



How to Remove Counterfeit Goods from E-Commerce Sites in South-East Asia

1. South-East Asia: Counterfeit goods and the internet

A growing middle class coupled with increasing internet access has led to fast-paced e-commerce growth in South-East Asia (SEA) in the past decades. The middle class population of ASEAN, according to expert estimates¹, may grow from 190 million in 2012 to 400 million in 2020². Additionally, there are approximately 200 million people in South-East Asia with access to the internet and this number is expected to grow three-fold by 2025. As a matter of fact, e-commerce sales in the region are expected to increase from USD5.5 billion (approx. EUR4.7 billion) in 2015 to USD88 billion (approx. EUR 7.5 billion) in 2025.

Apart from being a forum for legitimate vendors and original products, the internet is also used by unscrupulous businesses as a platform for the distribution of counterfeit goods which infringe intellectual property rights (IPR). The explosive growth in access to the internet has resulted in a shift in the modus operandi of counterfeiters to move their illegal activities online. Online e-commerce websites might become easy and anonymous options for counterfeiters to reach out to potential customers as well as popular social media platforms. A recent study reported that 20% of 750,000 posts on the popular social media platform Instagram alone in relation to well-known fashion brands involved the offer of counterfeit products for sales, with many of the vendors identified to be based in China, Malaysia and Indonesia among others³.

Beyond the avenues of online e-commerce and social media platforms, there has been a growing trend of counterfeiters making use of personal communication channels to affect their sales (such as mobile application software and Facebook pages). These online sellers are technology-savvy and liberally use popular messenger applications such as Telegram, Whatsapp and WeChat to peddle their wares. Especially these messenger applications are often secured with end-to-end encryption which allows counterfeiters to operate in privacy and free from any official over-sight.

2. How to spot infringing content online

This guide aims at providing you with information on the regulations governing e-commerce and a practical introduction on how to have infringing products removed from the largest e-commerce sites popular in South-East Asia in case the issue may arise.

The majority of countries in South-East Asian countries provide legal protection of IPRs including trade marks, copyright, designs and patents on the online sphere. Regulations relating to the internet stipulates that if any IP protected material is uploaded without the right holder's consent, he/she may request, in writing, that the e-commerce sites removes the infringing good, or removes the relevant website from the e-commerce platform and disables access to the IPR infringing material. This kind of written warning is known as a 'take-down notice'. The general

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¹ Nielsen corporation's projections.

² <http://www.businessinsider.com/southeast-asias-set-for-explosive-e-commerce-growth-2017-5/?IR=T>

³ The study, Social Media and Luxury Goods Counterfeit: a growing concern for government, industry and consumers worldwide (available [here](#) via The Washington Post's website)



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rule is that if the e-commerce site removes the infringing content following a 'take-down notice' it will not be held liable for any IPR infringement. If however, the ISP knew or should have known about the infringement, the e-commerce site may be held liable jointly along with the person who uploaded the infringing content. Please note that different countries in South-East Asia may apply different regulations in this respect and therefore it is recommended that EU SMEs would consult with local experts to understand the local laws and regulations applicable in the country of their interest.

Some of the top e-commerce sites in South-East Asia are Carousell, Lazada, Shopee, Taobao and Zalora. EU SMEs doing business in relation to South-East Asia shall include those e-commerce websites and platforms which are popular in the region to actively monitor possible online infringements in their online check routine.

Checking these websites could be a good starting point when screening for counterfeit products in South-East Asia. While searching for names which are identical or similar to your brand or product name, when searching for counterfeit products on these e-commerce sites, you may wish to type in the following keywords that could allow you to quickly identify counterfeit products:

- 1) Brand name / Product name + "Grade AAA"
- 2) Brand name / Product name + "Replica"
- 3) Brand name / Product name + "Inspired"
- 4) Do not forget to search for your brand or product name also in local scripts

Some useful indicators that counterfeit or unlicensed products are being offered for sale are as follows:

- 1) The products are sold at a much cheaper price below its market value;
- 2) The seller is not part of your official distribution or authorised channel in South-East Asia;
- 3) The seller has a large number of listings and many units for sale (i.e. powersellers);
- 4) The product is listed several times with a wide variation between prices for each listing.

