trademark protection. According to Art. 1 para. 1 TmPA, a trademark is a sign that has the ability to differentiate the products or services of one company from those of other companies. It is intended to enable the consumer to recognise a product once it has been appreciated in the wide range of products on offer.[19] From a legal point of view, a trademark is a method of positively distinguishing one's own products or services. It is only this ability to distinguish one's own product range from competing products that is legally protected. This function of a trademark is traditionally referred to as the "origin function". The term is appropriate in the sense that the trademark serves to identify the abstract source of a product or service; the consumer can infer the responsibility of the producer from the trademark.[20]

The legal classification of a sign as a trademark depends on its distinctive character. The trademark serves as a seal for the product and is never an end in itself. In abstract terms, the legal definition of a trademark is therefore satisfied by any method of expression that is appropriate for customising the company's product.[21] As stated in Art. 1 para. 2 TmPA, the permissible forms of trademarks cover words, letters, numbers, figurative representations, three-dimensional shapes and combinations thereof, either with each other or with colours. As a result of this broad definition and the extensive spectrum of options, the legislator did not specify a comprehensive list of possible forms.[22] In essence, any distinct manner of expression that has the ability to distinguish a product from its competitors and individualise a given product may be taken into account.[23] Trademarks are subject to restrictions solely in the sense that they must be distinguishable, adequately defined, graphically depictable and comprehensible without the need for technical assistance.[24]

ii. Psychographic Perspective

The psychographic approach, as opposed to the legal perspective, directs its analysis away from the corporate domain and towards consumers and their personal affiliations and anticipated advantages concerning brands.[25] It emphasises the psychological characteristics of a brand rather than its physical attributes. The distinctive characteristics of a brand are not tangible but

[18] MEER, p. 1.
[19] DFSC 119 II 473.
[20] DFSC 128 III 441; MARBACH et al., N 568.
[21] MARBACH et al., N 570.
[22] MARBACH et al., N 573.
[23] SHK-NOTH/THOUVENIN TmPA, Art. 1, N 3.
[24] OFK-WILLI TmPA, Art. 1, N 27.
[25] GHORBANI/WESTERMANN, p. 16.

manifest themselves in the minds of consumers.[26] Back in the early 1950s, David Ogilvy described a trademark as "the consumer's idea of a product".[27] In this sense, a trademark consists of more than just a logo or a well-known slogan. It serves as a representation of all the ideals, emotions and experiences that customers identify with the goods and brand ambassadors. Consumers embody these values through their purchasing and public display of products, which in turn reflect their unique preferences, lifestyle and sense of self.[28] Brands may also serve a purpose of integration by representing the belonging to a social group.[29] Throughout history, the manner in which individuals perceive and use particular brands in public has been closely linked to their social environment and their perception of so-called "reference groups".[30] Hence, in the present times of intensified competition and globalisation, the traditional perception of a brand as a mere symbol of excellence is inadequate. Instead, it should possess the ability to evoke emotions and desires and provide unforgettable experiences in order to guarantee enduring customer loyalty and, consequently, sustainable success. Therefore, it is crucial for businesses to build strong trademarks and equip them with added value.[31] ESCH accurately characterises strong trademarks in this context as "emotional anchors" that contribute to differentiation.[32]

The phenomenon of consumers creating their identity through their purchasing behaviour can be explained by Maslow's hierarchy of needs, a conceptual framework that illustrates the hierarchical nature of human needs.[33] The model categorises needs into intrinsic needs, which are rooted in human nature and extrinsic needs, which are influenced by external factors and the individual's surroundings. Essentially, once individuals have satisfied their fundamental intrinsic needs for nutrition, safety and security, they pursue extrinsic motives such as social validation, interpersonal connections, aesthetics and self-actualization. Brand preference is not solely based on meeting fundamental needs, but rather on the desire for emotional attachment, social belonging and personal fulfilment. This highlights the growing importance of the symbolic value that brands provide in today's consumer society.[34]

[26] GHORBANI/WESTERMANN, p. 2 et seq.
[27] Ogilvy cit. in ESCH, 2018, p. 21.
[28] GHORBANI/WESTERMANN, p. 2 et seq.
[29] ESCALAS/BETTMAN, p. 378.
[30] GHORBANI/WESTERMANN, p. 11 et seqq.; ESCALAS/BETTMAN, p. 378.
[31] GHORBANI/WESTERMANN, p. 2 et seq.
[32] ESCH, p. 22.
[33] SZMIGIN/PIACENTINI, p. 257 et seq.
[34] GHORBANI/WESTERMANN, p. 11.

iii. Economic Perspective

From an economic point of view, a trademark represents an intangible asset of a company.[35] Strong trademarks not only increase the willingness of customers to purchase and pay, but also impose an impact on their loyalty towards the brand, intention to recommend and likelihood to engage in repeat purchases. This provides companies with increased flexibility, specifically in regard to pricing strategies, marketing initiatives and distribution channels. The value of a brand is thus transformed from a psychographic perspective into an economic variable, with the brand value forming an integral part of the overall company value.[36] A high brand value is associated with substantial investments in research and development, precise brand management and a commitment to high quality, reliability and exclusivity.[37]

In order to determine this value in monetary terms, future cash flows are taken into account.[38] Thus, a direct future component is included in the financial definition. The result is a single quantified value.[39] A well-known example of assessing the value of brands for companies is the Interbrand Ranking of the world's most valuable brands. Alongside the three leading brands – Apple, Microsoft and Amazon – luxury brands such as Louis Vuitton, Gucci, Chanel and Hermes were also among the world's top 50 brands of 2023.[40]

B. Trademarks in the Context of Luxury Goods

The term "luxury" is deeply rooted in history and dates back to antiquity, but despite its long existence, the concept remains elusive both in practice and in academic research.[41] From an etymological point of view, "luxury" originally derives from terms such as "lux" for light or "luxuria" for waste, which underlines the dualistic nature of luxury as a symbol of exceptionality as well as exuberance and excess.[42] Despite different perspectives in the literature, there is a broad consensus that luxury goes beyond the necessary and thus embraces the non-necessary.[43]

In marketing, the importance of trademarks for luxury products is particularly emphasised.[44] "Luxury trademarks" are often defined by specific characteristics such as high perceived price, excellent quality, uniqueness, aesthetic value and a significant brand history, which clearly

[35] GHORBANI/WESTERMANN, p. 18.
[36] *Ibid*, p. 19.
[37] STAAKE et al., p. 321.
[38] ESCH, p. 689.
[39] *Ibid*, p. 55.
[40] INTERBRAND, n.p.
[41] LASSLOP, p. 472; BERRY, p. 3.
[42] BÜTTNER et al., p. 8; WYRWA, p. 3.
[43] KÖNIG/BURMANN, p. 6; cf. explanation of the Maslow pyramid in chapter §2.I.A.ii.
[44] KÖNIG/BURMANN, p. 6.

distinguishes them from generic brands.[45] However, the term "luxury trademark" is not a legal term.[46] Instead, trademark law includes specific provisions for well-known and famous trademarks[47], which will be discussed in more detail in chapter §4.I.C. The term "luxury trademark" can, however, be defined more precisely from a psychographic and economic perspective. LASSLOP characterises a "luxury trademark" primarily by its higher price and increased symbolic value compared to "conventional trademarks".[48] An increased price and a high symbolic value generally indicate a luxury good. This emphasises that the symbolic value goes beyond the actual functional benefit of a product.[49] In this sense, DUBOIS/PATERNAULT state: "More than other products, luxury goods are bought for what they mean, not what they are".[50]

II. Trademark Protection and Principle of Territoriality

According to the TmPA, a trademark infringement only occurs when the distinguishing and origin function of a trademark is impaired.[51] However, extended protection is provided for famous trademarks within the meaning of Art. 15 TmPA.[52] A limitation of trademark protection exists due to the predominant principle of territoriality in intellectual property law.[53] The principle of territoriality is based on the notion that the scope of all intellectual property laws depends on the territorial relationship of the intellectual property right to the country of protection and is limited to the territory of the respective country. Consequently, trademark law does not apply universally, but is territorially limited to the territory of the country granting trademark protection.[54] In addition, trademark infringing acts must be carried out in Switzerland (*place of action*) or at least have an effect in Switzerland (*place of success*) in order to fall within the scope of Swiss trademark law. Acts without a corresponding connection to Switzerland can only be prevented in accordance with the applicable foreign legal provisions.[55]

The territoriality of all national trademark laws has led to a large number of international treaties. The main purpose of these international efforts is to meet the need for uniform registration and assessment criteria in trademark law.[56] For example, Switzerland has ratified

[45] KAPFERER/BASTIEN, p. 116.
[46] BSK-DAVID/FRICK TmPA, Art. 15, N 39.
[47] Art. 3 para. 2 let. b and Art. 15 TmPA.
[48] LASSLOP, p. 474.
[49] *Ibid*, p. 473 et seqq.
[50] DUBOIS/PATERNAULT, p. 69.
[51] Art. 13 para. 1 cum Art. 3 para. 1 TmPA.
[52] Art. 15 para. 1 TmPA; cf. chapter §4.I.C.
[53] BSK-DAVID TmPA, Art. 1-46a, N 2.
[54] *Ibid.*
[55] OFK-WILLI TmPA, Art. 52, N 3 et seqq.
[56] BSK-DAVID TmPA, Introduction, N 44.

the Madrid Agreement on the International Registration of Trademarks and the TRIPS Agreement on Trade-Related Aspects of Intellectual Property.[57] However, it is beyond the scope of this paper to consider international agreements, thus only the provisions of Swiss law will be discussed in the course of this paper.

III. Counterfeiting

Trademark counterfeiting is a multifaceted phenomenon. This is reflected in the fact that there is still no agreed definition of the term. In addition, the consequences of the problem are highly complex and varied, making it difficult to present a comprehensive picture of the whole issue.[58] Nevertheless, the following sections are intended to provide a brief overview of the phenomenon.

A. Definition

The inclination of consumers to acquire prestigious goods without corresponding financial outlay sets an ideal stage for the proliferation of counterfeit merchandise.[59] The concept of "trademark counterfeiting", also referred to simply as counterfeiting, lacks a specific legal definition. Notably, the Trademark Protection Act does not acknowledge the term directly, nor does it cater specifically to incidents of this nature. Nevertheless, the term is understood as a particularly brazen type of trademark violation.[60] According to Swiss legal scholars, counterfeiting is defined as the misuse of another's trademark through the adoption of a sign that is either identical or substantially similar in its essential elements, which is used to suggest that the goods are the authentic product of the lawful trademark owner.[61]

B. Economic Impact

Products that derive significant added value from intellectual property and therefore command a higher market price are prime targets for counterfeiters.[62] Counterfeits encompass a wide array of goods, from luxury goods like watches, jewelry, fashion apparel, accessories, leather products and perfumes to more generic commercial goods including motors, spare parts and chemicals, as well as everyday consumer items such as pharmaceuticals, foodstuffs and children's toys.[63] Research by the EUIPO and the OECD indicates a particular vulnerability of

[57] BSK-DAVID TmPA, Introduction, N 9, 25.
[58] JENNI, p. 12.
[59] BLAKENEY, p. 15.
[60] HERREN, N 5.1 et seq.
[61] BLUMENTHAL, p. 171 et seqq.; WEBER/MONDINI, N 8; JENNI p. 13.
[62] BLAKENEY, p. 15.
[63] BLAKENEY, p. 15.

luxury goods to counterfeiting within the EU, notably leather items, footwear, apparel and jewelry.[64] Globally, Switzerland ranks as the fifth most impacted economy by counterfeit trade, with the United States leading, followed by France, Germany and Italy.[65] In 2018, counterfeit goods infringing Swiss intellectual property rights represented a significant economic detriment, accounting for CHF 7 billion or 2.3% of total authentic Swiss exports, with the watch and jewelry industry suffering significant losses.[66]

C. Origins and Trends in Counterfeit Trade

Switzerland is also seeing an increase in the import of counterfeit goods in commercial trade. According to the latest data from the Federal Office for Customs and Border Protection, the number of counterfeit goods seized in 2023 was more than four times higher than in 2017.[67] The statistics indicate that handbags, travel bags and wallets constituted 29.7% of the seized consignments, followed by footwear at 26.6% and clothing at 21.2%. Counterfeit watches and jewelry made up 17.1%.[68]

i. China's Role as an Exporter of Infringing Goods

As in previous years, the majority of counterfeit goods originated from China (55.2%) and Hong Kong (20.4%).[69] The prevalence of China and Hong Kong as the principal origins of counterfeit goods globally is reinforced by studies of the OECD and EUIPO.[70] A legal framework to combat counterfeiting has existed in China for comparatively few years. It is only since China joined the WTO in 2001 that sufficient laws have been created to effectively protect and enforce intellectual property rights. Nevertheless, enforcing these rights remains a significant challenge.[71] Factors contributing to this include low manufacturing costs, a supportive economic policy environment, a collectivist mindset and regional protectionism.[72] It should be noted that private property was rejected in China under the socialist planned economy until the 1970s. Accordingly, there is no long tradition of legal protection of intellectual property – awareness of its importance had to be created first.[73] Indeed, copying other people's ideas has a long tradition in Chinese culture and is not regarded as morally

[64] OECD/EUIPO, Global Trade in Fakes, p. 56.
[65] *Ibid*, p. 30.
[66] OECD/IPI, p. 4.
[67] FOCBS, p. 2.
[68] *Ibid*, p. 3.
[69] *Ibid*, p. 4.
[70] OECD/EUIPO, Global Trade in Fakes, p. 20; EUIPO Vendor Accounts, p. 23; EUIPO, EU enforcement, p. 7.
[71] VON WELSER/GONZÁLEZ, p. 178 et seqq.
[72] FUCHS, p. 65 et seqq.; VON WELSER/GONZÁLEZ, p. 195 et seqq.; ZUBERBÜHLER, p. 86 et seqq.
[73] FUCHS, p. 67 et seq.

reprehensible, but rather as an expression of appreciation.[74] In addition, China offers ideal production conditions for IP right infringers due to low production costs, low labour costs and a high availability of labour.[75] Furthermore, China has often prioritised the growth of its own economy over the protection of foreign intellectual property rights due to its ambitious growth trajectory over the last two decades.[76] Another favourable factor is that the so-called "guanxi relationships", where personal networks are based on trust and shared experiences, strongly characterise official and business life.[77] These relationships can lead to officials and economic operators feeling more obliged to favour domestic over foreign parties, which can be disadvantageous for European companies.[78]

ii. Non-Deceptive Counterfeiting

More than half of the goods that violated Swiss[79] trademark rights between 2017 and 2019 were sold on "secondary markets", i.e. to consumers who knowingly demanded counterfeits.[80] Whereby 55% of buyers of counterfeit Swiss watches bought them deliberately.[81] A study by the EUIPO explored Europeans' perception, awareness and behavior regarding intellectual property. It revealed that over 1 in 10 Europeans admitted to purchasing counterfeit items, with younger individuals doing so twice as frequently as older ones. Additionally, younger consumers were more inclined to intentionally buy fake goods, with approximately 26% of 15-24-year-olds engaging in such purchases, primarily for financial reasons. For example, 50% of 15-24-year-olds agree or tend to agree that it is acceptable to buy counterfeit products when the genuine items are too expensive and 41% believe it is appropriate to buy counterfeit luxury goods.[82] This highlights the notion that modern consumer behaviour might be encouraging the popularity of counterfeit products. As described in chapter §2.I.A.ii., the purchase of a particular product is no longer determined solely by its utility value, but increasingly by the image or prestige associated with it. Counterfeit goods promise the image associated with the original product and membership of a particular reference group at more attractive prices, which may be one reason why consumers consciously buy counterfeits of luxury goods. Another factor that encourages the intentional purchase of counterfeits is that for many consumers, the purchase of counterfeit goods is still a minor offence despite education and awareness-raising

[74] *Ibid*, p. 65.
[75] ZUBERBÜHLER, p. 87 et seq.
[76] VON WELSER/GONZÁLEZ, p. 195 et seq.
[77] FUCHS, p. 69; VON WELSER/GONZÁLEZ, p. 197.
[78] *Ibid.*
[79] OECD/IPI, p. 1: understood to be a product that bears the trademark of a Swiss company.
[80] OECD/IPI, p. 4.
[81] *Ibid*.
[82] EUIPO Perception, Awareness, and Behaviour, p. 8 et seqq.

programmes.[83] Against this background, it seems appropriate to focus the further examination in this paper on non-deceptive counterfeiting.

iii. The Role of Online Marketplaces in Counterfeit Trade

The internet has emerged as a primary channel for distribution, encompassing both digital and physical products, with a noticeable increase in e-commerce transactions compared to traditional retail outlets.[84] Equally, counterfeiting activities have migrated from physical to online distribution.[85] Statistics indicate that small shipments are becoming predominant across many trade routes, highlighting reduced costs of postal and courier services and the growing significance of the internet and e-commerce in global trade.[86] The online sale of counterfeit goods is facilitated by the internet's ability to provide anonymity, reach customers worldwide and the territorial nature of trademark protection. Hence, counterfeiters also rely on online platforms to market and distribute their counterfeit goods.[87] Trademark owners therefore face a difficult task in combating counterfeits as the effectiveness of protective measures is constrained by national borders and the ability to take direct action against counterfeiters.[88] The question therefore arises as to whether online intermediaries can be held liable for the sale of counterfeit goods of third-party sellers.[89] Liability is defined as the legal responsibility for the acts or omissions of a person or entity. Failure to meet this responsibility can result in being sued for any resulting damages or being ordered by a court to perform certain actions.[90]

In order to narrow down the terms "online" and "e-commerce", this paper focuses on the sale of counterfeit goods on online marketplaces. These platforms operate under two models: hybrid marketplaces and non-hybrid marketplaces.[91] Hybrid marketplaces, such as Amazon, offer products from their own inventory as well as from external sellers.[92] Conversely, non-hybrid marketplaces, such as eBay, Aliexpress or Temu, only facilitate sales of external sellers without holding inventory themselves.[93] However, regardless of the business model, the platform operator's role is to attract potential customers, promote different offers and manage

[83] JENNI, p. 19.
[84] EUIPO Vendor Accounts, p. 21.
[85] *Ibid*.
[86] *Ibid*, p. 22.
[87] INTA, p. 3 et seqq.
[88] INTA, p. 3; JENNI, p. 19.
[89] BUITEN et al., p. 140.
[90] LAW.COM, n.p.
[91] HÜBNER, p. 128 et seq.
[92] *Ibid*, p. 132.
[93] HÜBNER, p. 128 et seq.; EUIPO, Vendor Accounts, p. 41.

transactions. In some cases, a marketplace may also be responsible for storing and delivering third-party products to buyers.[94]

In the context of platform liability, legal scholars[95] and case law[96] distinguish between hosting and access providers. A hosting provider provides a server infrastructure for the provision of content, whereas an access provider facilitates access to the internet. An online marketplace offers a platform for interactions between buyers and sellers; therefore, it fulfils the function of a hosting provider.[97] At present, Switzerland does not have specific legal liability regulations for hosting providers. In a 2015 report, the Federal Council examined the civil liability of hosting providers concerning intellectual property infringements. It analysed claims for the removal or omission of infringements as well as claims for damages or satisfaction based on provisions of intellectual property law and the law of obligations. The Federal Council concluded that there was no need for legislation to regulate the civil liability of providers.[98] However, no specific court decisions have been issued in this regard so far.

