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# **Intellectual Property Challenges in the Digital Marketplace: An Analytical Exploration of Trademark Rights in Contemporary E-Commerce Jurisprudence**

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**Abstract.** Trademark law is one of the IP laws that has been imposed to protect the rights of trademark holders against infringement. This law has always been enforced to ensure that consumer rights are protected and that the trademark holders are protected against infringement. However, the emergence of the internet and the widespread use of the internet have created new legal problems as it is no longer possible to enforce trademark rights due to the nature of cyberspace. This paper evaluates the legal challenges experienced in enforcing trademark rights in the digital era. The analysis conducted has established that the use of e-commerce has led to the emergence of new challenges that can no longer be solved by the laws in jurisdictions. Since the internet cannot be categorized into a particular territory, the jurisdiction laws can no longer apply due to the law differences in countries. There is a need for a uniform international framework that will help in enforcing trademark rights across the borders of different countries.

**Keywords.** Intellectual Property Rights, Trademark, Trademark Infringement

## **1. Introduction**

### **1.1 Intellectual Property in the Digital Era**

The Digital economy refers to the development of diverse economic activities such as developing, adapting, marketing, and consuming goods and services through the use of Information Technology as a factor of production (Sevastinova 2023). This is attained through the use of digital technologies like websites and computers, which are used in the collection, analysis, storage, and sharing of information that enhances digital progression. The digital era has seen a rise in developing new business models and processes and the introduction of innovations to products and services. Inventors, scientists, and artists are widely using digital platforms to develop innovations, which has enhanced digital advancement (Rakoto, 2018). Therefore, these investments must be protected through Intellectual Property (IP), as this is what will be considered a fair return for the time and resources used in making the innovations.

Intellectual Property is called the creation of mind, which leads to the creation of Intellectual Property Rights (IPRs) like trademarks, copyrights, patents, and trade secrets (FACiLaw, 2022). These rights are considered to be intangible assets that require protection like other property rights.

The increase in online transactions demands IPR rights that need to be protected. The protection of property rights is crucial as it makes online transactions more efficient and makes online businesses more valuable (FACiLaw, 2022). The failure to protect property rights leads to increased cases of pirating and stealing. Therefore, when protection is granted, IP owners can be granted exclusive rights to exploit their assets and in instances where issues of infringement arise, IP rights can be enforced when the owner takes action.

## **1.2. Intellectual Property in E-commerce**

E-commerce entails the buying and selling of products and services electronically through the use of the Internet. Some of the e-commerce elements that are protected on e-commerce platforms include website databases, and content such as writing, videos, and photographs, which are protected by copyright. Also, there is website software protected by patents; names, logos, and brand names, are protected by trademarks, and website details like algorithms and confidential graphics, are covered by trade secrets.

There is a need for IP laws and practices to ensure that such elements are protected as this is what enhances online functionality. Additionally, the existence of IP practices is important as it safeguards the interests of online businesses from unfair competition, which results from theft or duplication without the consent of the owner.

## **2. Trademarks**

### **2.1 Trademark as an IP Right**

Trademarks are one of the IPRs and they comprise words, phrases, logos, patterns, color, design, or any other device that works that is used to establish the source of goods and services. Sounds can also be categorized as trademarks in instances where they work as sources of indicators. Trademark rights arise in instances where the marks are used in business and consumers identify the mark with a specific good or service (Burk, 1997). Under e-commerce, the signals are considered indicators of a source, similar to the way they are recognized in physical commerce. Additionally, under e-commerce, there are new indicators of a source like digital signatures or cryptographic fingertips can also serve trademark functions.

Under the law, trademark rights need to be recognized as a way of preventing consumer confusion. Consumers usually associate certain marks or signals with a specific good or service through adverts, personal experience, or word of mouth. These signals are then used by consumers as a signal of the quality of goods or services and they expect that the goods with that specific brand will be of the good quality that they have associated them with in past purchases (Burk, 1997). The use of similar marks for competing goods might make the consumers mistakenly buy goods from another source whose quality is compromised or quality does not meet the required expectation. Therefore, in instances where there are no trademark rights, unfair competitors are likely to take advantage of the similarities in the marks to pass off their goods as those preferred by consumers.

There is a need to recognize trademark rights to protect the business reputation of a particular company. In instances where customers are deceived into buying inferior products by creating confusion with a similar mark, it is natural that the customers are highly likely to associate the product with the source indicated by the mark (Burk, 1997). The low quality of such counterfeit products disappoints customers and they end up having a negative impression of the products and services of a particular brand. This in turn affects the reputation and goodwill of the owner of a certain mark, which causes a loss of future businesses and the loss of investment that the holder of the mark has made in the development of the mark.

## **2.2. Trademark laws in Georgia**

In Georgia, the law regulating trademark rights is the Law of Georgia on Trademarks. Under Article 3 of this provision, a trademark is defined as a sign represented graphically that can distinguish the goods and services of one company from another. A sign in this case is considered to be words such as personal names; letters; sounds; Images 3D figures and shapes or packages of goods. Article 3(3) of this provision further holds that trademarks become protected rights after registration has been done with the Sakpatenti or based on an international agreement.