3. Liability for selling counterfeits

In order to avoid liability, various e-commerce sites have developed systems to aid 'take-down notice' processes to their websites and platforms which can be used by IP right holders that deem their rights have been infringed. EU SMEs should always remember that exercise a 'take-down notice' is different from actual IP enforcement legal actions and therefore do not constitute a legal decision nor an executive right in relation to the infringement.

In many SEA countries, the sale of counterfeits will also attract civil liability along with penal sanctions. When a civil action is brought before the courts, the IP right holder will be usually entitled to the following remedies if he/she is successful in his/her legal claim:

- An injunction against the infringer restraining him/her from selling counterfeits;
- Damages or an account of profits;
- Delivery up of the counterfeit products.

The law in each South-East Asia country will vary and it is best to seek legal advice from the country in question

to understand how best to protect your IPRs in different countries.

It is worth noting, however, that if it turns out that the vendor is indeed re-selling genuine goods or 'second hand' products, they are regarded as "parallel imports" and not as counterfeits, and such sales, although generally unauthorised, are usually permitted in various SEA countries. For instance in Singapore, if threatened by legal action, such vendors could possibly have a claim against the IPR holder under the basis that the latter has made groundless threats of IP infringement. Accordingly, it is always prudent for EU SMEs to ensure that the goods in question are counterfeits before commencing any official correspondence with the e-commerce platform or the vendor.

As an example, in Singapore, anyone who sells any goods to which a trade mark is falsely applied can be found guilty of an offence. The seller will be liable for a fine not exceeding SGD10,000 (approx. EUR 6,000) for each good to which the trade mark is applied or to imprisonment for a term not exceeding 5 years or both.

This is unless the seller:

- (a) took reasonable precautions against committing an offence;
- (b) had no reason to suspect the genuineness of the mark; and
- (c) on demand made by the prosecution he gave all the information in his power with respect to the person from whom he obtained the goods.

Generally, in South-East Asia, there is no express legislation in place providing for the e-commerce sites' responsibility in combating the proliferation of counterfeits being sold online. Thus, e-commerce sites which confine themselves to an intermediary role are unlikely to be found liable for IPR infringement. Any process or workflow provided by e-commerce sites to handle counterfeits, outside the scope of any potential copyright infringement, is a matter of discretion for the e-commerce sites.

To address the general gap in legislation, EU SMEs can consider taking active steps to educate e-commerce sites and other intermediaries to their trade marks and other IPR, and share concerns about the counterfeiting problem. It is also encouraged that open dialogue with e-commerce sites be commenced so as to establish best practices, such as take-down processes, keyword and content filtering.

4. Tools provided by popular e-commerce sites in South-East Asia

In many cases, e-commerce sites are willing to work with brand owners to take down counterfeit products that are being sold on their sites. Some of them also take product authenticity very seriously and launched their own guidelines to inform users and sellers that the sale of counterfeit products on including any products that have been illegally replicated, reproduced, or manufactured, is strictly prohibited (for instance in the case of Lazada and Zalora).

E-commerce sites also provide general terms and conditions in their agreements with sellers including policies ad hoc in relation to the liability for selling of counterfeits promoting responsibility of the sellers in relation to the goods sold.

However, in many countries of South-East Asia where laws and regulations are not very developed in relation to the internet activities and online selling or, in countries where the regulations are present but however IPR enforcement is still challenging, online infringement is still widespread and EU SMEs should take a very proactive approach to spot infringing goods which may damage their reputation on South-East Asian markets, especially when these are new markets for their products or a launch of new products, as local customers are not yet familiar with the features of the original goods to the point to be able to identify the lack of quality in the counterfeit ones.

Take-down Notice: what you need to know

EU SMEs that believe their IP rights have been infringed by e-commerce platforms should act to request an immediate take-down notice to the e-commerce platforms.

Necessary documents

Generally, the set of documents that shall be submitted to the e-commerce site are the following:

- a. **Proof of identity** - For companies this includes business incorporation certificate or company license. For individuals, their identification documents such as a passport or national identification card are required. For authorised agents (when allowed by the local regulations) this includes the above proof of identity plus the relevant authorisation if the agent is not the IP owner.
- b. **Proof of IPR ownership** - The IP registration certificate or copyright recordal certificate is necessary.
- c. **Links and Webpages** - The exact links to the webpages of the infringing listings and details of the listings which you are requiring to have removed.