The USA also lacks specific legal regulations concerning the liability of hosting providers for trademark infringements. Liability is based on the Lanham Act, the main federal statute that regulates trademarks and case law. U.S. jurisprudence has increasingly based its reasoning on the DMCA's safe harbour for internet service providers for infringing copyrights.[99] Among its other provisions, the DMCA stipulates that internet service providers can exempt themselves from liability if they have established notice-and-takedown procedures, i.e. if a provider removes the illegal content after receiving a notice from the copyright owner.[100] However, a bill known as the "Shop Safe Act" was introduced in Congress in 2021 and is currently undergoing the legislative process. It aims to combat the sale of counterfeit goods on e-commerce platforms by holding them accountable for counterfeit products sold by third-party sellers.[101]

In contrast, the European Union has already established a framework for the liability of providers of hosting services. The basic principles are set out in the E-Commerce Directive of 2000. The recently enacted Digital Services Act introduces more comprehensive and stringent

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[94] OECD/EUIPO, Misuse of E-Commerce, p. 20.
[95] ROSENTHAL, N 11 et seqq.; SCHOCH/SCHÜEPP, N 7; FRECH, p. 296 et seq.
[96] DFSC 145 III 72.
[97] ROSENTHAL, N 11; SCHOCH/SCHÜEPP, N 10.
[98] Bericht, BR, p. 2 et seqq.
[99] In *Tiffany Inc. v. eBay* the Supreme Court explained that the *Inwood* standard (*Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*) was applicable. According to this standard, the court needed to assess whether eBay continued to provide its services to sellers despite knowing or having reason to know that these sellers were involved in trademark infringement.
[100] United States, 1998, 17 U.S.C. § 512(c).
[101] Shop Safe Act of 2021, n.p.

obligations to increase the accountability and transparency of digital services, thereby ensuring a safer online environment for users.[102]

The efforts within the EU and related political initiatives[103] have spurred the Federal Council to address the regulation of large communication platforms. A corresponding consultation draft is currently being prepared. Whether Switzerland will adopt fundamental provider regulation in the near future remains to be seen.[104] This paper, however, focuses on the liability of online marketplaces under current Swiss law.

[102] European Commission, Executive Summary, p. 1 et seq.
[103] Motion, n.p.
[104] Press Release Federal Council, n.p.

§3. Economic Analysis of Counterfeiting for the Case of Luxury Goods

This chapter seeks to shed light on the economic principles of non-deceptive counterfeiting for the case of luxury goods. The basis for this is a literature review. However, the secretive character of the counterfeit market restricts direct access to the phenomenon. Therefore, the current literature may not comprehensively address all facets of counterfeit activities.[105] Counterfeiting is typically not regarded as an independent field of study, but rather as a complementary one to other academic disciplines. A significant number of scholarly articles are based on marketing science and focus on specific aspects of consumer behaviour.[106] There is a considerable amount of both theoretical and empirical research on the mechanisms of counterfeit trade, as well as on the social and economic effects of counterfeiting.[107] Recent studies have examined platform liability in relation to counterfeiting from an economic standpoint.[108]

The following sections present an economic examination of the supply and demand side of counterfeit goods, along with an analysis of the economic justification for legal liability of online marketplaces in this particular context.

I. The Supply Side

To date, research on investigating non-deceptive counterfeiting has primarily concentrated on the consumer perspective. A limited number of publications examine the supply side of the counterfeit market. The limited availability of information regarding sellers and their activities, along with restricted access to counterfeit market participants, contributes to the scarcity of relevant studies.[109] HARVEY/RONKAINEN made an initial contribution to the examination of the supply side. The authors identify possible methods through which illicit actors can acquire the necessary knowledge to produce counterfeit items.[110] However, their research primarily relies on the presumption that intellectual property is stolen from within the impacted company, thereby failing to acknowledge the substantial reverse-engineering capabilities of today's industry.[111]

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[105] STAAKE et al., p. 320.
[106] *Ibid*, p. 325.
[107] DI LIDDO, p. 2.
[108] ZHANG et al.; SUN et al.; JEON et al.: LEFOUILI/MADIO.
[109] STAAKE et al., p. 329.
[110] HARVEY/RONKAINEN, p. 38.
[111] STAAKE et al., p. 329.

Regardless of how counterfeiters acquire the necessary technical knowledge for production, the supply of counterfeit goods is driven by its potential profitability.[112] Yet, this raises the question of why suppliers would manufacture counterfeit goods when they could offer generic alternatives, thereby avoiding legal risks.

GROSSMAN/SHAPIRO investigate the phenomenon of non-deceptive counterfeit-product trade, where they assume that low-quality, generic products are produced overseas due to the benefits of comparative advantage and at a constant marginal cost.[113] Counterfeit goods also come from foreign countries, due to both the low production costs and the fact that trademark protection laws are less strictly enforced there.[114] The profitability of counterfeiting is determined by the ratio of benefits to costs. The cost of producing a counterfeit item is equal to or greater than the cost of producing a generic good. The total costs could even be higher for the counterfeit good if there are additional expenses, such as legal penalties, associated with replicating the trademarked item.[115] However, these costs are relatively insignificant as a result of the low probability of detection, inadequate enforcement of intellectual property rights and lenient penalties and sanctions.[116] Based on these assumptions, it is apparent that counterfeit products must generate a higher profit margin than no-name products in order to incentivise counterfeit trade. This implies that the price of a counterfeit product needs to be higher, assuming that the cost of a counterfeit product is the same or higher than that of a generic product.[117] Otherwise, there would be no incentive to engage in the illegal counterfeit trade if the profits of producing generic and counterfeit goods would be equal. Consequently, GROSSMAN/SHAPIRO assume that the counterfeit product must possess a status appeal that is sufficient to justify its higher price compared to generic goods.[118] Furthermore, GROSSMAN/SHAPIRO argue that counterfeits aim to decouple the quality and the prestigious characteristics of trademarked items, by offering items of lower quality with the prestige effect of the original product. By doing so, the illicit suppliers impose an externality on trademark holders by degrading the exclusivity and prestige of their products, as well as weakening the company's market power.[119]

The study of GROSSMAN/SHAPIRO, however, fails to consider the cost advantages of counterfeiters.[120] According to LEE/YOO, the benefits of counterfeit production stem from free-

[112] LEE/YOO, p. 19.
[113] GROSSMAN/SHAPIRO, p. 83.
[114] *Ibid.*
[115] *Ibid.*, p. 84 et seq.
[116] *Ibid.*, p. 84.
[117] *Ibid*, p. 79.
[118] *Ibid.*, p. 86.
[119] *Ibid.*, p. 82, 98.
[120] *Ibid.*, p. 82.

rider effects with respect to research and development and advertising costs.[121] A free-rider is someone who enjoys the benefits of a resource without contributing fairly to its provision. Similarly, counterfeiters benefit from a company's investment and branding efforts without bearing any of the associated expenses.[122] Additional advantages arise from the use of inexpensive materials and production methods, as well as reduced labour expenses and tax avoidance.[123]

In contrast to GROSSMAN/SHAPIRO, QIAN considers the variability in the quality of counterfeits.[124] The quality of counterfeits is inferior or, at most, equal to that of the authentic product. This consideration causes different degrees of substitution effects. The substitution effect is more negative when counterfeits are closer substitutes for the authentic product, which means that there is a greater tendency for consumers to replace a more expensive good with a cheaper but similar quality alternative when the price of the original rises.[125] QIAN's analysis also indicates that the entry of counterfeiters can decrease prices of genuine products in the short term by reducing the expected level of quality.[126] Hence, counterfeit entry serves as a catalyst for the original producer to enhance the quality and increase the price of their product. This suggests that innovation – as a viable corporate strategy – can effectively counteract competition from imitators.[127] In summary, when consumers can effectively mimic status through high quality counterfeit products, authentic companies have an incentive to distinguish themselves through quality and pricing to minimise competition.[128] In this scenario, the price signalling tactic, wherein a company raises prices without implementing corresponding enhancements in quality to indicate superior quality and distinguish itself from counterfeit products, will not result in the intended effects.[129] Nevertheless, FONTANA et al. argue that numerous luxury brands have failed to adequately combat counterfeiting because of an increased emphasis on brand signalling and symbolic value. Prioritising logos over other quality indicators, the focus has shifted from providing genuine luxury to simply signalling price.[130] This shift is evident in manufacturing and supply chain operations. Luxury brands have weakened quality control by breaking the centuries-old link between luxury goods and their

[121] LEE/YOO, p. 19.
[122] EUIPO, Study on Business Models, p. 12.
[123] LEE/YOO, p. 19.
[124] QIAN, 2014, p. 319.
[125] QIAN, 2015, p. 62.
[126] QIAN, 2014, p. 341.
[127] QIAN, 2014, p. 341; QIAN, 2008, p. 1606 et seq.
[128] QIAN, 2014, p. 322 et seq.
[129] QIAN, 2014, p. 319 et seqq.
[130] FONTANA et al., n.p.

traditional places of origin by moving production to low-cost regions.[131] Meanwhile, according to recent data, the luxury fashion industry has seen a 25% increase in average prices since 2019.[132] This increase has been attributed by companies to factors such as inflation, regional pricing and the impact of the COVID-19 pandemic.[133] Conversely, luxury brands such as Chanel have seen this trend over a longer period. For example, the price of a traditional 2.55 Chanel handbag has risen significantly from $1,650 in 2008 to around $10,200 in 2023, well above the inflation-adjusted approximation of $2,359.[134]

In line with this development, LEE/YOO primarily examined the differences in price rather than the disparities in quality between the counterfeit and the authentic product.[135] They state that the presence of price disparities would foster the manufacturing and distribution of counterfeit goods. When genuine products become too expensive for a certain group of consumers, they tend to seek cheaper alternatives. Therefore, significant price disparities between original and counterfeit goods can result in increased profits for counterfeiters.[136] Furthermore, they suggest that the larger the market for a particular product, the greater the incentive to exploit the respective markets for counterfeiting. This incentive grows in proportion to the strength of the trademark, which can be justified by the increased popularity and price premium.[137] The supply of counterfeit products is further fuelled by the exclusivity of luxury goods. In this instance, the counterfeit products can satisfy an excessive demand.[138] Similarly, the decision to discontinue popular products or introduce limited editions provides significant opportunities for counterfeiters.[139] These assumptions are supported by the "Trends in Trade in Counterfeit and Pirated Goods" report by the OECD, which indicates that luxury goods – including handbags and leather goods, watches, perfumes and cosmetics, footwear, jewellery and sunglasses – appear to be the sector with the highest volume of counterfeit imports into the European Union.[140]

II. The Demand Side

What makes consumers deliberately buy counterfeit products? One possible explanation is that the product provides a favourable cost-to-benefit ratio when considering its utility.[141] However,

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[131] *Ibid*.
[132] STANLEY, n.p.
[133] THE STYLES DESK, n.p.
[134] *Ibid*.
[135] LEE/YOO, p. 18.
[136] *Ibid*, p. 19.
[137] *Ibid*, p. 19 et seqq.
[138] BLAKENEY, p. 17.
[139] *Ibid*, p. 18.
[140] OECD/EUIPO, Trends in Trade, p. 53.
[141] GROSSMAN/SHAPIRO, p. 81.

one might wonder why consumers choose to purchase counterfeit goods, despite the potential additional costs resulting from confiscation at the border. After all, they could simply opt for a generic product that provides the same level of quality and price.[142] A potential reason is that consumers find value in the trademark, such as a logo or distinct fabric pattern.[143] This pertains to luxury goods, where the simple possession brings prestige to their owners through the use or display of a branded product, regardless of their practical function.[144] Counterfeiting goods of a "luxury trademark", therefore, fools not the buyer, but rather misleads the observer who witnesses the consumption of the product and is mistakenly impressed.[145] Consequently, an information asymmetry arises between the buyer and the observer, with the observer possessing less information than the buyer.[146] There are various methods used in the existing literature to translate this phenomenon into economic terms.[147]

GROSSMAN/SHAPIRO assume that consumers differ in their preferences for quality and prestige.[148] A consumer who purchases a high quality, luxury product would not only benefit from the product's superior quality but also from its snob appeal, which is a measure of the brand's prestige. The authors point out that imitations would decrease the prestige of luxury items. The prestige of a particular brand is negatively correlated with the total number of consumers, which is the sum of buyers of authentic and counterfeit products (*prestige externality*).[149] Further, they assume that consumers who do not prioritise quality would tend to assign less value to prestige.[150] One reason for that being that consumers with higher incomes would be able to afford products that are both high in quality and status, which may contribute to their preference. Another explanation is that individuals who truly appreciate the product's detailed attributes would be more likely to develop a sense of snobbery towards it.[151] However, these assumptions appear unconvincing. In line with HÄCKNER/MUREN, the supposed correlation between the valuation of quality (*income*) and prestige should be relaxed and the determinants should be considered independently from each other.[152] This seems to be a logical conclusion since a counterfeit of a "luxury trademark" serves the very purpose of achieving the associated status with fewer financial means.

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[142] *Ibid*.
[143] *Ibid*, p. 79; cf. chapter §2.I.A.ii.
[144] *Ibid*, p. 82, 98; cf. chapter §2.I.B.
[145] *Ibid*, p. 82.
[146] GROSSMAN/SHAPIRO, p. 82; QIAN, 2014, p. 319.
[147] DI LIDDO; GROSSMAN/SHAPIRO; QIAN, 2014; QIAN, 2015.
[148] GROSSMAN/SHAPIRO, p. 83.
[149] *Ibid*, p. 82.
[150] *Ibid*, p. 84.
[151] *Ibid*, p. 84.
[152] HÄCKNER/MUREN, p. 339.