Trademarks in Georgia can also be protected even when there is no registration done by Article 6 of the Paris Convention.

As stipulated under article 6 of this provision, upon registration, a proprietor is granted exclusive rights of the trademark from the date when it is registered. A person with exclusive rights is entitled to prevent third parties from using the trademark without consent.

## **2.3. The Objectives of Trademarks**

The main purpose of trademarks is to protect the interests of the consumers. Trademarks are unique in that they seek to solve market failures, unlike other IPRs which focus on incentivizing innovations. Through the use of trademarks, the origin of products can be identified, which allows consumers to recognize the goods and services they intend to eventually buy so that they do not become victims of deception or fraud by duplicate products (Fernandez, 2017). Based on this, it is evident that enhances rational purchasing, which in turn leads to an increase in efficiency in the marketplace. Moreover, the existence of a strong trademark law is important in enhancing competition as it pushes manufacturers to produce goods that are of desirable quality, which will help in building brand reputation and enhance customer loyalty.

Other than consumers, trademarks have also been recognized to play a crucial role in preserving business investment assets. In as much as trademarks traditionally serve the purpose of indicating the origin of a product or service, they are also an investment to their owners. Brands can obtain value from marketing activities. The brand is profitable to the business if it provides a strong differentiation and sustainable advantage over the competitors (Fernández, 2017.). Through this, it is guaranteed that a brand is likely to have a higher margin of sales. Advertising is important as it leads to the development of a good brand reputation. Once a firm has established its brand through advertising, the trademarks of that company will then have a big influence as they help in determining the origin of the products.

In the digital era, trademarks have become a critical asset for companies. The trademark rights grant the owners the exclusive right to prevent other people from using the protected sign. Through these rights, undertakings and assets are protected as well as the rights of consumers.

## **3. Justification for the Protection of Trademarks**

### **3.1. Creativity**

One of the reasons why it is important to protect intellectual property is that it protects the labor that creators use in the creation of particular rights. As seen in *Qualitex v Jacobson Products*, it was argued that trademark law plays a crucial role in assuring a producer that there will be financial reputation and other awards associated with the product.

### **3.2. Information**

The other justification for the protection of trademarks is that it is a way of communicating information that buyers require to make informed decisions. Trademarks also help in ensuring that manufacturers produce quality products consistently.

### **3.3. Trademark as a way of protection against counterfeiting and passing off**

Counterfeit in trademark refers to instances where infringements occur to goods and packages from a valid trademark, such that the counterfeit goods cannot be distinguished from those from a registered trademark. The main role of the trademark is to differentiate the goods and services. Based on this, trademarks serve two purposes which are protection of goodwill and reputation of the trademark holder and protecting the public from deception regarding the origin of products. This is why the trademark law has been put in place to help in the identification of products and differentiation from competing manufacturers.

The issue of counterfeit products is a serious concern that affects industries and economies. Counterfeit products are not only harmful to the public but also to the owners of the trademarks. Research shows that every year, about 3-7% of the goods circulating in the market are counterfeit ones and this leads to \$70-80 million in losses (Wr, Munzil, Yogasawa, 2019). This becomes very risky for consumers in instances where the products are of low quality. Also, the existence of counterfeit goods in the market becomes a burden for trademark holders as they incur a lot of costs in prohibiting the production, and distribution of the counterfeit products.

## **4. Trademark in the Era of E-commerce**

Today, the internet has widely expanded, which has in turn led to a huge consumer market whereby business and communication are now conducted online. Trademark rights have always been recognized based on a particular territory. In the traditional context, issues of trademark infringement arise when one or more companies are using a similar mark, and they are within the same territory (Nowak-Gruca). Therefore, confusion could arise when this company sells competing products in the same territory. However, this confusion could not be experienced in instances where the companies with identical marks are from different territories. Before the emergence of the internet, similar or nearly identical trademarks were in existence in different geographical regions at the same time and this did not lead to the issue of trademark infringement.

However, this is no longer the case today as the use of the internet has diminished the divide that exists between nations and territories. While in the past consumers were only exposed to products within their market, the emergence of the internet has bridged this gap between nations. Because of this, it has become challenging for trademark laws to address the problems that arise when transactions are conducted on the Internet.

Before the emergence of the internet, a company in Georgia could do business under a trademark name that a company in another country is using. This is evident from *Prince plc v Prince Sports Group Inc* (Prince Plc v. Prince Sports Group, 1998), where there were trademark owners registered under the same name from diverse geographical regions.

The internet has not only diminished the geographical boundaries of trademarks but also led to a new possibility whereby there is likely to be unauthorized access to trademarks. The display of trademark signals on a firm's website through various elements such as domain names, meta-tags, and hyperlinks has introduced new means through which trademarks can be infringed. There have been cases where companies compete over domain names since they are considered a designation of origin- one of the main attributes of trademarks (Dinwoodie, 2015).