The e-commerce site will then handle the complaint according to its own policy and terms to remove counterfeits. Please note that the e-commerce site might receive an objection to the complaint by the seller by means of submitting a counter-notification.

Overview of the general process

As mentioned above, once the 'take-down notice' is received each e-commerce site will react according to its own policy and this may vary according to the e-commerce site in question as well as the laws and regulation of the country where the e-commerce site is based. However, a general breakdown of the process can be summarized as follows:

- Step 1.** The IPR owner submits proof of his identity and proof of ownership of IPR in the system on his/ her own initiative after spotting the infringement;
- Step 2.** The e-commerce site performs checks on the formality of the claim;
- Step 3.** The alleged infringer will receive a notification with regard to the IPR complaint from the e-commerce site;
- Step 4.** The alleged infringer can submit a counter-notification showing that he/she is an authorised party or can confirm the case;

Step 5. In case of a counter-notification, the IPR owner can either accept the counter-notification or submit the case for dispute;

Step 6. According to the policy of the e-commerce sites, the company may have created specific programmes where IPR holders can register as a member to provide in advance IP ownership by filling in a standard form notice. The dispute will be handled through this programme, and they will decide whether the listings will be deleted or not.

There is generally no charge fee for registration and submission of IPR infringement claims though the 'take-down notice'.

In the case of the two e-commerce platforms Carousell and Qoo10, there are for instance clear policy guidelines when it comes to dealing with counterfeit products.

First, Carousell and Qoo10 will force the seller to take down the counterfeit products from their website once they are given notice of the offer for sale. As a brand owner and trade mark owner, EU SMEs should send a notice of infringement to Carousell and Qoo10.

Second, if there are repeated reports and complaints of a particular seller who has selling counterfeits, Carousell and Qoo10 will either suspend or terminate the seller's account entirely.

Popular e-commerce platform eBay also has a "VeRO Program" to facilitate the take-down process as stated above. Under the VeRO Program, IPR holders register with eBay as a member under this program and prove ownership over a specified IPR in question. After becoming a member, the IPR holder is able to complete and send a standard form notice of infringement to eBay, who will act accordingly to take down the product listing. The VeRO Program also provides for a standardized system and workflow for legitimate sellers to contact the IPRs holder to clarify any mistaken takedowns.

A similar process has also been created by e-commerce platform Alibaba as "AliProtect – Intellectual Property Protection System".

5. How to use online infringements in your IP enforcement strategy in South-East Asia

EU SMEs doing business in or in relation to South-East Asia shall also keep in mind that an efficient IP strategy for those markets shall include a plan for an enforcement strategy in the event IP infringement is suffered in some markets on a relevant scale.

Removing counterfeit goods from e-commerce sites as soon as they appear is a very important goal to achieve and EU SMEs shall act promptly to defend their IP rights. However, online infringements can also be the opportunity to collect valid evidence to file subsequent legal actions against a repeated infringer or in a more complex litigation case to prove a connection of illicit activities from the same entity or individual.

In this respect, before exercising the request of 'take-down', it is recommended to make sample purchases from online accounts to confirm that the products being sold were indeed counterfeit items and also collect the items and related

purchase and shipment documents including information on the seller.

The costs in making sample purchases can be avoided and/or balanced with a rigorous assessment of the items

in question based on the seller's advertisements alone. For instance, if the items are marketed to be obviously counterfeit; sold at a wholly disproportionately low price; and/or based on a non-existent product line, IPR holders can consider skipping the step of making a sample purchase.

Case study 1: Special types of E-commerce platforms can be held liable for offering for sale counterfeits⁴

Background

The website SGBuy4u was an e-commerce platform on which users could purchase a wide variety of goods. The product listings on the SGBuy4u website were an exact mirror and obtained from the listings on Taobao.com. Once a user had selected and paid for a desired good on the SGBuy4u Website, SGBuy4u would log on to Taobao.com, locate and purchase the selected good, ship it to Singapore and deliver it to the user.

Action taken

After carrying out two sample purchases, Calvin Klein commenced an action against SGBuy4u. Calvin Klein claimed that the SGBuy4u offered for sale on the SGBuy4u Website goods that bore Calvin Klein's trade marks. They applied for summary judgment against the defendants.