Instead of making demand dependent on consumers' assessments of quality and prestige, QIAN's model focusses on whether outsiders are deceived by the counterfeit product.[153] He thus addresses the information asymmetry between buyer and observer mentioned above. If the consumer of the counterfeit is not recognised by others as the bearer of a counterfeit, then he acquires full status signalling.[154] Therefore, the author finds that the more similar the counterfeit is to the original, the higher the level of status signalling that can be achieved. Consequently, a higher quality counterfeit leads to more observers being fooled, higher status signalling and higher incentives to purchase counterfeits.[155]

In another study conducted by QIAN, the model considered a situation where a company with a successful trademark offered multiple products, mirroring real-world conditions.[156] The study distinguishes between high-end and low-end authentic products, indicating that a branded company can offer products of different quality.[157] Given these circumstances, the model provides insights into two contrasting effects of entry: the negative substitution effect and the positive demand-enlarging effect, i.e. advertising effect.[158] As already indicated in the previous chapter, a negative substitution effect refers to the phenomenon where counterfeiters steal the demand for genuine products.[159] In contrast, the demand enlarging effect describes the situation where the demand for authentic products can also increase following the entry of counterfeiters into the market.[160] QIAN argues that counterfeiting does not have a strictly negative impact on prestige, which contradicts the findings of GROSSMAN/SHAPIRO.[161] Importantly, the degree of the two effects differs based on the quality of the genuine product.[162] When it comes to the sales of high-end genuine products, the demand-enlarging effect is greater than the substitution effect, resulting in higher demand for these authentic products. Counterfeit products exert less competitive pressure on high-end authentic products primarily because of the substantial disparity in quality between them.[163] In the case of low-end genuine product sales, the impact of substitution outweighs the influence of advertising due to the ease with which counterfeiters can replicate the quality of low-end authentic products.[164] As a result, according to QIAN,

[153] QIAN, 2014, p. 323.
[154] *Ibid.*
[155] *Ibid*, p. 319.
[156] QIAN, 2015, p. 62.
[157] *Ibid*, p. 64.
[158] *Ibid*, p. 62.
[159] *Ibid*, p. 62.
[160] *Ibid*, p. 62.
[161] QIAN, 2015, p. 62 et seq.; GROSSMAN/SHAPIRO, p. 84.
[162] QIAN, 2015, p. 73.
[163] *Ibid.*
[164] *Ibid.*

consumers are more likely to buy a counterfeit product of the corresponding low-end genuine product.[165]

It can be noted that the respective economic models rely on different assumptions, resulting in inconsistent results concerning the demand for counterfeit goods. What is absent in all studies, however, is the consideration of additional costs on the consumer side. For example, GROSSMAN/SHAPIRO assume that the costs of the illicit trade are borne by the counterfeiters.[166] What is not recognised is the challenge of enforcing rights against direct infringers. The result is that the burden of confiscation costs falls on the buyer, who may also have to pay fines.[167] From an economic perspective, it therefore remains unclear how the risk of confiscation affects consumer demand.

III. Platform Liability

The question of platform liability for trademark infringements arises when the costs of direct enforcement of primary liability are too high and where there is weak cross-border enforcement of intellectual property rights.[168] Undoubtedly, platforms have become important players that have established tools and capabilities to monitor, identify and partially address illegal activities and misconduct within their system.[169] The subsequent considerations deal with the economic impact of platform liability.

A. Laissez-Faire Regime

This section examines the rationale for online hosting platforms to self-regulate under a laissez-faire regime, i.e. without any platform regulation, in order to determine whether a liability regime is economically justifiable. The first step is therefore to determine whether platform liability is indeed necessary.[170]

One reason to support holding hosting platforms accountable for the infringing material they provide is that they benefit financially from this intermediary service. Hosting platforms should bear responsibility for any harm caused by their business model, given that they also benefit from the exchange that takes place in the space they control. In other words, if the hosting platforms' business model leads to negative externalities, such as harm to users or others, the

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[165] QIAN, 2015, p. 73.
[166] GROSSMAN/SHAPIRO, p. 85.
[167] Art. 13 para. 2[bis] TmPA, which prohibits the import of counterfeits for private purposes. A trademark owner can claim damages in combination with Art. 41 CO.
[168] JEON et al., p. 2 et seqq.
[169] LEFOUILI/MADIO, p. 325.
[170] BUITEN et al., p. 148; LEFOUILI/MADIO, p. 326.

hosting platforms should take responsibility for those effects, just as a factory could be held liable for the pollution of a nearby river.[171]

Online marketplaces can face serious consequences if users list counterfeit goods on their platforms, as the presence of illegal content can degrade the user experience and reduce customer engagement or activity on the platform.[172] Sellers offering counterfeit goods may use deceptive tactics or engage in fraudulent behaviour, potentially discouraging users from using the services provided by the hosting platform. Over time, the availability of illegal products on the marketplace can undermine the credibility and reputation of the platform. Furthermore, even in the absence of liability, an e-commerce platform may be motivated to monitor its sellers out of concern that customers might defect and use alternative marketplaces.[173] Nevertheless, the potential for buyers to switch to competitors may lack credibility when market power or lock-in effects are present.[174] If the damage inflicted upon others results in an equivalent amount of damage to the platform, the platform is incentivized to proactively prevent harm caused by illegal content and thus engage in self-regulation within a laissez-faire regime.[175] This is the case for platforms on which a large number of trademark owners are represented and whose users demand authentic instead of counterfeit products.

However, if the harm to others exceeds the harm to the platform, there are less incentives for the platform to fully internalise these externalities.[176] Instances may include intellectual property rights holders who choose not to engage in the platform ecosystem and witness their products being unlawfully copied and sold online.[177] In this case, the sale of counterfeit products may not always have a detrimental impact on the business or reputation of online marketplaces and the presence of counterfeit products on platforms does not automatically result in customer loss.[178] This applies to instances of non-deceptive counterfeiting, where consumers show no concern for the illegal nature of the activity. As discussed above, certain consumers may actively seek out counterfeit products on e-commerce platforms, as they are available at significantly reduced prices compared to the authentic versions.[179] Put simply, the platform fails to consider the negative effects on outside parties, which means that the platform may have fewer incentives to prioritise a certain level of care that would be beneficial for

[171] BUITEN et al., p. 149.
[172] INTA, p. 10; BUITEN et al., p. 149.
[173] *Ibid*.
[174] BUITEN et al., p. 150; LEFOUILI/MADIO, p. 331.
[175] BUITEN et al., p. 149; LEFOUILI/MADIO, p. 327.
[176] BUITEN et al., p. 150.
[177] LEFOUILI/MADIO, p. 330.
[178] BUITEN et al., p. 150.
[179] cf. chapter §2.III.C.ii.

society as a whole. Implementing measures to detect and remove counterfeit items would result in additional costs without providing any additional benefits for the platform.[180]

Equally, there are no incentives for a platform to self-regulate in a laissez-faire regime even if the trademark owners are present on the platform if the online marketplace achieves higher profits from the sale of infringing goods.[181] To illustrate: There is an online marketplace where low- and high-quality sellers are present. Assume that low-quality products infringe intellectual property rights. However, this does not have a negative impact on the end consumer, who is willing to buy the counterfeit of a branded product. Assume further that the platform generates its revenue primarily from the sale of low-quality goods, as these lead to significant market growth. Given the current scenario, it may be financially burdensome for the platform to remove these listings and ban IP-infringers. In addition, such actions would result in a decrease in the overall profitability of the platform.[182]

Nevertheless, certain trademark holders may have the ability to utilise their business relationship to encourage online hosting platforms to tackle illegal listings. They may decide to stop selling their products on the platform if the counterfeit products are not removed.[183] For instance, Birkenstock announced in 2017 that it would stop selling on Amazon due to the prevalence of counterfeit versions of its shoes being sold by third-party vendors. Birkenstock believed that Amazon was not taking sufficient measures to combat counterfeiting. The company expressed that Amazon maintained "an environment where we experience unacceptable business practices that hurt our brand."[184]

Irrespective of the question of harm, platforms may proactively eliminate illegal content to preempt regulatory intervention.[185] Platforms may try to persuade lawmakers that self-regulation is sufficient by engaging in voluntary initiatives. At the same time, platforms might be hesitant to develop tools to actively identify illegal content if doing so would lead lawmakers to increase their responsibility. The presence of more sophisticated or cost-effective methods for identifying and eliminating illicit content could serve as a rationale for lawmakers to heighten the obligations of online platforms.[186]

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[180] LEFOUILI/MADIO, p. 330.
[181] BUITEN et al., p. 150.
[182] LEFOUILI/MADIO, p. 330.
[183] BUITEN et al., p. 150.
[184] ISRAELI et al., n.p.
[185] BUITEN et al., p. 150; HUSOVEC, N 16.
[186] BUITEN et al., p. 150.

In summary, a marketplace has an incentive to self-regulate in a laissez-faire regime if the harm to IP right holders equals the harm to the platform and the sale of authentic products leads to higher profits compared to counterfeit products. In other words, if online platforms bear the social costs resulting from the illicit content they host, a liability rule would not be required since it can be anticipated that they allocate the ideal amount of resources to prevent illegal activities.[187] However, in cases where third parties are harmed or the platform benefits from the sale of counterfeit goods, it would be desirable to have liability rules in place. In such situations, a stricter liability regime may be necessary to ensure that the platform's incentives are aligned with what is socially preferable.[188] In this respect, a liability regime can cause online marketplaces to internalize the negative externalities that their business model may impose on consumers, third parties and society at large.[189]

B. Liability Regimes

An efficient liability regime should aim to minimize a) the costs of harm and b) the costs of detecting and removing illegal material for all concerned parties. Furthermore, it should place the burden of action on those who are able to do so at the lowest cost (*cheapest cost avoider*).[190]

Buyers may lower the risk of harm by acquiring additional information about the other party involved, such as utilizing user review systems provided by online platforms. However, their incentive to take action is limited to the extent that they are negatively affected by the unlawful actions of others.[191] Therefore, only consumers who have been deceived have a reason to take measures against counterfeiters operating on online marketplaces. Non-deceptive counterfeiting, however, does not cause any harm to the buyer or the seller, yet it does negatively affect a third party, such as a trademark owner.[192] In such instances, both parties involved in the contract will have no incentive to minimize damage or notify the illicit listing to the platform.[193]

A trademark holder has the right to initiate legal action against individuals or entities that violate its trademark, seeking compensation for any harm caused. Enforcing trademark rights can be expensive for right holders and in some cases, it may be impossible due to the anonymity of the infringer and impractical due to the cross-border nature of the internet.[194] As a result, it may

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[187] BUITEN et al., p. 148.
[188] LEFOUILI/MADIO, p. 330.
[189] BUITEN et al., p. 149, 151.
[190] CALABRESI, N 42; BUITEN et al., p. 161.
[191] BUITEN et al., p. 154.
[192] JEON et al., p. 3.
[193] *Ibid.*
[194] cf. chapter §2.III.C.iii.

not be economically profitable to initiate proceedings against the infringer.[195] Even if a trademark owner was to take action, it would still require the cooperation of the platform to remove the illicit offer.[196]

For an online marketplace, the cost of monitoring and removing trademark infringing content can vary depending on the size of the platform.[197] Large online platforms have the advantage of being able to distribute the fixed costs of software tools across all occurrences of illegal material. Thus, larger platforms have a cost advantage due to economies of scale.[198] In addition, the accuracy of notices produced by software tools may improve as the number of transactions increases.[199] On the contrary, smaller platforms may find it challenging to justify investments in advanced software tools.[200] As a result, they may have to rely on manual detection and monitoring, which can be more costly and less precise when it comes to identifying illegal material.[201] The potential for economies of scale to be realized is especially important when determining liability regulations for online platforms, as economies of scale can make it more difficult for new players to enter the market.[202] The imposition of a liability rule makes it necessary for online platforms to devote more time and resources to fulfil their obligations. A liability rule has the potential to be extremely costly for small platforms or new entrants if the costs of complying with the liability rule are substantially higher for them than for large platforms. This can lead to a reduction in competition and a shift in market share towards larger, more established players. Small platforms might exit the market and new entrants may also be deterred from entering the market, which could have wider economic consequences.[203] When establishing a liability regime, it is essential that lawmakers consider the trade-off between static efficiency and dynamic implications in terms of market entry and exit of online platforms. If the costs of complying with the liability rule do not exceed the associated expected returns for all market participants, it would be reasonable to introduce a generally applicable platform liability rule.[204] Conversely, if the liability rule places significant financial burdens on specific market participants, it may be desirable to establish a threshold for monitoring duties in order to avoid negative impacts of liability regulations on competition.[205]

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[195] BUITEN et al., p. 155.
[196] HUSOVEC, N 16.
[197] BUITEN et al., p. 153.
[198] *Ibid.*
[199] *Ibid.*
[200] *Ibid.*
[201] *Ibid.*
[202] *Ibid.*
[203] *Ibid.*
[204] *Ibid.*
[205] *Ibid*, p. 154.

The foregoing indicates that cooperation with the platform is essential for the trademark owner to remove infringing content in the first place. In addition, particularly large platforms can use technical tools to remove illegal content in the most cost-effective way. However, it still needs to be clarified which type of liability should apply to online marketplaces. In principle, a distinction can be made between strict liability, "knowledge standard" and negligence-based liability.[206]

i. Strict Liability

In the case of strict liability, the platform would have to bear the entire cost of the harm caused, regardless of the degree of care.[207] In this scenario, the trademark holder would anticipate that the platform would allocate additional resources towards identifying and prohibiting sellers of counterfeit products. This would result in a positive externality on the trademark owner. However, at the same time it would deprive the owner of any incentive to invest in measures aimed at combating counterfeiting, exemplifying a common free-rider dilemma.[208] Furthermore, while no liability for online platforms would foster the under-removal of illegal content (*false negatives*), a strict liability regime would lead to the over-removal of content (*false positives*).[209] As a result, strict liability may encourage an online marketplace to excessively remove product listings from its platform when the costs of removal are low and the consequences of not removing counterfeit listings are high.[210]

ii. Liability Exemption Based on "Knowledge Standard"

Under the so-called "knowledge standard", platforms can be exempted from liability if it has no knowledge of the illegal content on its platform or if it takes immediate action to prevent access to such content as soon as it becomes aware of it (*notice-and-takedown*).[211] However, under this regime, platforms that take proactive measures are at a disadvantage compared to those that make no effort at all, as the platform will be held liable upon knowledge.[212] Consequently, a regulation based on "knowledge standard" would be ineffective in incentivizing online marketplaces to take a proactive stance against counterfeiting. An alternative is the adoption of a "Good Samaritan"[213] approach, which grants platforms immunity from legal liability when they take proactive measures to identify online misconduct.

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[206] LEFOUILI/MADIO, p. 324 et seqq.
[207] *Ibid*, p. 324.
[208] LEFOUILI/MADIO, p. 340.
[209] MEHRA/TRIMBLE, p. 685; BUITEN et al., p. 155 et seq.
[210] LEFOUILI/MADIO, p. 341; URBAN et al., Notice and Takedown, p. 371; URBAN et al., Takedown in Two Worlds, p. 483.
[211] LEFOUILI/MADIO, p. 341; BUITEN et al., p. 140, 143.
[212] *Ibid.*
[213] US law explicitly provides for a Good Samaritan clause in Section 230(c) of the US Communication Decency Act.

This approach would not only encourage platforms to actively observe online misconduct, but it would also enhance their incentive to efficiently ban and report wrongdoers due to the decreased expected costs associated with these actions. Therefore, the implementation of a "Good Samaritan" principle could potentially aid in the process of self-regulation.[214]

iii. Negligence-Based Liability

The concept of negligence-based liability presumes that a platform facilitating unlawful activities is solely liable if it fails to uphold its duty of care. From an economic standpoint, the duty of care refers to preventative measures (*care level*) that would maximize social welfare.[215] Unlike the two extreme rules of strict liability and no liability, a negligence rule raises practical difficulties because the concept of reasonable care needs to be defined in legal terms.[216] BUITEN et al. suggest that a principles-based legal liability framework would be preferable as it would be easier to adapt to the rapidly and often unpredictably evolving landscape of business models and technologies.[217] The duty of care should ensure that hosting platforms have the knowledge and legal certainty to comply with the obligations imposed on them.[218] Furthermore, a one-size-fits-all liability regime is not recommended because, as discussed above, platforms have different costs and benefits of removing trademark infringing offers depending on its size.[219]

In addition to the above-mentioned, HELBERGER et al. emphasize the importance of encouraging users and injured parties to actively contribute to the prevention and identification of harm.[220] For example, trademark owners could provide platforms with the necessary documentation to detect counterfeits.[221] The authors suitably propose a transition from a system where players contest liability to one in which they share responsibility cooperatively.[222] Thus, strict and no liability of online marketplaces cannot be justified under this approach.[223] Instead, a negligence-based framework for online platforms is recommended, featuring a well-defined "Good Samaritan" clause and the mandate for transparent procedures in the counter-notice component of online platforms' notice and takedown systems.[224]

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[214] BUITEN et al., p. 163; LEFOUILI/MADIO, p. 343.
[215] LEFOUILI/MADIO, p. 325.
[216] LEFOUILI/MADIO, p. 352.
[217] BUITEN, p. 161.
[218] *Ibid*, p. 162.
[219] *Ibid*, p. 162.
[220] HELBERGER et al., p. 1.
[221] HELBERGER et al., p. 11; BUITEN et al., p. 161.
[222] HELBERGER et al., p. 1 et seq.
[223] BUITEN et al., p. 161.
[224] BUITEN et al., p. 140 et seq.

§4. Legal Analysis of Counterfeiting on Online Marketplaces under Swiss Law

This chapter provides a legal analysis of counterfeiting on online marketplaces under Swiss law. It begins with an examination of the forms and establishment of trademarks, followed by a discussion of the exclusive rights of trademark proprietors. It then addresses defence claims against online marketplaces and concludes with an exploration of their civil liability.