There have been so many lawsuits experienced due to the use of deceptive domain names since the emergence of the internet. The issue of domain names has been a serious issue in trademark jurisprudence, which has led to the development of a new doctrine under the law referred to as cybersquatting to address the problem. Cybersquatting entails the incorporation of well-known trademarks into domain names. Based on this, names were registered and then offered to trademark for profit. Cyber-squatting has led to conflicts about ownership rights to the Domain name. As seen in *Intermatic v Toeppe and Marks and Spencer plc and others v One in a Million*, cybersquatting was considered to be the use of a domain name to make a profit from the goodwill of a trademark that belongs to another person. Based on this, it can be seen that cybersquatting makes use of the domain name as a way of leveraging against the trademark holder to induce them to purchase the domain name.

Metatags have also raised the issue of trademark infringements as they are used to direct traffic to unrelated sites, which allows competing companies to advertise on similar web pages (Bone, R.G., 2019). The courts have held that this is likely to lead to trademark infringement because some search engines make use of the metatags to obtain information about a particular website and their information. Therefore, as a result of this, it has been realized that metatags are likely to be used to deceive search engines through the unauthorized use of trademarks to create traffic to a particular website.

As seen by the courts in cases like *Brookfield Communications v. West Coast Entertainment Corp. and Playboy Entertainment Inc. v. Welles*, the court held that the use of another firm's trademark on a metatag can be compared to posting the sign of another trademark at the front of one's store. Based on this, it is evident that trademark protection has advanced and businesses are making efforts to protect trademarks.

##### **5. Legal Issues.**

The use of the internet and widespread use of e-commerce today leads to the emergence of a challenge in the regulation of trademarks and this issue is compared to an approach of governance without a government. One of the main problems that has Impended the regulation of trademarks in the digital era is that of jurisdiction, applicable law, and enforcement. Trademark protection has traditionally been a territorial aspect whereas the use of the internet cannot be limited to a particular region (Senftleben, 2009). This raises the problem of jurisdiction because it is only in well-defined territorial boundaries where rights can be conferred and privileges granted and there is no corresponding equivalent in the digital era. Since cyberspace does not have a physical location, it becomes difficult to confer rights that will aid in protecting trademarks.

The other issue in the protection of trademarks on the internet arises from the differences in local legislation used in different countries. There exists a difference in laws in different countries, which creates problems. The lack of an international trademark law makes it difficult to protect trademarks against infringement on the internet. What constitutes a trademark infringement in Georgia cannot be an infringement in another country.

The other challenge in trademark protection results from the lack of enforcement of the laws, rights, and privileges in the digital era. In several jurisdictions, there is a lack of awareness among lawmakers and law enforcement agents, which brings about the enforcement challenge.

The other issue that has made it difficult to protect trademark rights on the internet is that the rapid development of the Internet outstrips the development of legislation. The rapid development of the internet leads to the emergence of new issues that are ahead of legislation (Bone, R.G., 2019). Technology is moving at a faster pace when compared to the internet.

There is a vast amount of electronic communication and transactions happening across territorial borders through cyberspace when compared to the law enforcement mechanisms that have been put in place.

## **6. Protecting Trademarks in the Era of E-commerce**

The emergence of an electronic medium through which trade can be conducted, whereby geographical boundaries no longer matter has created a new phenomenon under the law, which requires the subject of clear legal rules (Gallagher, W.T., 2011).

The use of the internet by businesses implies that infringement is likely to occur across the world. The use of electronic platforms to conduct business has made it more difficult for businesses to protect their brands. Considering that registered trademarks can only be protected within a certain jurisdiction, within which they are located, it becomes difficult to extend this type of protection to the Internet considering that there are territorial restrictions on the Internet and there lacks a uniform body of regulations to restrict the same (Heymann, L.A., 2022). As a result of this, there is a need to review the traditional trademark concepts to recognize the new and emerging phenomenon resulting from e-commerce.

International treaties have emerged to govern the issue of trademarks on the international landscape. One such treaty is the Paris Convention for the Protection of Industrial Property, which seeks to establish rights and duties in transnational transactions.

## **7. Conclusion**

In summary, intellectual property rights have been recognized as an effective mechanism through which consumers and businesses are protected. Trademark rights as one of the IPRs help ensure that the trademark holders are protected against infringement while at the same time ensuring that consumers are protected against deception, which occurs when counterfeit products are produced (Bone, R.G., 2019). Countries like Georgia have made an effort to ensure that registered trademarks are protected through laws such as the Georgia Law on Trademarks, which has provisions holding that all registered trademarks need to be protected against infringement. However, the widespread use of e-commerce in the digital era has created a new problem in the enforcement of trademark rights, The transnational nature of cyberspace has made it difficult to handle trademarks at the international level. Considering the global nature of the internet, there is a need to take international action to ensure that trademark law can respond in a uniform way around the world.

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