Outcome

The Singapore court found that SGBuy4u was not a mere courier or freight forwarding service. It provided services that went above and beyond traditional delivery services, such as receiving payment for goods from the users of the SGBuy4u website, placing orders on Taobao.com and paid sellers on Taobao.com for the goods. Therefore it was held liable for offering counterfeits for sale in its own right. As the case for SGBuy4u's liability was so clear, the court entered summary judgment on this matter, which obviated the need for a full trial.

Lessons Learnt

- Consult a lawyer to find out what specific strategy would be most effective for you. Sometimes, individual take downs might be time-consuming and ineffective especially if you can take action against the platform directly for IPR infringement.
- It is worth noting that it was due to the unique business model adopted by SGBuy4u which paved the way for Calvin Klein's success in court.
- Depending on the facts, it may be more challenging to hold other e-commerce platforms directly liable for IPR infringement.

Case study 2: Challenges in liaising with e-commerce platforms and sellers

Background

Exact replicas of Brand X's goods were being sold on Carousell. The products looked identical to that being sold by Brand X in its official website and stores.

Action taken

The brand owner engaged a law firm to assist in the case.

The seller had two accounts on Carousell, and the law firm acting for Brand X made sample purchases from both accounts. It was confirmed that the products being sold were indeed counterfeit items. Thereafter, the law firm wrote to Carousell to request for the removal of the listings and suspension of the seller's accounts. Carousell complied with the law firm's request and further provided the seller with the law firm's details, requesting the seller to contact the law firm and settle the matter.

Outcome

Although Carousell took down the listings and terminated the seller's accounts, the seller never contacted the law firm and to settle the matter.

Lessons learnt

- In general, e-commerce sites are quick to respond to IPRs holders' take-down requests and suspend seller accounts.
- It is important to confirm that the goods are indeed counterfeit items by taking measures such as sample purchases as advertising materials employed by the seller online may not be indicative of the authenticity of the products in question.
- Owing to the anonymity afforded by the internet, it could be problematic for IPRs holders to contact sellers.

⁴ <http://www.singaporelaw.sg/sqlaw/laws-of-singapore/case-law/free-law/high-court-judgments/18621-calvin-klein-inc-and-another-v-hs-international-pte-ltd-and-others>

7. Take away message

- EU SMEs that deem their IP rights have been infringed on e-commerce platforms will have the options of either:
 - a. Taking direct action against the e-commerce platform for IPRs infringement; or
 - b. Working with the relevant e-commerce platform to take down the sellers.

In general, option (b) is the more common approach taken by IPRs holders.

- It is important to confirm that the goods offered for sale on the e-commerce platforms are indeed counterfeits, to avoid any claim for groundless threats of IPRs infringement by the seller and/or the e-commerce platform.
- It is recommended that EU SMEs start a dialogue with e-commerce platforms to encourage better collaboration and develop best practices to handle any IPRs infringement and to sign up for any dedicated program kick started by.
- Consult local lawyers to develop a strategy to tackle this growing problem of online counterfeit sales.

- **Powersellers** - Refers to a person who sells high volumes of products.
- **Trade marks** - A trade mark is a word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods of one party from those of others. For example, brand names, slogans, and logos can be trade marks.

9. Related Links and Additional Information

- Visit our Country IP Factsheets of each countries in South-East Asia - <http://www.southeastasia-iprhelpdesk.eu/en/country-factsheets2>
- Visit other publications at South-East Asia IPR SME Helpdesk website - www.ipr-hub.eu
- Visit the Helpdesk blog <http://www.yourIPinsider.eu> for related articles on IP in South-East Asia and China

8. Glossary of terms

- **Alleged infringer** - Refers to a seller who is suspected of selling or offering for sale counterfeits.
- **Counterfeits** - Refers to goods to which a trade mark has been applied without the consent of the proprietor or its licensee.
- **E-commerce sites** - Websites which serve as an intermediary platform to facilitate transactions in the sale of products between buyers and sellers.
- **Parallel imports** - are genuine goods, in the sense that they originate from the proprietor or licensee of the relevant IPR, and sales and resales of such products are usually regarded as legitimate in various SEA countries like Singapore.

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For more information please contact the Helpdesk:

Room 2B, 15th Floor, The Landmark
5B Ton Duc Thang, Ben Nghe Ward, District 1,
Ho Chi Minh City, Vietnam
T +84 28 3825 8116
F +84 28 3827 2743
question@southeastasia-iprhelpdesk.eu
www.ipr-hub.eu

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