I. Forms and Establishment of Trademarks

Art. 1 para. 1 TmPA defines a trademark as a sign which is capable of distinguishing the goods or services of one undertaking from those of other undertakings. The legal definition of a trademark is thus an abstract trademark concept characterized by the features "sign", "distinctive character" and "identifiable subject matter". Accordingly, a sign is capable of being a trademark if it has the character of a sign and is suitable for identifying goods and services.[225] Possible forms of a trademark are listed in a non-exhaustive manner in Art. 1 para. 2 TmPA. Signs eligible for trademark protection include words, letters, numbers, pictorial representations[226], three-dimensional shapes[227], or combinations of such elements with colours.[228] For three-dimensional shapes, it is especially important that not only the three-dimensional additions to the product[229], such as the "Mercedes star", can be registered, but also the specific shape of the product[230] or its packaging[231].[232]

In addition to the types of trademarks explicitly stipulated by law, practice acknowledges among others melodies[233], abstract colours and colour combinations, slogans and the positioning of a sign[234].[235]

A sign must be sufficiently defined. This requirement is not fulfilled for abstract ideas. For example, the idea of equipping a vacuum cleaner with a transparent dust container does not constitute a trademark.[236] It should also be noted that a trademark is a registration right.[237] This means that registration of the trademark requires an appropriate form of representation. Signs which cannot be registered in an appropriate manner are therefore not covered by the concept

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[225] BSK-STÄDELI TmPA, Art. 1, N 6.
[226] See Appendix I.
[227] See Appendix II.
[228] *Ibid*, N 7.
[229] See Appendix II.A.
[230] See Appendix II.B.
[231] See Appendix II.C.
[232] MARBACH et al., N 579.
[233] DFSC 135 III 359.
[234] DFSC 143 III 127; see Appendix III.
[235] MARBACH et al., N 580.
[236] ECJ C-321/03 Dyson.
[237] Art. 5 TmPA; cf. chapter §4.I.D.

of a trademark.[238] Notably, the registration of a trademark in a special colour leads to a narrower scope of protection. The reason for this is that a trademark is generally registered in black and white and is therefore protected in all conceivable colour designs. However, a weak sign can, under certain circumstances, achieve registrability by means of a colour design.[239]

A. Absolute and Relative Grounds of Refusal

The absolute grounds of refusal listed in Art. 2 TmPA define those signs which are not eligible for trademark protection due to overriding public interests.[240] This provision serves to prevent wrongful monopolisation of trademark rights, therefore signs which are essential or indispensable for commercial trade are also protected.[241] These concern (let. a) signs that are in the public domain, (let. b) shapes that constitute the nature of the goods or are technically necessary for the goods or packaging, (let. c) misleading signs and (let. d) signs that are contrary to public policy, morality or applicable law. Based on this provision, the packaging shape of the "Lindor ball" for chocolate products could not be registered as a shape mark because the shape is typical for small sweets and therefore corresponds to the nature of the goods.[242]

The relative grounds of refusal under Art. 3 TmPA are directed towards the interests of older trademark holders. Barriers to trademark protection for younger signs are established in favour of earlier trademarks Excluded from trademark protection are signs which have already been registered by others and are intended for the same goods or services[243] or which are identical or similar to such signs and are intended for the same or similar goods or services[244].[245]

B. Principle of Speciality

The wording "for the same or similar goods or services" indicates that trademark protection only extends to the scope of protection claimed in relation to the goods or services in question (*principle of speciality*). Thus, trademark protection does not guarantee universal protection, but is always assessed in the context of the specific goods or services claimed.[246] An exception applies to famous trademarks within the meaning of Art. 15 para. 1 TmPA, whose right holder may prohibit third parties from using the trademark for any kind of goods or services if the

[238] BSK-STÄDELI TmPA, Art. 1, N 6.
[239] MARBACH et al., N 581; see Appendix II.C.
[240] OFK-WILLI TmPA, Art. 2, N 1 et seq.
[241] MARBACH et al., N 584.
[242] FSC_4A_129/2007.
[243] Art. 3 para. 1 lit. a TmPA.
[244] Art. 3 para. 1 lit. b and c TmPA.
[245] BSK-STÄDELI/BIRKHÄUSER TmPA, Art. 3, N 2.
[246] MARBACH et al., N 583.

distinctive character of the trademark could be jeopardised or its reputation exploited.[247] By preventing third parties from exploiting and damaging the acquired reputation of a trademark, Art. 15 para. 1 TmPA grants famous trademarks legal protection for their advertising function, which goes beyond the distinctiveness and origin function under Art. 1 para. 1 TmPA.[248]

C. Famous Trademarks

The TmPA does not define the term "famous trademark". The legislator deliberately refrained from a systematic assessment. Rather, an overall assessment of the circumstances is to be made, using the parameters of superior public, uniqueness and general appreciation.[249] As a consequence, the well-known character of a trademark is a prerequisite for obtaining the status of a famous trademark, but it is not sufficient on its own.[250] In this respect, the famous trademark differs from the notorious trademark[251], for which it is sufficient that the mark is well known to the ordinary public.[252] The criteria of superior public presupposes that third parties would want to profit from the reputation of the trademark as free-riders. In this sense, a famous trademark stands for a successful company that carries particularly strong goodwill.[253]

In addition to superior public reputation, the dispatch on the TmPA mentions the criterion of uniqueness.[254] The idea behind this is that a trademark cannot acquire famous character if it is used for a large number of other goods or services. However, it would be unreasonable to demand statistical uniqueness from a trademark that wishes to claim extended protection on the basis of its famous character.[255] Since an absolute uniqueness is practically impossible, the Swiss Federal Supreme Court assumes a relative uniqueness.[256] This means that a trademark can attain the status of being famous within the meaning of Art. 15 para. 1 TmPA despite the existence of a few identical trademarks. This interpretation is also supported by Art. 15 para. 2 TmPA, which stipulates that a trademark can acquire fame despite individual earlier third-party rights.[257] For example, the existence of a trademark for cigarettes called "Mercedes" has little influence on the famous car brand "Mercedes".[258] While the trademark "Nike" was able to

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[247] MARBACH et al., N 764.
[248] BSK-STÄDELI TmPA, Art. 1, N 35.
[249] Dispatch. TmPA, p. 29.
[250] OFK-WILLI TmPA, Art. 15, N 12; SHK-THOUVENIN TmPA, Art. 15, N 15.
[251] Art. 3 para. 2 let. b TmPA cum Art. 6bis of Paris Convention for the Protection of Industrial Property.
[252] MARBACH et al., N 765.
[253] BSK-DAVID/FRICK TmPA, Art. 15, N 31.
[254] Dispatch TmPA, p. 27.
[255] BSK-DAVID/FRICK TmPA, Art. 15, N 42; OFK-WILLI TmPA, Art. 15, N 15; SHK-THOUVENIN TmPA, Art. 15, N 27; CR-GILLIÉRON TmPA, Art. 15, N 33.
[256] FSC_ 4C_199/2001, cons. 4b.
[257] BSK-DAVID/FRICK TmPA, Art. 15, N 42.
[258] *Ibid.*

prevail in Switzerland against a perfume trademark with the same name[259], it failed in the same case in Germany and Spain.[260]

The final characteristic of a famous mark is general appreciation. This refers to the long-standing positive quality experience associated with a trademark.[261] In contrast to the superior public, the positive image does not have to be present in all segments of the population. It is sufficient if customers are satisfied with the quality of the product.[262] Appropriate marketing instruments promote the general appreciation of a trademark and create trust in the trademark. In this manner, a consumer's desire for a product of the famous mark is created, which may or may not be satisfied. The products of famous trademarks are so-called "conversation pieces" and "nobody will buy goods of famous trademarks in order to hide them afterwards".[263] According to DAVID/FRICK, famous trademarks are typically associated with prestige and luxury goods. Thus, fashion brands such as Prada, Gucci or Chanel acquire the character of being famous. However, it would be wrong to associate famous brands only with luxury goods, as brands for everyday goods, such as Coca Cola or Nestlé, can also achieve the status of being famous.[264] Another important indicator for the general appreciation is the brand value mentioned in chapter §2.I.A.iii.[265] Various rankings, such as the Interbrand Ranking, provide information on the top-ranked brands. According to DAVID/FRICK, these are all famous marks within the meaning of Art. 15 TmPA.[266]

D. Entry in the Trademark Register

As already indicated, trademark law is a registered right. Art. 5 TmPA stipulates that the rights associated with a trademark come into existence upon entry in the register. The registration procedure is initiated by filing (application) of the trademark.[267] The filing is of great importance in Swiss trademark law, as the filing defines the priority of the trademark. This refers to the precedence accorded to the trademark in the event of conflict with third-party signs. In principle, the trademark right belongs to the person who first filed the trademark. The mere first use of a trademark, however, does not establish priority.[268] An exception is made for well-known trademarks, which are considered to have priority despite not being registered.[269] The

[259] DFSC 124 III 277, cons. 2.
[260] BSK-DAVID/FRICK TmPA, Art. 15, N 42.
[261] SHK-THOUVENIN TmPA, Art. 15, N 23 et seqq.; FSC_ 4C_199/2001, cons. 4b.
[262] CR-GILLIÉRON TmPA, Art. 15, N 10.
[263] BSK-DAVID/FRICK TmPA, Art. 15, N 39.
[264] BSK-DAVID/FRICK TmPA, Art. 15, N 39.
[265] *Ibid.*
[266] *Ibid.*
[267] Art. 6 TmPA.
[268] MARBACH et al., N 650 et seq.
[269] Art. 3 para. 2 let. b TmPA; MARBACH et al., N 650 et seq.

aim is to prevent third parties from benefiting from the lack of trademark protection of well-known trademarks by blocking the sign through registration and thereby acquiring its goodwill.[270] When filing the trademark application, the applicant provides the Institute of Intellectual Property with details of the trademark – in the case of word marks with figurative elements, figurative or shape marks with corresponding images – and the list of goods or services for which the trademark is claimed. The goods or services claimed must be classified according to the Nice Classification[271] grid.[272] If a trademark application meets the legal requirements, the trademark is entered into the register.[273] This gives the trademark proprietor an exclusive right to use the trademark in accordance with Art. 13 para. 1 TmPA.[274]

A trademark is valid for ten years from the date of filing.[275] The period of validity can be repeatedly extended by ten years by means of a renewal application.[276] It is also important to note that the trademark – with the exception of the grace period of 5 years after expiry of the opposition period[277] – is subject to an obligation of use. This means that the trademark must be used in connection with the products for which it is registered in order for the trademark rights to remain enforceable.[278]

E. International Trademarks

Trademarks registered in the Swiss trademark register can seek registration in the international register under the Madrid Trademark Agreement and the Madrid Trademark Protocol. This process is purely formal and does not guarantee definitive trademark protection abroad. The countries where protection is sought will examine the trademark's protectability based on their national laws within one year.[279] In the same way, foreign trademarks can apply for protection in Switzerland through an international registration. If there are no absolute grounds of refusal, the filing of a foreign trademark has the same effect as a national application, i.e. the trademark is entered in the Swiss trademark register.[280] An international registration can also be made directly in the country concerned. However, it should be taken into account that the application

[270] MARBACH et al., N 656.
[271] BSK-DAVID TmPA, Introduction, N 12: The Nice Classification is an international system used to categorize goods and services for the purposes of registering trademarks. The classification system helps streamline the process of trademark registration by providing a standardized framework for identifying the types of goods and services associated with a trademark. It holds administrative importance and serves to simplify trademark searches.
[272] MARBACH et al., N 663, 708 et seqq.
[273] Art. 30 para. 3 TmPA.
[274] BSK-RIZVI/DAVID TmPA, Art. 5, N 4.
[275] Art. 10 para. 1 TmPA.
[276] Art. 10 para. 2 TmPA.
[277] Art. 12 para. 1 TmPA.
[278] Art. 11 para. 1 TmPA.
[279] MARBACH et al., N 735.
[280] Art. 46 para. 1 TmPA.

formalities and registration procedures vary from country to country.[281] Another option is to apply for a community trademark at the European Union Intellectual Property Office. If approved, the trademark is protected on the entire territory of the European Union (*EU trademark*).[282]

II. Exclusive Right of the Trademark Proprietor

The provisions on the trademark as a subjective and absolute right[283] do not specify which rights the trademark proprietor has and which claims he is entitled to against infringements by third parties.[284] This is defined in Art. 13 TmPA. The trademark proprietor is entitled to rights with positive and negative effects. In positive terms, Art. 13 para. 1 TmPA defines the trademark right as an object of intangible assets.[285] In this sense, the trademark holder is exclusively entitled to use the trademark to identify the goods and services claimed. Moreover, the proprietor may also dispose of his rights by transferring, licensing or pledging the trademark.[286] These characteristics illustrate the nature of the trademark as an economic asset and property-like asset. The trademark is therefore part of the company's assets.[287] Art. 13 paras. 2 and 2bis grants the trademark owner negative or defensive rights (*defence claims or prohibition rights*).[288] On this basis, the proprietor can prohibit third parties from using identical or confusingly similar signs for identical or similar products.[289] As the defence claims are of central importance for the present thesis, they will be discussed in detail below.

A. Material Scope of Protection

The right of prohibition under trademark law is defined in Art. 13 para. 2 TmPA on the basis of a general clause, which is subsequently specified in Art. 13 para. 2 let. a-e TmPA in a non-exhaustive manner.[290] In order for the trademark proprietor to be able to prohibit third parties from using the trademark, three cumulative conditions must be fulfilled.[291] The use of a sign identical or similar to the mark must be (i) identifiable, (ii) commercial and (iii) confusable with the trademark in question. Thus, for the latter, a relative ground for exclusion under Art.

[281] BSK-RIZVI/DAVID TmPA, Art. 5, N 18.
[282] BSK-RIZVI/DAVID TmPA, Art. 5, N 19.
[283] OFK-WILLI TmPA, Art. 13, N 8; SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 8 et seq.
[284] BSK-ISLER TmPA, Art. 13, N 1.
[285] BSK-ISLER TmPA, Art. 13, N 2.
[286] Art. 17-19 TmPA.
[287] BSK-ISLER TmPA, Art. 13, N 2, 9.
[288] BSK-ISLER TmPA, Art. 13, N 2.
[289] MARBACH et al., N 743.
[290] MARBACH et al., N 748; Dispatsch TmPA, p. 26.
[291] MARBACH et al., N 746.

3 para. 1 TmPA must be met. If one of these three conditions is not given, the act in question cannot be objected to under trademark law.[292]

i. Identifiable Use

The condition of identifiable use of a trademark is fulfilled when a third party uses the sign to designate a specific product or service and thereby attempts to distinguish it from the products of others.[293] It is therefore decisive that the use of a sign distinguishes it from other products in the perception of the public.[294] If the sign is not perceived by the relevant public as a means of identification or differentiation, its use is not covered by the prohibition rights of the trademark proprietor within the meaning of Art. 13 TmPA.[295] Whether a trademark is used as an identifiable sign is determined, on the one hand, by the perception of the public[296] and, on the other hand, objectively by the way in which the sign is used as a means of distinguishing goods on the market[297]. The prohibition rights of the trademark proprietor are not infringed by a purely functional or decorative use of a trademark. In these cases, there is no identifiable use of the trademark.[298] There are also no trademark infringements – at least in the case of non-famous trademarks – if the non-identifiable use of another's trademark is incorrect, misleading, unnecessarily disparaging or exploits the reputation.[299]

ii. Commercial Use

Only the commercial use of the trademark is covered by the prohibition rights under Art. 13 TmPA.[300] A commercial use is deemed to exist if the act is directed towards an economic activity; remuneration and the intention to make a profit are not prerequisites.[301] Any use of a sign that is market-oriented, i.e. perceptible or at least capable of being perceived on the market, is commercial.[302]

Consequently, the owner of a trademark cannot take legal action under trademark law against a purely private use.[303]The existence of private use is determined by the nature of the act and not by the fact that the act is exercised by a private person.[304] Accordingly, the sale of

[292] SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 2.
[293] SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 14.
[294] BSK-ISLER TmPA, Art. 13, N 15.
[295] DFSC 126 III 322, cons. 3a.
[296] FSC_ 4C_354/1999, cons. 2d.
[297] DFSC 128 III 146, cons. 2c.
[298] SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 27.
[299] SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 28; BSK-ISLER TmPA, Art. 13, N 16.
[300] FSC_ 4C_376/2004, cons. 3.5; BSK-ISLER TmPA, Art. 13, N 25; CR-GILLIÉRON TmPA, Art 13, N 11.
[301] BSK-ISLER TmPA, Art. 13, N 26; CR-GILLIÉRON TmPA, Art 13, N 11; OFK-WILLI TmPA, Art. 13, N 17.
[302] SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 10.
[303] BSK-ISLER TmPA, Art. 13, N 25; CR-GILLIÉRON TmPA, Art 13, N 11; OFK-WILLI TmPA, Art. 13, N 18.
[304] FSC_ 4C_376/2004, cons. 3.5.

trademarked goods via an online marketplace may be considered commercial, even if these goods are offered for sale by a private individual.[305] However, the prohibition of capillary imports represents a breach of this principle, according to which the trademark proprietor can prohibit the import, export and transit of commercially manufactured goods even if they are used for private purposes.[306] In practice, this provision covers the most important area of application of private use.[307]

iii. Confusability

In addition to the similarity of signs, it must always be examined whether there is identity or similarity of goods or services within the meaning of Art. 3 para. 1 TmPA.[308] The criterion of identity or similarity of the goods or services does not apply in the case of famous trademarks under Art. 15 TmPA due to the broader scope of protection. This means that a famous trademark can not only defend itself against its imitation for identical or similar goods and services but can prohibit its use for all goods and services.[309] This extended scope of protection was created to provide protection against the counterfeiting of famous trademarks. The owner of a famous trademark can prevent the use of infringing goods that it does not carry or does not yet carry in its product range.[310]

B. Territorial Scope of Protection

While the internet can be accessed and perceived worldwide, intellectual property rights are territorially limited to the territory of the state that grants protection.[311] Due to the global nature of the internet, an IP right can theoretically be infringed anywhere. However, a trademark effective in Switzerland can only be infringed in Switzerland, which is why only the unauthorised use of a trademark in Switzerland is prohibited.[312] Due to the territorial restriction of intellectual property rights, the affirmation of an infringement requires a "spatial relationship" to Switzerland.[313] Based on the criterion of "spatial relationship", the listing of a trademark infringing good on an online platform can only constitute a trademark infringement in Switzerland if the listing is also directed at Swiss customers. Whether this is the case is

[305] BSK-ISLER TmPA, Art. 13, N 26; SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 11; ABEGG, p. 84.
[306] Art. 13 para. 2bis TmPA.
[307] BSK-ISLER TmPA, Art. 13, N 27; SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 12; OFK-WILLI TmPA, Art. 13, N 12.
[308] BSK-ISLER TmPA, Art. 13, N 28; CR-GILLIÉRON TmPA, Art 13, N 15.
[309] BSK-STÄDELI/BIRKHÄUSER TmPA, Art. 3, N 5; BSK-ISLER TmPA, Art. 13, N 27.
[310] BSK-DAVID/FRICK TmPA, Art. 15, N 62.
[311] BSK-DAVID TmPA, Art. 1-46a, N 2.
[312] BSK-ISLER TmPA, Art. 13, N 54.
[313] DFSC 113 II 73, cons. 2a; DFSC 105 II 49, cons. 1a.

determined by the principles which are applicable for the establishment of international jurisdiction at the place where the result occurred.[314]

According to current case law, the mere fact that a website can be accessed from Switzerland is not sufficient. Rather, the place of use or the place where the result occurs is the place where an internet presence is intended to have its "commercial effect".[315] The purpose of this requirement is to prevent every user of a sign on the internet from being forced to avoid "trademark collisions" and to comply with the trademark rights in all countries across the world.[316]

In a recent decision, the Federal Supreme Court noted possible indications for the existence of a commerical effect.[317] It based its decision on the Joint Recommendation[318] issued in 2001 by the WIPO and the Paris Union for the Protection of Industrial Property. According to the Federal Supreme Court, possible indications of the existence of a commercial effect in Switzerland are (i) references to the delivery of the products to customers in Switzerland, (ii) prices in Swiss francs, (iii) a country-specific domain name, (iv) the use of a language that is predominantly spoken in Switzerland, (v) visits to the website by Swiss internet users or (vi) whether the goodwill of a foreign sign is unlawfully profited from or its distinctive character or reputation is impaired.[319] The latter implies that the existence of a commercial effect is more likely to be affirmed due to the unauthorised use of a famous trademark than in the case of non-famous trademarks. However, the assessment as to whether there is a sufficient commercial effect in Switzerland will be made on the basis of an overall assessment of the specific circumstances of a case.[320] In the aforementioned decision, the Federal Supreme Court also states that the technical progress made since the publication of the Joint Recommendations cannot be ignored. According to the Federal Supreme Court, the possibility of geoblocking allows a sufficient connection to Switzerland to be assumed relatively quickly.[321]

III. Defence Claims Against an Online Marketplace

According to the aforementioned, a trademark proprietor can only exercise its rights of prohibition against third parties who "use" its trademark for identical or similar products. For

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[314] Art. 5 para. 3 LugC; Art. 109 para. 2 PILA; cf. chapter §4.IV.B.ii.
[315] DFSC 146 III 225, cons. 3.3.2.
[316] PEUKERT, p. 75.
[317] DFSC 146 III 225, cons. 3.3.2.
[318] although these are not formally legally binding, an internationally harmonised approach is required in view of the cross-border problem, which is why they were taken into account.
[319] DFSC 146 III 225, cons. 3.3.2.
[320] DFSC 146 III 225, cons. 3.3.2.; Joint Recommendation, Art. 3 para. 2.
[321] DFSC 146 III 225, cons. 3.3.3.

famous trademarks, the scope of protection extends to all products. The question arises as to what extent an online marketplace can "use" the trademark of a third party within the meaning of Art. 13 para. 2 TmPA, whereas in the present case the commercial use is undisputed. Assuming that counterfeits of famous trademarks within the meaning of Art. 15 para. 1 TmPA are offered by third parties on an online marketplace, the defences of a trademark owner against an online marketplace are outlined below.

A. Offering and Storing Counterfeit Goods

Assuming that trademark infringing goods are not offered by the marketplace itself, but by third parties, the question arises under which circumstances an online marketplace itself could fulfil the offence under Art. 13 para. 2 let. b TmPA, i.e., offering, placing on the market and storing goods. In contrast to the European Union, there is still no case law on this matter in Switzerland.[322] As Art. 9 para. 3 let. b of the Regulation on the European Union Trademark corresponds to Art. 13 para. 2 let. b TmPA, the judgements of the ECJ and other courts of EU member states are used to assess the question.

The term "offering" according to Art. 13 para. 2 let. b TmPA is not to be equated with the legal term "offer" according to Art. 3 CO. Rather, it is an announcement of the goods with the intention of delivering them against payment or free of charge. The term also includes the advertising of such goods if the intention is to satisfy a demand. It does not matter whether the goods are still abroad or not even available yet.[323] The unlawful placing on the market extends along the entire distribution channel. The trademark proprietor is therefore free to decide whether he wishes to take action against the importer, the wholesaler, the retailer or all of them simultaneously.[324] In addition to offering the goods and placing them on the market, storage for the purpose of placing them on the market also falls within the scope of the infringement. The term "storage" is understood to mean the short-term possession of the goods, which means that a trademark proprietor can take action not only against the owner[325] but also against the possessor of the infringing goods.[326]

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[322] The U.S. has not yet affirmed any direct infringement of trademark rights by online marketplaces either. As in the case *Chanel Inc. v. TheRealReal Inc.*: Chanel filed a lawsuit against the online marketplace "The RealReal" for direct trademark infringement related to the sale of counterfeit goods. In June 2019, the U.S. District Court for the Southern District of New York ruled in favor of The RealReal, dismissing Chanel's lawsuit.
[323] BSK-ISLER TmPA, Art. 13, N 41.
[324] SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 62; BSK-ISLER TmPA, Art. 13, N 38.
[325] In this case the third-party supplier.
[326] BSK-ISLER TmPA, Art. 13, N 39 et seq.

i. Offering

In *Louboutin v. Amazon*[327], the ECJ considered the business model of the platform and the perception of internet users to determine whether an online marketplace "offers" the infringing goods of a third party itself.[328] It distinguished between hybrid and non-hybrid online marketplaces. In the case of the former, an infringing third-party offer is attributed to the platform, if all offers on the online marketplace are presented in a uniform manner. According to the ECJ, this is done by displaying the platform's offers together with third-party offers and by displaying the platform's logo on both its own and third-party offers.[329] The uniform matter of presenting is promoted by advertising different offers without differentiating them according to their origin, with advertisements such as "bestseller", "most sought after" or "most popular". Such a presentation may make it difficult for the internet user to distinguish between the various offers. In these circumstances, offers from third parties that infringe trademarks may be perceived as being offered by the marketplace itself. [330]

With regard to non-hybrid marketplaces, the ECJ held in *L'Oréal v. eBay*[331] that the platform does not itself use infringing trademarks which appear in offers for sale displayed on its platform.[332] However, in the present opinion, a reasonably well-informed and reasonably observant internet user cannot be expected to be informed about the corresponding business model of an online marketplace. Amazon's website looks similar to those of non-hybrid platforms such as Temu, Wish or Fruugo. However, the latter do not offer their own sales offers and, according to the case law of the ECJ, would not be considered providers of trademark infringing offers.

That the distinction between hybrid and non-hybrid platforms should be irrelevant was also argued jointly by Audi and Volkswagen (Audi Volkswagen) against the online marketplace Fruugo before the District Court of The Hague.[333] Audi Volkswagen asserted that the sale offer should have been attributed to Fruugo's risk and expense, as the advertising prior to and during the sale failed to clearly specify that the products were not offered by Fruugo. However, the Court maintained that there was no general principle requiring that the public's perception must be taken into account whenever determining who, in terms of trademark law, was offering the

[327] ECJ Case C-148/21 and C-184/21.
[328] *Ibid*, N 34.
[329] *Ibid*, N 51.
[330] *Ibid*, N 52.
[331] ECJ, Case C-324/09.
[332] ECJ, Case C-324/09, N 105.
[333] District Court The Hague, C/09/622304 / HA ZA 21-1105.

allegedly infringing goods. Public perception should only be taken into account if required by the particular circumstances. The court concluded that the trademark infringing offers merely resulted in the use of the trademark by third party sellers. Therefore, it was irrelevant to consider the possibility that the platform users were unaware, either before or during the sale, that the products were being sold by independent retailers and not Fruugo.[334] According to the present opinion, it remains unclear how the distinction is justified from a trademark law perspective.

ii. Storing

In *Coty v. Amazon*[335], which preceded *Louboutin v. Amazon*, the ECJ held that if an operator of an online marketplace stores infringing goods on behalf of third-party sellers, the operator is not itself to be regarded as a user of the infringing signs as long as it has no knowledge of the infringement and does not itself intend to distribute or market the goods.[336] By contrast, in *Louboutin v. Amazon*, the ECJ held that the nature and extent to which the hybrid online marketplace provides services in connection with third party offers was decisive for a trademark proprietor's defence based on Article 9 para. 3 let. b of the Regulation on the European Union Trademark. The answering of users' questions, the storage of third-party goods, the dispatch and the handling of the return of the goods would give the average user the impression that those goods are distributed by the platform operator in its own name and on its own account.[337] However, according to the ruling in *Coty v. Amazon*, the storage of trademark infringing goods by Amazon does not constitute as use of a trademark, provided that Amazon has no knowledge of the infringement.[338] On the other hand, as per the judgement in *Louboutin v. Amazon*, the storage of third-party goods can give the user the impression that the platform operator is offering the goods in question.[339] In the present opinion, there is a certain contradiction between the two judgements, which cannot be justified under trademark law.

In summary, it can be stated that an online marketplace offers the trademark infringing offers of third parties itself, provided that a hybrid platform exists and the user perceives the offers as uniform. However, a defence claim based on the storage of the same products is denied if the platform has no knowledge of the trademark infringement.

[334] RIJKS/DE GROOT, n.p.
[335] ECJ, C-567/18.
[336] ECJ, C-567/18, N 45, 53.
[337] ECJ Case C-148/21 and C-184/21, N 53.
[338] ECJ, C-567/18, N 45, 53.
[339] ECJ Case C-148/21 and C-184/21, N 53.

B. The Use of a Sign in Advertising

Article 13 para. 2 let. e TmPA and Article 9 para. 3 let. e of the Regulation on the European Union Trademark stipulate that the trademark proprietor may prohibit a third party from using its sign in advertising or otherwise in the course of trade. In this context, the use of third-party trademarks in metatags and keywords by online marketplaces is discussed in more detail in the following.

i. Use of Third-Party Trademarks as Metatags or Keywords for Search Engine Optimisation

The concept of identifiable use has gained importance with regard to the use of trademarks for search engine optimisation.[340] Particularly in the field of e-commerce, the placement of search results plays an important role in promoting sales. The use of so-called metatags and keywords can optimise the ranking of one's own offer. This offers third parties the opportunity to use established third-party trademarks in order to profit from their reputation.[341] Online marketplaces also use third party trademarks in metatags and keywords to advertise their own platform.[342] Metatags are information in the source text of a website. They are used by search engines, such as Google, to place a website in the search results.[343] There are different types of metatags, some of which may be obvious to the customer and some of which may not.[344] The most obvious metatag is the meta-title. It links to the website and leads to the corresponding offer by clicking on it.[345] Below the meta-title appears the meta-description, which briefly summarises the content of the website.[346] Keyword-metatags, also known as metatags, which are used to describe the website using individual keywords and to increase its visibility in search results, are not visible to the customer.[347] The website operators are free to choose the metatags – these do not have to be present on the website or need to have a connection to the website.[348]

Keyword advertising provides the opportunity to optimise listings through paid advertising.[349] These services are offered by search engines. For example, Google enables website owners to advertise their websites using Google "AdWords".[350] Website operators in turn choose any

[340] BSK-ISLER TmPA, Art. 13, N 18.
[341] SCHRÖTER et al., p. 187.
[342] ECJ, Case C-324/09, N 39: For example, by selecting L'Oréal trademarks as keywords in Google's "AdWords" referencing service, eBay displayed an advertising link to the website www.ebay.co.uk whenever an internet user's search query on Google matched these keywords. This link appeared in the "sponsored links" section, located either on the right-hand side or at the top of the Google search results page.
[343] SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 50.
[344] SCHRÖTER et al., p. 189 et seq.
[345] *Ibid*, p. 190.
[346] NEVERAUSKAS, N 18; see example in Appendix IV.A.
[347] WEBER, N 308; NEVERAUSKAS, N 18.
[348] WEBER, N 309; NEVERAUSKAS, N 19.
[349] SCHRÖTER et al., p. 190.
[350] See example in Appendix IV.B.

keywords that are used to display the website in corresponding searches. In contrast to search optimisation using metatags, keyword advertising marks the site as a sponsored listing.[351]

The question of whether the use of metatags and keywords constitutes identifiable use must be considered in a differentiated manner due to the different designs of meta-titles, meta-descriptions, metatags and keyword advertising.[352] The distinguishing function of a trademark requires that its use is perceptible. However, the visual perceptibility of the third-party sign does not matter either in relation to the search term or to the content of the generated advertisement.[353] The perception of the use of another's trademark can also be based on mental processing. If an internet user searches for a specific trademark or visits the website of a trademark proprietor, he uses the distinctive function of this trademark. The third party picks up on the user's trademark-specific behaviour and indicates a possible alternative through its own offer.[354] If the user is not able to separate the non-trademark offer from the trademark-specific offer, there is an identifiable use, since the use of a third-party sign is perceptible.[355] Consequently, even a hidden keyword or metatag may be regarded as identifiable use.[356] However, it is necessary to examine on a case-by-case basis whether the distinctive function of the trademark is also affected. Regarding metatags, there are different opinions.[357] Despite the perceptibility of the hidden metatag, KOHLI denies an impairment of the distinctive function, since the website operators merely want to achieve a better ranking by using third party trademarks as metatags.[358] BÜHLER, on the other hand, argues that keyword metatagging influences search results and directs internet traffic to the tag user's website. In this way, the tag user obtains an economic advantage by accessing the third party's trademark. [359]

However, there is a consensus in the academic literature that the use of third parties' trademarks in keyword advertising does not constitute an identifiable use.[360] This view was supported in the decision *Ifolor*[361] of the Cantonal Supreme Court of Thurgau. The court held that keyword advertising does not constitute as identifiable use if the trademark is not included in the advertisement and the link has a clearly recognisable sign that is different from the trademark. An average internet user would know that the ads have little to do with the search. In addition,

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[351] NEVERAUSKAS, N 21; REINLE/OBRECHT, p. 113.
[352] SCHRÖTER et al., p. 193.
[353] SHK-THOUVENIN/DORIGO TmPA, Art. 13, N 18; NEVERAUSKAS, N 363.
[354] BSK MSchG-ISLER, Art. 13, N 19.
[355] SCHRÖTER et al., p. 194.
[356] NEVERAUSKAS, N 363.
[357] KOHLI, N 633; HÜRLIMANN, N 136; BÜHLER, N 57 et seq.
[358] KOHLI, N 634.
[359] BÜHLER, N 57 et seq.
[360] NEVERAUSKAS, N 359; KOHLI, N 629.
[361] CSC THURGAU, Ifolor.

they are labelled as advertisements and are spatially separated from the other search results, so that there is no impression that there is a connection with the trademark entered.[362] However, in an obiter dictum, the court stated that the visibility of the trademark in the advertisement could lead to a misunderstanding and internet users could assume a connection between the offers. In this case, identifiable use would be given.[363]

It follows from this decision that the visible use of third-party trademarks as keywords or metatags constitutes an identifiable use. This is independent of the presence or absence of advertising.[364] The Cantonal Court of Lucerne came to the same conclusion in the *Aquaterra Travel* decision, where the identifiable use of a third-party trademark in the meta-title of a Google advert was affirmed.[365] However, whether this impairs the distinguishing function must be assessed on a case-by-case basis.

ii. Use of Famous Trademarks as Metatags or Keywords to Market Counterfeits

As case law has so far only dealt with the use of "conventional" trademarks as metatags or keywords, it remains to be seen how the use of a famous trademark is to be assessed under Art. 15 TmPA. It is uncertain how the offences of exploitation and damage of reputation pursuant to Art. 15 para. 1 TmPA could be included in the assessment. According to the present opinion, a differentiated assessment should be made compared to the preceding one due to the broader scope of protection of famous trademarks.

In the above-mentioned decision, the Cantonal Supreme Court of Thurgau stated that the identifiable character of keyword advertising is only excluded if the link contains a clearly recognisable sign other than the trademark.[366] This suggests that keyword advertising of counterfeits must be considered as identifiable use in any case.

For the infringement offence of exploitation of reputation, THOUVENIN requires an image transfer, whereby a mere attention-grabbing effect is not sufficient. In his opinion, the use of keywords in the context of keyword advertising does not lead to an image transfer but is merely aimed at attention-grabbing effects.[367] It remains unclear whether the use of hidden metatags could lead to an image transfer. However, it can be inferred that, in the author's view, this use would not result in an image transfer either. This perspective fails to acknowledge that keyword

[362] CSC THURGAU, Ifolor, p. 391.
[363] *Ibid*, p. 392.
[364] SCHRÖTER, p. 198.
[365] CANTONAL COURT LUCERNE, Aquaterra Travel, p. 392.
[366] CSC THURGAU, Ifolor, p. 391.
[367] SHK-THOUVENIN TmPA, Art. 15, N 34; same opinion RIVARA, p. 1557.

advertising or the use of metatags can also occur for identical or similar signs. THOUVENIN's argument is based on the fact that the use of another famous trademark as an advertising keyword is merely intended to achieve a better ranking in the search results.[368] The argument overlooks the fact that a keyword user, by offering identical or similar products, attracts traffic to their own website and gains an economic advantage by leveraging the reputation of the famous trademark.[369]

At the same time, however, THOUVENIN states that the transfer of reputation to other products depends on a certain similarity of the products.[370] This contradicts the above argument that the use of keywords does not lead to an image transfer. If one assumes that the exploitation of reputation increases with the similarity of the products, the advertising of counterfeits should in any case lead to an impairment of reputation, since certain prestige effects are transferred to the counterfeit. It can be argued that in this context the criterion of similarity and not the identifiable use of a famous third-party trademark, should be relevant.

A decision by the Federal Court of Justice of Germany[371] acknowledged that the requirement of identifiable use for identical or similar products of famous trademarks is not appropriate. It was determined that famous trademarks receive greater protection in keyword advertising if counterfeits are promoted through keyword bookings, or if the advertisement's design is so negative that it portrays the goods bearing the famous trademark in an unfavorable light. However, if the advertisement merely suggests an alternative to the goods or services of the owner of the famous trademark, the booking of a famous trademark as a keyword is permissible.[372] In the present opinion, however, the prohibition should not be limited to advertising keywords, as famous trademarks can also be exploited to the same extent by using (hidden) metatags. In short, any use of a famous trademark would fall under the prohibition as long as it is used to advertise counterfeits.

iii. Use of Third-Party Trademarks as Metatags or Keywords on Internal Search Engines

The legal classification of the use of metatags and keywords in relation to internal search engines of online marketplaces has not yet been addressed in Switzerland. In contrast, in its decision of 20 November 2015[373], the Higher Regional Court of Cologne addressed the issue

[368] Similarly, KOHLI, N 633.
[369] Similarly, BÜHLER, N 57 et seq.; see example in Appendix IV.C., where similar products related to Tiffany & Co appear in sponsored posts.
[370] SHK-THOUVENIN TmPA, Art. 15, N 35.
[371] BGH, I ZR 172/11.
[372] BGH, I ZR 172/11, cons. 29.
[373] OLG Köln, 6U 40/15.

of whether the results displayed by internal search engines of online marketplaces can constitute trademark infringements. Additionally, the Federal Court of Justice of Germany ruled on this matter in the *Ortlieb v. Amazon*[374] case.

In the case before the Cologne Higher Regional Court, the trademark owner of "MAXNOMIC" and "NEEDforSEAT" complained that searches on Amazon using the respective trademarks resulted in only competing products being displayed. Amazon's defence was that there was no identifiable use through amazon itself, similar to the Google "AdWord" cases.[375] The court found that Amazon does not clearly separate search results from advertising, but neither do users expect neutral advertising. For the "MAXNOMIC" trademark specifically, it was crucial that no products of the brand were displayed and that users were not provided with explicit information such as "Your search did not return any results" or "You may also be interested in the following products: ...".This led to an impairment of the indication-of-origin function of the trademark.[376] In the case of "NEEDforSEAT", the court found no trademark infringement because the trademark was descriptive in nature. A competing product was displayed because its description contained the words "need", "for" and "seat", which was considered to be a normal search engine function.[377]

In *Ortlieb v. Amazon*, the bag manufacturer Ortlieb, which does not sell its products through Amazon but only through a selective distribution network, sued Amazon for trademark infringement. By entering the trademark "Ortlieb" in the Amazon search, alternative products from other manufacturers were displayed. Ortlieb saw this as an infringement of its trademark rights. Amazon's defence was that the alternative products were displayed by the search algorithm based on the input and did not constitute a use of the trademark. The BGH stated that the decisive factor was whether the internet user could clearly identify whether the displayed products originated from the trademark owner. The BGH emphasised that a trademark infringement must be denied if there are clear signs which rule out confusion and thus the identifiable function of the trademark remains unaffected.[378]

In both cases, the issue was that only alternative products were displayed when the trademark was entered in the platform's search function. The German courts determined – as did the ECJ

[374] BGH, I ZR 138/16.
[375] Cases C-236/08 to C-238/08 *Google France v. Louis Vuitton*, N 58, 120 where the ECJ held that the provider of a referencing service does not use the trademark in the course of trade if it has not played an active role that would give it knowledge of or control over the stored data. If the provider has not engaged in such an active role, it cannot be held liable for the data stored at the request of an advertiser.
[376] OLG Köln, 6U 40/15, N 45.
[377] OLG Köln, 6U 40/15, N 47.
[378] BGH, I ZR 138/16, N 47 et seqq.

in the *Louboutin v. Amazon* judgement – on the basis of the internet user's perception as to whether there was an impairment of the origin function. In other words, whether the internet user was able to recognise that the products were offered by the trademark owner or a third party. While the presence of infringement should be assessed individually when displaying alternative products, this opinion holds that displaying counterfeits using a trademark as a keyword on internal search engines constitutes a trademark infringement.[379]

If the user enters a famous trademark as a search term, knowing that the trademark provider does not offer any products via this platform, a trademark infringement could in turn also be argued on the basis of exploitation of reputation and impairment of reputation instead of the distinguishing function.[380] According to media reports, Christian Dior took action for trademark infringement against operators of numerous online platforms that were allegedly selling counterfeit products.[381] Interestingly, at the time of writing, no search results for the search term "Dior" appear on the platforms "DHgate" and "Temu". Instead, the following information appears: "Your search "dior" did not match any product" and "No results for "dior"".[382]

IV. Civil Liability of an Online Marketplace

In Switzerland, the liability of providers is not regulated in the Trademark Protection Act or in any other special legislation. Anyone whose trademark rights have been infringed or endangered may bring an action for performance, also known as an infringement action, pursuant to Art. 55 TmPA.[383] The civil liability of an online marketplace for trademark infringements by third parties must therefore be determined in accordance with Art. 55 TmPA. In particular, the right holder is entitled to defence actions (*negative actions*) pursuant to Art.55 para.1 TmPA and actions for damages (*reparatory actions*) under para. 2, the latter being based on the Code of Obligations. For example, an action for damages can be filed under Art. 55 para. 2 TmPA in conjunction with Art. 41 et seqq. CO.[384] The conditions under which a rights holder can bring an action against an online marketplace and the resulting liability claims are discussed below.

[379] See example Appendix V.A.
[380] Art. 15 TmPA.
[381] FASHION LAW JOURNAL, n.p.
[382] See example Appendix V.B.
[383] BSK-FRICK TmPA, Art. 55, N 2.
[384] *Ibid.*

A. Subject-Matter of an Action for Performance

The subject-matter of an action for performance under Art. 55 TmPA are the infringements of Art. 13 TmPA. Consequently, there is no trademark infringement and therefore no liability of an online marketplace if the exclusive rights granted in Art. 13 TmPA are not affected at all.[385] However, an actual trademark infringement is not required for injunctive relief[386] and actions for information[387], as the endangerment of trademark rights is sufficient to trigger the corresponding rights of defence.[388] Endangerment means that an infringement of trademark rights is imminent or threatened.[389] Irrespective of whether there is a threat or an actual infringement, the act in question must concern a Swiss trademark or an international trademark with Swiss protection.[390]

B. International and Local Jurisdiction

Assuming that an online marketplace is domiciled abroad and that a trademark registered in Switzerland is infringed, it must be determined under which circumstances Swiss courts have jurisdiction and Swiss law is applicable.

An international relationship exists if key elements of the case occurred abroad or if one of the parties is domiciled abroad, necessitating the application of the PILA or the Lugano Convention.[391] In an international context, the applicability of the Lugano Convention must always be examined first. If the Lugano Convention applies and only international jurisdiction arises from it, the PILA then additionally determines the locally competent court within Switzerland.[392] In addition to the general place of jurisdiction at the defendant's domicile[393], the Lugano Convention provides that actions in tort may also be brought internationally at the place "where the harmful event occurred or may occur"[394]. Actions for infringing intellectual property qualify as torts and therefore fall within the scope of this provision.[395] According to the PILA, there is also a threefold right of choice. Art. 109 para. 2 PILA stipulates that an action may be brought at the defendant's domicile or at the place where the act or result occurred.

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[385] BSK-FRICK TmPA, Art. 55, N 8.
[386] Art. 55 para. 1 let. a TmPA.
[387] Art. 55 para. 1 let. c TmPA.
[388] BSK-FRICK TmPA, Art. 55, N 9.
[389] SHK-STAUB TmPA, Art. 55, N 10.
[390] cf. chapter §4.I.D. and §4.I.E.
[391] Art. 1 para. 1 PILA; Art. 1 para. 1 LugC; OFK-WILLI TmPA, Art. 52, N 11; DFSC 117 II 204 cons. 2.
[392] BSK-FRICK TmPA, Art. 51a-60, N 31.
[393] Art. 2 LugC.
[394] Art. 5 para. 3 LugC.
[395] Art. 36 CPC.

If the proprietor of a trademark registered in Switzerland brings an action against an online marketplace established abroad, the general place of jurisdiction at the defendant's domicile pursuant to Art. 2 PILA or Art. 2 LugC does not constitute a place of jurisdiction in Switzerland. It is therefore necessary to determine whether there could be a place of jurisdiction in Switzerland based on the place of action or the place of success.

i. Place of Action

The place of action for trademark infringement on the internet is defined by the place where the infringer uploads or feeds the relevant data for the infringing website. The location of the web server or internet provider is not considered to be the place of action, unless further infringing activities are carried out from there. The place of action therefore primarily refers to the place where the infringing goods are placed and sent.[396] Consequently, in the present case, the place of action would also not constitute a place of jurisdiction in Switzerland, unless the goods are dispatched from a distribution centre in Switzerland.

ii. Place of Success

The place of success, however, is "the place where an infringement of the trademark occurs, is seriously threatened or should have occurred according to the infringer's intention".[397] The criteria for the existence of a "commercial effect" must be used to assess whether there is a place of success in Switzerland. In this respect, reference is made to the explanations in chapter §4.II.B. According to case law, the jurisdiction of Swiss courts is relatively quickly confirmed on the basis of the place of success.[398] With regard to the place of success, however, it must be noted that there is limited cognition. This means that an action can only be brought for the damage suffered in the relevant place of success. For cross-border claims, an action must be brought at the general place of jurisdiction at the defendant's domicile.[399]

iii. Implied Consent

In addition to the aforementioned jurisdictions, a Swiss court may also have jurisdiction on the basis of Art. 24 LugC or Art. 6 PILA (but only for matters involving an economic interest) if the defendant consents to the proceedings.[400]

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[396] BSK-FRICK TmPA, Art. 51a-60, N 13.
[397] DFSC 82 II 159, cons. 2c.
[398] DFSC 146 III 225, cons. 3.3.3.
[399] BSK-HOFMANN/KUNZ LugC, Art. 5, N 607.
[400] As in FSC_4A_335/2019 cons. 2.

C. Can an Online Marketplace be Sued?

A trademark owner can only take action against an online marketplace if it has standing to be sued. Only those who contribute to a trademark infringement as a direct infringer or co-infringer/joint tortfeasor are being considered as the proper defendants of a claim.[401]

i. Direct Infringer

The term "direct infringer" includes any person who infringes or threatens to infringe a trademark by any act within the meaning of Art. 13 TmPA.[402] The conditions under which an online marketplace itself may infringe a trademark have been discussed in detail in chapter §4.III. and reference is therefore made to the statements therein. On this basis, it is considered that an online marketplace may, under certain circumstances, be qualified as a direct infringer.

ii. Co-Infringer/Co-Tortfeasor

If an online marketplace does not fulfil all of the criteria set out in Art. 13 para. 1 TmPA, it may be considered as a contributor. In contrast to Art. 66 lit. d PatA, Art. 9 para. 2 DesA and Art. 28 CC, the Trademark Protection Act does not expressly regulate the liability of a co-infringer. However, a differentiated assessment of the standing of a participant in trademark law contradicts the legislator's fundamental aim of a consistent regulation of the protection of rights in intellectual property law.[403] In addition, it follows from the general rules of tort law that the right holder also has a right of prohibition against co-tortfeasors.[404] In view of these circumstances, it is correctly assumed that the existence or non-existence of special provisions on contributory liability in intellectual property law is irrelevant. Any regulation is merely a repetition of what is already laid down in Art. 41 et seq. CO and in particular in Art. 50 CO, and therefore has no independent substantive value.[405] This is appropriate for systematic reasons and to ensure a coherent legal system. Indeed, it would not be conclusive if the standing to be sued for injunctive relief under Art. 55 para. 1 TmPA were interpreted more narrowly – by not allowing for the liability of co-infringers – than for claims for damages under Art. 55 para. 2 TmPA in conjunction with Art. 41 et seq. CO.[406] If the standing to be sued of a contributor is only taken into account in the case of claims for damages pursuant to Art. 55 para. 2 TmPA in conjunction with Art. 50 et seq. CO, but would apply different standards to

[401] BSK-FRICK TmPA, Art. 55, N 22 et seqq.
[402] BSK-FRICK TmPA, Art. 55, N 22 et seq.
[403] SCHOCH/SCHÜEPP, N 27.
[404] Art. 55 para. 2 TmPA cum 50 para. 1 CO; RIGAMONTI/WULLSCHLEGER, p. 51 et seq.
[405] HESS-BLUMER, p. 100; DFSC 107 II 82 cons. 9a; DFSC 129 III 588 cons. 4.1.
[406] HESS-BLUMER, p. 99; ROHN, p. 101 et seq.

defence claims pursuant to Art. 55 para. 1 TmPA, it could lead to an internet provider being sued for damages, but not for the removal of an infringement.[407] The Federal Court also emphasised in DFSC 129 III 588 that the content of the participation provision in Art. 66 lit. d PatA corresponds to that of Art. 50 CO. In light of the foregoing considerations, it appears necessary that the standing to be sued in trademark law should generally be assessed in accordance with Art. 50 CO.

Joint liability under Art. 50 CO presupposes that the damage was caused by joint causation and joint fault. There is joint causation if the behaviour of the parties involved contributes, in whole or in part, to the damage.[408] The provider's contribution is therefore essential; without it, the infringement would not exist. It does not matter whether the contribution is categorised as an act or a failure to act.[409] However, the enforceability of defence claims against co-infringers within the meaning of Art. 50 CO is limited by the fact that an adequate causal link is required. This presupposes that, according to general life experience and the usual course of events, the act of participation appears to favour the principal unlawful act.[410] This limitation seems appropriate, as otherwise every contributor could be held liable. Accordingly, the Federal Supreme Court ruled that the contribution of an access provider to a copyright infringement on an internet platform must be denied due to the lack of an adequate causal link.[411] The Federal Supreme Court stated that if such a causal link were established, all access providers in Switzerland would be responsible for all content made available on the worldwide internet in violation of copyright law, which would be equivalent to a system liability that could not be based on civil law liability for contributory infringement.[412] With regard to hosting providers, however, it can hardly be denied that the provision of an infrastructure for the advertising of third party offers is, according to general experience and the usual course of events, likely to favour the infringement of rights, which implies that the adequate causal link should be given.[413]

Furthermore, the collaboration between several parties implies that each tortfeasor knows or at least could have known of the other party's behaviour in breach of duty.[414] Joint fault results from the intention to cause joint damage.[415] In this case, negligent fault is sufficient. However,

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[407] SCHOCH/SCHÜEPP, N 29.
[408] BSK-GRABER, Art. 50 CO, N 6.
[409] ROHN, p. 101.
[410] HESS-BLUMER, p. 103.
[411] DFSC 145 III 72, cons. 2.3.2.
[412] *Ibid.*
[413] ROSENTHAL, N 113; SCHOCH/SCHÜEPP, N 32.
[414] BSK-GRABER, Art. 50 CO, N 6; DFSC 115 II 42, cons. 1b.
[415] BSK-GRABER, Art. 50 CO, N 9.

if several people cause damage by different independent actions without being aware of their joint action, there is no joint fault and therefore no joint liability.[416]

It should be noted that no fault is required for negative claims.[417] Consequently, in the case of negative claims, the assessment of participation in an unlawful act of infringement must be based exclusively on objective criteria. It is only necessary that the act supports the main offence, whereby even a minor contribution to the offence is sufficient.[418] In contrast, fault is a conditio sine qua non for reparatory claims, so all of the above requirements apply.[419]

D. Actions for Performance

It follows from the previous discussions that an online marketplace that fulfils the requirements of an infringement pursuant to Art. 13 para. 2 TmPA can be classified as a direct infringer of trademark rights. However, if an online marketplace does not fulfil all of the criteria set out in Art. 13 para. 2 TmPA, it can be considered a co-infringer in accordance with Art. 55 para. 1 TmPA in conjunction with Art. 50 CO. On the basis of this distinction, the actions for performance under Art. 55 TmPA are discussed below in order to clarify the conditions under which an online marketplace can be held liable under civil law.

i. Negative Actions

As explained above, the fault of the infringer is generally not required for negative actions. The negative actions stated in Art. 55 para. 1 let. a-c TmPA include actions for injunctive relief, removal and information. The absence of fault means that it is irrelevant whether an online marketplace knows or should have known that trademark infringing goods are offered on its platform.[420] This criterion relates to subjective aspects and should therefore not be decisive in the assessment of defence claims.[421] This view was also confirmed by the Federal Supreme Court in the *Tribune de Genève* judgment, in which a claim for removal against a blog platform was upheld despite the platform's lack of knowledge of the posts infringing personal rights.[422] It follows that negative actions pursuant to Art. 55 para. 1 TmPA can strictly be brought against the online marketplace as a direct infringer and co-infringer. As a consequence, there is no possibility for a platform operator to exempt itself from responsibility with regard to defence claims. Under this strict liability framework, platforms bear the full cost of harm caused,

[416] BSK-GRABER, Art. 50 CO, N 11.
[417] BSK-FRICK TmPA, Art. 55, N 5; SHK-STAUB TmPA, Art. 55, N 50; HESS-BLUMER, p. 104; ROHN, p. 102.
[418] SCHOCH/SCHÜEPP, N 32.
[419] ROHN, p. 102.
[420] SCHOCH/SCHÜEPP, N 33.
[421] *Ibid.*
[422] DFSC 129 III 588, cons. 4.1.

incentivizing them to invest in identifying and removing counterfeit products, thereby benefiting trademark holders. However, this creates a free-rider problem, as trademark holders lose incentives to take anti-counterfeiting measures themselves. Additionally, strict liability may lead to over-removal of content (*false positives*) by platforms, particularly when removal costs are low and the risks of not addressing counterfeit listings are high.[423]

In the case of injunctive relief, however, the question arises as to whether providers can be required not only to remove illegal content but also to prevent it from being uploaded again (*stay-down*). This requires monitoring of the uploaded content by the platform operator.[424] In contrast to trademark law, the revised Copyright Act contains a provision on the obligations of operators of internet hosting services.[425] Under the conditions of Art. 39d para. 1 lit. a-c CopA, the internet hosting service "is required to prevent a work or other protected subject matter from being unlawfully remade available to third parties through the use of its services". This "stay-down" obligation arises when the hosting provider has been notified of the repeated infringement.[426] Art. 39d para. 2 CopA stipulates that "the provider must take the technical and economic measures reasonably expected of them, taking into account the risk of such infringements". The concrete technical and economic reasonableness in a specific case is determined by the current state of the available technologies and the associated costs.[427] The specific form of proportionality and reasonableness will have to be defined by case law in the future. In the present opinion, however, a provider obligation of this kind should not be limited to copyright law, but rather a cross-law solution should be sought.[428] Assuming that a product protected by both trademark and copyright law is offered repeatedly as a counterfeit on an online marketplace, the current Swiss law could lead to an inconsistent result. On the basis of copyright law, the platform operator could be required to remove the offer[429]. However, it remains uncertain whether a corresponding claim for injunction against the platform operator would also exist under trademark law. This differentiated assessment depending on the area of law is inconsistent with the legislator's efforts to regulate legal protection in intellectual property as uniformly as possible. In contrast, the DSA and the E-Commerce Directive provide that hosting providers as such are exempted from liability if they take prompt action to block or remove infringing content as soon as they become aware of it.[430] As a result, under European

[423] cf. chapter §3.III.B.i.
[424] Ergebnisse Bericht BR, p. 6.
[425] Art. 39d CopA.
[426] Art. 39d para. 1 lit. b CopA.
[427] SHK-BARRELET/EGLOFF CopA, Art. 39d, N 10.
[428] cf. SCHOCH/SCHÜEPP N 45, who argue in favour of cross-law provider liability.
[429] Art. 39d para. 1 CopA.
[430] Art. 6 para. 1 let. b DSA; Art. 14 para. 1 let. b E-Commerce Directive.

Law a hosting provider is subject to the same "stay-down" obligation, regardless of whether it is a copyright or trademark infringement. A provision of this kind would also be favourable for Swiss law.

ii. Reparatory Actions

Reparatory actions are claims in which the right holder demands compensation for the disadvantages caused by the trademark infringement.[431] In this regard, Art. 55 para. 2 TmPA explicitly refers to the actions under the Code of Obligations for damages[432], injury to personality rights[433] and restitution of profits[434].

a. Action for Damages

Art. 55 para. 2 TmPA cum Art. 41 CO provide the appropriate basis for a claim, if an online marketplace is to be held liable for damages caused by an offer on the internet which infringes trademark law. The liability of a provider is a fault-based liability, which is assessed according to the standard requirements – damage, causal link, unlawfulness and fault. The fault of the online marketplace for a trademark infringement proves to be a controversial criterion, which is why it is discussed in more detail below. With regard to the fulfilment of the other criteria, reference can be made to the previous considerations in chapter §4.C.

aa. Fault of a Direct Infringer

There is either intentional or negligent fault. As intentional behaviour by providers is rare, the discussion tends to focus on what duties of care a provider must fulfil to avoid being negligent. In Switzerland, there are currently no specific legal provisions or court decisions that specify a duty of care for providers.[435] SCHOCH/SCHÜEPP postulate that the question of fault depends largely on whether an internet provider had or should have had knowledge of the unlawful use of its platform.[436] The wording "should have" indicates a certain obligation to take preventive measures. ROSENTHAL rejects a general monitoring obligation of the provider. An obligation of this kind would mean that the provider would have to be proactive in searching for potentially infringing content. Such an approach would be unjustified, impractical and costly, and would be neither reasonable nor proportionate.[437] As described in chapter §3.III.B.ii., under this regime, platforms that take proactive measures are at a disadvantage compared to those that

[431] BSK-FRICK TmPA, Art. 55, N 66.
[432] Art. 41 CO.
[433] Art. 49 CO.
[434] Art. 423 CO.
[435] Ergebnisse Bericht BR, p. 6.
[436] SCHOCH/SCHÜEPP, N 33.
[437] ROSENTHAL, N 95.

make no effort at all, as liability is triggered upon gaining knowledge. The scholarly opinion is that hosting providers can only be accused of negligence if they do not react to clear indications of an obvious infringement and do not take appropriate measures.[438] This view is also supported by the Federal Council. According to the Federal Council, a provider should only act proactively in the case of clear infringements in order to avoid damage claims.[439]

Furthermore, ROSENTHAL believes that a provider who voluntarily takes measures to detect or prevent unauthorised actions by its users should not be held to a higher standard of negligence.[440] A stricter requirement would result in the provider being penalised for its above-average commitment, which would also contradict the principle of an objectified concept of fault.[441] This perspective aligns with the "Good Samaritan" principle discussed in chapter §3.III.B.ii. Adopting this approach would motivate platforms to actively monitor online misconduct while also increasing their incentive to effectively ban and report wrongdoers, as it reduces the expected costs of such actions. Consequently, implementing a "Good Samaritan" principle could serve as a valuable instrument for fostering self-regulation.[442]

FRICK emphasizes that special care is required when products with famous trademarks are offered at a conspicuously low price.[443] A breach of the duty of care and thus a fault, occurs if a seller purchases a product that may be protected by trademark rights from a region known for inconsistent compliance of third-party trademark rights without conducting further checks.[444] In terms of trademark law, this means that retailers cannot plead ignorance of the counterfeit nature of goods. Rather, they are obliged to check the authenticity of the products, especially if they come from regions known for counterfeiting, such as Asia. The widespread prevalence of counterfeit trademarks is well-known, thereby increasing the negligence of an infringer.[445]

bb. Requirement of Joint Fault for Joint Liability

Pursuant to Art. 50 para. 1 CO, no explicit agreement between the provider and the tortfeasor is required for joint fault. It is sufficient if the provider was aware or could have been aware of the interaction with the tortfeasor and the latter's breach of duty.[446] Contributors within the meaning of Art. 50 CO are not obliged to investigate and are therefore not at fault if there are

[438] WEBER, p. 517; ROSENTHAL, N 96 et seqq.; FOUNTOULAKIS/FRANCEY, p. 179 et seqq.
[439] Ergebnisse Bericht BR, p. 7.
[440] ROSENTHAL, N 96.
[441] *Ibid.*
[442] cf. chapter §3.III.B.ii.
[443] BSK-FRICK TmPA, Art. 55, N 86.
[444] *Ibid*, N 102.
[445] *Ibid*, N 102.
[446] ROSENTHAL, N 105.

no particular grounds for suspicion.[447] According to TROLLER, however, a suspicious circumstance may lie in the fact that a famous trademark is counterfeited without the infringer being able to prove that he is entitled to do so.[448] As a result, an online marketplace also has a certain duty of care as a contributor, whereby negligence is aggravated in the case of trademark counterfeiting.

b. Action for Injury to Personality Rights

For a claim for satisfaction, Art. 49 CO requires a serious injury of the trademark proprietor's personality and a lack of compensation by other means. Otherwise, the same requirements apply as in Art. 41 CO and Art. 50 CO, therefore reference is made to the previous explanations.[449] However, compensation cannot be awarded for pure trademark infringements. It can only be granted in connection with a resulting damage to reputation, market confusion or similar disadvantages that cannot be compensated in any other way.[450] In case law, a trademark owner has been granted a right to satisfaction because his trademark has been devalued[451] or because of a likelihood of confusion and damage to reputation due to quality defects[452].

Since famous trademarks enjoy extended protection against exploitation and damage of its reputation[453], it is the current opinion that claims for satisfaction should be particularly accepted for these trademarks. This is because counterfeiters, acting as free-riders, can intentionally exploit the reputation and goodwill of famous trademarks, thereby damaging their reputation.[454]

c. Action for Restitution of Profits

In the context of the restitution of profits, the infringer is obliged to surrender the profits made by exercising the trademark rights of a third party. In contrast to claims for damages and satisfaction, Art. 423 CO does not require fault, but instead bad faith. Anyone who knew, should have known or could have known that the legal situation was incorrect is deemed to have acted in bad faith with regard to the principle of good faith.[455] This raises the question as to the obligations of a tortfeasor acting in good faith in order to ensure that the protection of good faith does not lapse. There is no general duty to investigate, but there is a duty to clarify for those who have reason to suspect. Anyone who fails to clarify doubts may be accused of

[447] SCHWEIZER, p. 9.
[448] TROLLER, p. 985.
[449] cf. chapter §4.IV.D.ii.a.
[450] BSK-FRICK TmPA, Art. 55, N 88; SHK-STAUB TmPA, Art. 55, N 110.
[451] DFSC 59 II 15, cons. 4.
[452] DFSC 79 II 316, cons. 6.
[453] Art. 15 para. 1 TmPA.
[454] cf. chapter §4.I.C.
[455] BSK-FRICK TmPA, Art. 55, N 101; Art. 2 CC.

inattention.[456] In the academic literature, reference is made to the similarities between negligence and bad faith[457], which is why reference can be made to the explanations on the duty of care in chapter §4.IV.D.ii. In practice, the requirement of bad faith is usually met also upon receiving a cease-and-desist notice. A trademark proprietor can report an infringing offer to an online marketplace, the latter will then be made aware of the infringement and – provided that all the other criteria are met – can be sued for restitution of profits if it fails to take action.[458] It should be noted that only the profits made by the online marketplace are subject to disgorgement. Profits made by the third-party seller are therefore not included.[459]

E. Policy Recommendations

The foregoing shows that there is a consensus that negative actions can be brought against an online marketplace, regardless of whether it is a direct infringer or a co-infringer. However, the fact that providers run the risk of being sued by third parties for removal, injunction or information could lead to over-removal of content (*false positives*).[460] This could lead to lawful content being removed out of excessive caution, which does not suggest effective regulation.[461]

In contrast, there are different opinions on the scope of platform liability for reparatory actions. To a certain extent, these result from the leeway of interpretation of the current provisions. In the absence of specific statutory regulation of platforms, there is uncertainty as to the duty of care owed by a platform operator. SCHOCH/SCHÜEPP, for example, assume that a platform can only be held liable once it becomes aware of the illegal content.[462] However, liability based on the "knowledge standard" is not effective, as a platform operator could simply exempt itself from liability by claiming lack of knowledge.[463] FRICK and TROLLER, on the other hand, assume that greater care is required in the case of famous trademarks.[464] Moreover, ROSENTHAL is in favour of a "Good Samaritan"[465] clause, where above-average commitment should not be penalised.[466] It is evident that there is no specific duty of care in the provisions of the law of obligations. In the present opinion, a special legal provision should be adopted in the interest of legal certainty to limit the current room for interpretation. In particular, a cross-law, negligence-based liability regulation for hosting providers, including a "Good Samaritan"

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[456] BSK-FRICK TmPA, Art. 55, N 101.
[457] BSK-FRICK TmPA, Art. 55, N 101.
[458] SHK-STAUB MSchG, Art. 55, N 111.
[459] *Ibid.*
[460] MEHRA/TRIMBLE, p. 685; BUITEN et al., p. 155 et seq.
[461] ROSENTHAL, N 118 et seq.
[462] SCHOCH/SCHÜEPP, N 33.
[463] cf. chapter §3.III.B.ii.
[464] BSK-FRICK TmPA, Art. 55, N 86; TROLLER, p. 985.
[465] cf. chapter §3.III.B.ii.
[466] ROSENTHAL, N 96.

clause, would be desirable. Furthermore, the opinion of FRICK and TROLLER in favour of an increased duty of care for famous trademarks is supported.

§5. Anti-Counterfeiting Tactics and IP-Strategies for Luxury Brands

Based on the economic and legal analysis this chapter seeks to shed light on the anti-counterfeiting tactics and IP-strategies that luxury brands can pursue to tackle the sale of counterfeit goods on online marketplaces.

I. Economic Perspective

The economic analysis underscored the role of price in both the supply and demand dynamics of counterfeit goods. High profit margins associated with luxury products incentivize counterfeit production. Studies indicate that the counterfeit versions of more expensive genuine products tend to be more expensive as well.[467] One proposed anti-counterfeiting tactic involves reducing the margins on authentic products to narrow the price differential between genuine and counterfeit goods.[468] This strategy, however, is contentious because high prices are intrinsic to the luxury brand's identity.[469] To reconcile this, some luxury brands have introduced entry-level products that prominently display the luxury brand while being offered at significantly lower price points.[470]

Maintaining high quality across different price ranges is critical to ensure that lower-price products do not become targets of counterfeiting.[471] Luxury brands must balance price increases with corresponding quality improvements to avoid inadvertently increasing the demand for counterfeits through price signalling. Innovation in new product offerings that highlight superior quality can help reinforce this strategy. FONTANA et al. advocate for re-establishing the historical connection between luxury goods and their traditional places of origin by shifting production from low-cost regions back to these origins.[472] This strategy not only preserves internal expertise and simplifies quality control but also addresses the narrowing perceived quality gap between genuine products and counterfeits.[473]

Transitioning from mass production to craftsmanship, even at the cost of lower profit margins, is a viable anti-counterfeiting strategy. Local production reinforces the brand's heritage and

[467] HAN et al., p. 22.
[468] ESER et al., p. 420.
[469] KAPFERER/BASTIEN, p. 476.
[470] ECKHARDT et al., p. 809.
[471] QIAN, 2014, p. 322 et seq.
[472] FONTANA et al., n.p.
[473] PENZ/STÖTTINGER, p. 583.

ensures stringent quality control, making counterfeiting more challenging. In addition to production-related strategies, fostering brand love and emphasizing the hedonic experience associated with the brand can reduce the demand for counterfeits. When consumers view the brand itself as an experience rather than merely a physical product, their attachment to genuine products increases.[474] Highlighting the superior after-sales service provided with genuine luxury products can also distinguish them from counterfeits and emphasize their added value.[475]

Overall, a multifaceted approach that includes price and quality management, production strategy and brand experience enhancement is crucial for luxury brands to effectively combat counterfeiting. By reinforcing the intrinsic values of luxury goods and ensuring high-quality standards, luxury brands can safeguard their exclusivity and maintain their prestigious market position.

II. Legal Perspective

Given that the sale of counterfeit goods is increasingly occurring online and that Switzerland ranks as the fifth most affected economy by counterfeit trade, the legal framework governing the liability of online marketplaces under Swiss law appears too opaque and inadequate. Unlike the European Union, Switzerland does not have special platform regulation. Despite this, some IP-strategies for protecting famous trademarks can be derived from the legal analysis.

A fundamental legal strategy for combating counterfeiting involves ensuring that trademarks are registered. The principle of territoriality dictates that trademarks must be registered in each country where protection is sought. This is particularly crucial in jurisdictions where intellectual property rights are frequently infringed.[476] In Switzerland, trademark protection extends to various forms, including shape marks and position marks, which encompass the entire appearance or design of a product – known as trade dress.[477] This comprehensive protection covers not just individual elements but the product as a whole. Luxury brands like Louis Vuitton, Rolex and Hermes have registered multiple three-dimensional trademarks, including packaging shapes.[478] The existence of these trademarks could facilitate the identification of trademark infringements on the internet when counterfeit products are displayed online.

Another important legal strategy is to use the right of injunctive relief. Swiss law allows brand owners to demand the removal of counterfeit goods from online marketplaces, irrespective of

[474] KAUFMANN et al., p. 522.
[475] AMARAL, p. 700.
[476] GRIGORI, p. 82.
[477] Art. 1 para. 2 TmPA.
[478] See Appendix II.

the platform's fault.[479] This strategy involves continuous monitoring and prompt reporting of counterfeit listings. By actively engaging with online marketplaces and invoking injunctive relief, trademark owners can compel these platforms to take down infringing listings swiftly.[480] In this context, luxury brands can employ injunctive relief based on keyword usage.[481] In this manner, Dior has successfully blocked the use of the keyword "Dior" on certain internal search engines to ensure that no results appear for corresponding search queries.[482]

[479] Art. 55 para. 1 let. b TmPA.
[480] HELBERGER et al., p. 1.
[481] cf. chapter §4.III.B.
[482] See Appendix V.B.

§6. Conclusion

The distinctive characteristics of trademarks lie in the consumer's perception, representing the ideals, emotions and experiences associated with luxury brands. Building strong trademarks with added value is crucial for businesses. The success of strong trademarks inevitably attracts imitators. Products deriving significant added value from intellectual property are prime targets for counterfeiters. Consumers' desire to acquire prestigious items without the associated financial outlay creates an ideal environment for counterfeit merchandise, particularly within the luxury market. The internet has become the primary channel for the distribution of both digital and physical products, with a noticeable increase in e-commerce transactions compared to traditional retail outlets. Counterfeiting activities have similarly migrated from physical markets to online platforms. The anonymity provided by the internet, its global reach and the territorial nature of trademark protection facilitate the online sale of counterfeit goods. Counterfeiters use these platforms to market and distribute their products, making it challenging for trademark owners to combat counterfeiting effectively. The effectiveness of protective measures is often constrained by national borders and the difficulties of taking direct action against counterfeiters.

Against this background, this thesis investigated the extent to which current Swiss law provides civil liability for online marketplaces in cases of trademark counterfeiting, with a specific focus on luxury goods. The research was conducted through an economic and legal analysis. From an economic perspective counterfeits aim to decouple the quality and prestigious characteristics of trademarked items by offering lower-quality goods that still carry the prestige effect of the original product. This practice imposes externalities on trademark holders by degrading the exclusivity and prestige of their products and weakening the company's market power. Counterfeiters benefit from free-rider effects, avoiding the costs associated with research, development and advertising. The substitution effect is more pronounced when counterfeits closely resemble the authentic products, leading consumers to choose cheaper alternatives. These dynamics force original producers to enhance product quality and raise prices as a countermeasure. However, numerous luxury brands have struggled to combat counterfeiting effectively, often due to an increased focus on brand signaling and symbolic value over genuine quality.

Furthermore, online marketplaces lack incentives in a laissez-faire regime to combat counterfeiting proactively, as the harm to trademark holders often exceeds the harm to the platforms. Therefore, a liability regime is necessary. A strict liability approach, which can lead

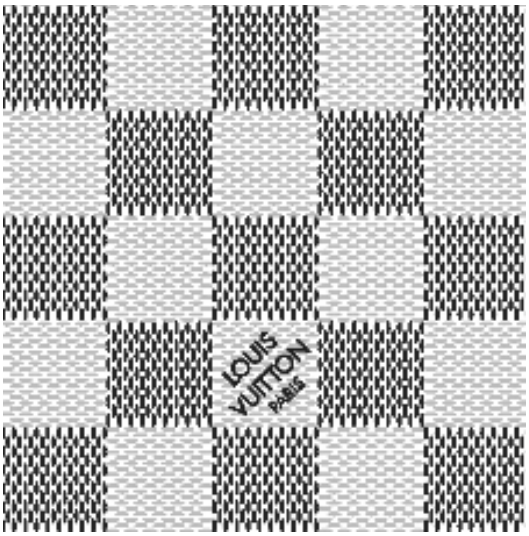
to the over-removal of legitimate content due to the high costs associated with not removing counterfeit listings, is not efficient. The "knowledge standard" regime also falls short, as it penalizes platforms that make efforts to identify and remove counterfeit goods. Instead, a negligence-based liability framework is proposed, featuring a "Good Samaritan" clause to protect platforms that take reasonable steps against counterfeiting.

The legal analysis revealed that Swiss law does not currently provide for a negligence-based liability, rather it provides strict liability in terms of negative actions. Regarding reparatory actions there is considerable legal uncertainty. Although some opinions affirm the existence of a duty of care and even provide for an increased obligation in relation to famous trademarks, there is no specific duty of care under the law of obligations for platform providers. In contrast, the revised copyright law provides for a specific obligation for providers. However, against the background of the principle of uniformity of intellectual property law, a separate regulation on the provider obligation across different laws should be avoided. Hence, a special cross-law platform regulation would be desirable. In terms of defence claims, trademark owners of famous trademarks enjoy a broader scope of protection. Luxury brands, in particular, can benefit from enhanced protection if they attain famous status. This allows them to combat counterfeiting on online marketplaces by addressing the exploitation and damage to their reputation. Specifically, they can take legal action if their trademark is used as a keyword in offers for counterfeit goods. Implementing keyword blocking on the internal search engines of platforms known for selling counterfeit products appears to be an effective countermeasure. Such actions can be strictly enforced through a negative performance action against any party, regardless of the platform's fault.

To conclude, holding online marketplaces liable for counterfeit sales is economically justified, as a laissez-faire approach does not incentivise platforms to act against counterfeiting. Legally, despite the lack of an effective liability regime, the enhanced protection for famous trademarks provides a viable defence for luxury brands to protect their intellectual property. As the Federal Council seeks to regulate large communication platforms, it remains to be seen whether comprehensive regulation of internet platforms for illegal content will become a general objective in Switzerland. The introduction of such regulation would be beneficial as it would ensure that online marketplaces are incentivised to uphold the rights of trademark proprietors and can be held accountable for trademark infringements in case of omission.

Appendix

Appendix I – Trademark as a Pictorial Representation



Louis Vuitton Pattern[483]

PRADA

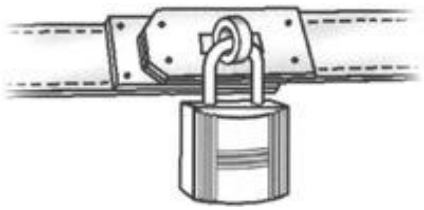
Prada Image[484]

[483] Louis Vuitton Trademark, 1573020- LOUIS VUITTON PARIS.
[484] Prada Trademark, 1675891- PRADA.

Appendix II – Shape Mark

A. Addition to the Product

GG-Sign[485]



Hermes Buckle[486]

B. Product Itself

Rolex Watch[487]

Hermes Bag[488]

[485] Gucci Trademark, 1614560- GG.
[486] Hermes Trademark, 806207.
[487] Rolex Trademark, 653872- ROLEX.
[488] Hermes Trademark, P-503707.

C. Packaging

Tiffany & Co Packaging Bag[489]

Louis Vuitton Packaging Bag[490]

Louis Vuitton Packaging Box[491]

[489] Tiffany & Co. Trademark, 1208903- TIFFANY & CO.
[490] Louis Vuitton Trademark, 1341041.
[491] Louis Vuitton Trademark, 1340679.

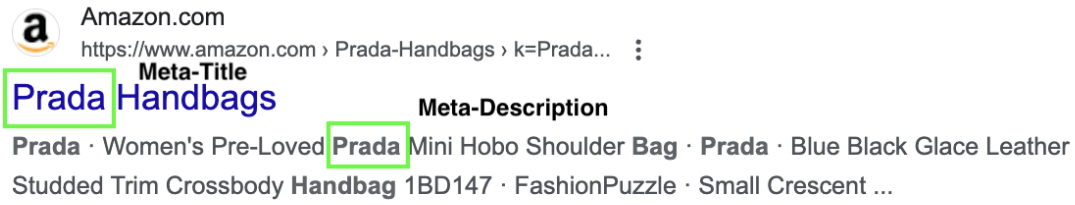
Appendix III – Position Mark

Louboutin Red Shoe Sole[492]

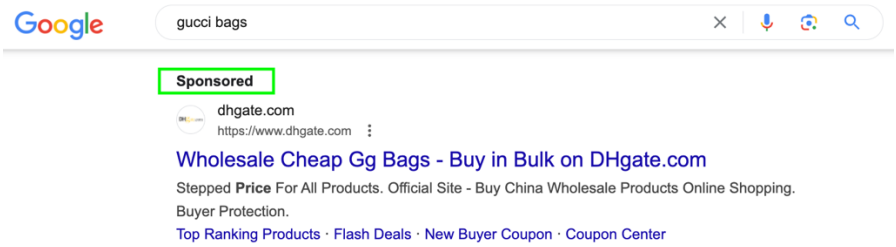
[492] Louboutin Trademark, 759326- Christian Louboutin.

Appendix IV – Examples of Keywords and Metatags

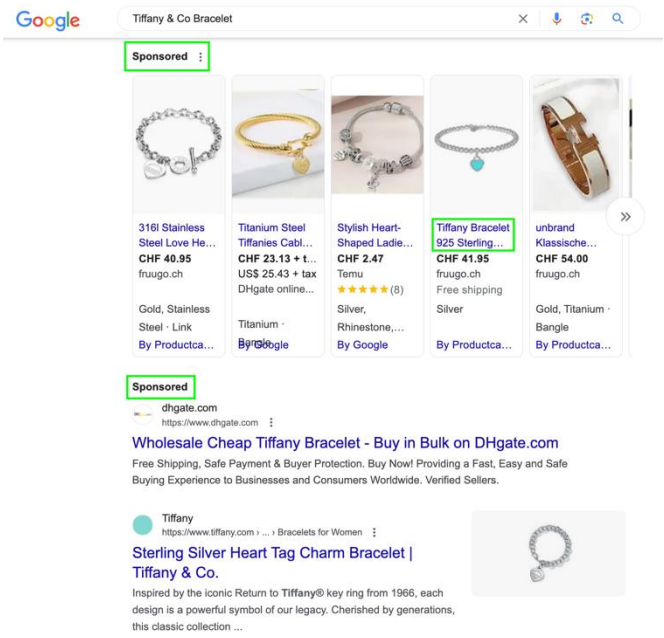
A. Meta-Title and Meta-Description[493]



B. Keyword Advertising[494]



C. Keyword Advertising with visible and hidden Keywords[495]



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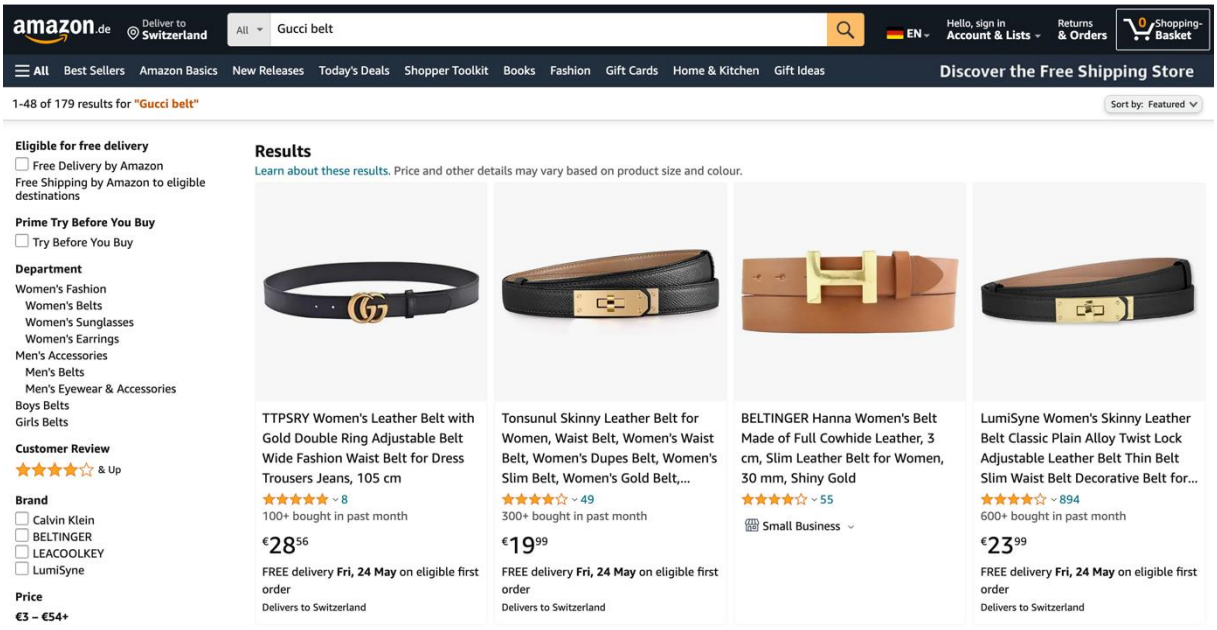
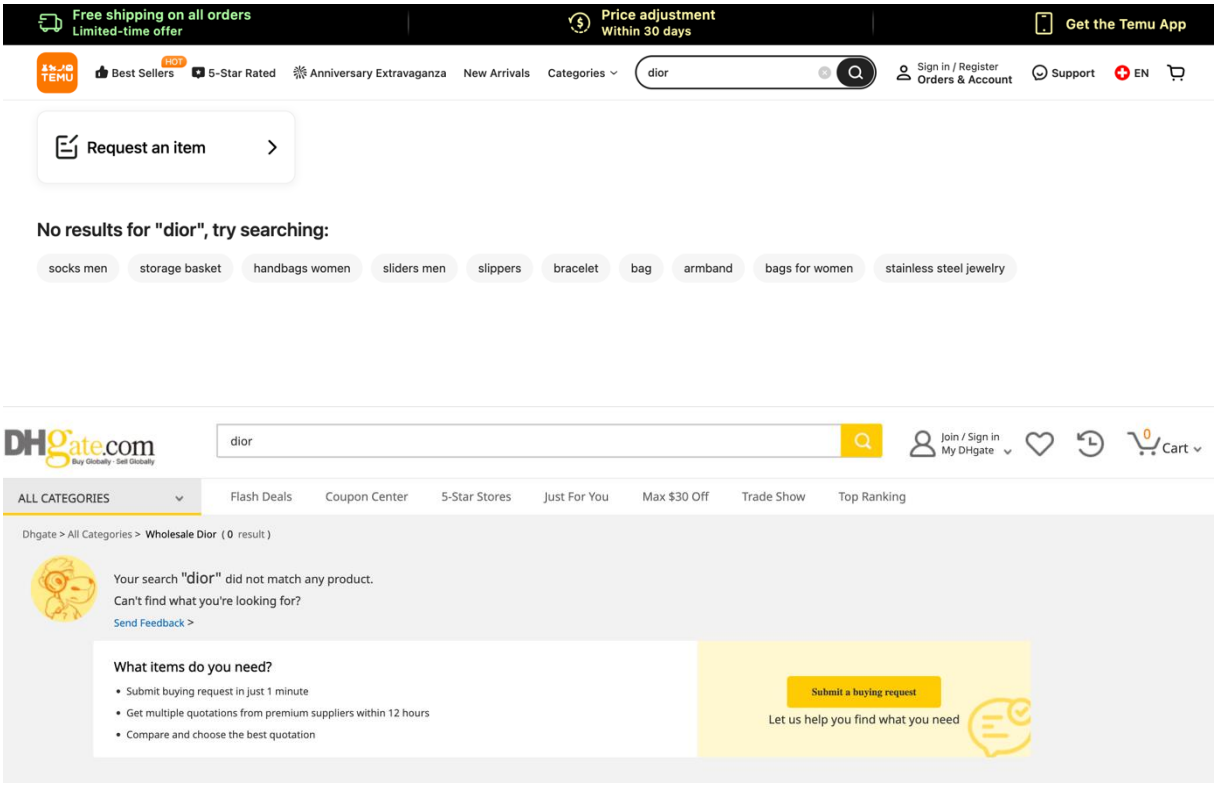
[493] Google Search Results for "Prada Bag" of 30 April 2024.
[494] Google Search Results for "gucci bag" of 30 April 2024.
[495] Google Search Results for "Tiffany & Co Bracelet" of 30 April 2024.

Appendix V – Examples of Keyword Advertising on Internal Search Engines

A. Search Result for "Gucci Belt" on Amazon[496]



B. Search Result for "Dior" on Temu and DHgate[497]



[496] Amazon Search Result for "Gucci Belt" of 20 May 2024.
[497] Temu and DHgate Search Results for "Dior" of 10 May 2024.

Declaration of Aids

Aids	Use	Concerned areas
DeepL	Formulating purposes, translation purposes	Different passages throughout the paper

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I hereby declare,

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- that I have written the thesis using only the aids specified in the index;
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- that I have mentioned all sources used and cited them correctly according to established academic citation rules;
- that I have acquired all immaterial rights to any materials I may have used, such as images or graphics, or that these materials were created by myself;
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