

# On-line Anti-Counterfeiting actions in the eyes of E-commerce Law



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**Daniel de Prado Escudero**  
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# ABOUT HFG



## China Offices

- Shanghai
- Beijing



## HFG Professionals

- 60 professionals with legal/scientific background
- Multi-national team
- Depth of experience (average 15 years)
- Languages spoken: EN, CH, FR, IT, JP, ES, RU



## Client Base

- Multinational companies
- Small/medium enterprises
- Law firms
- IP agents/firms



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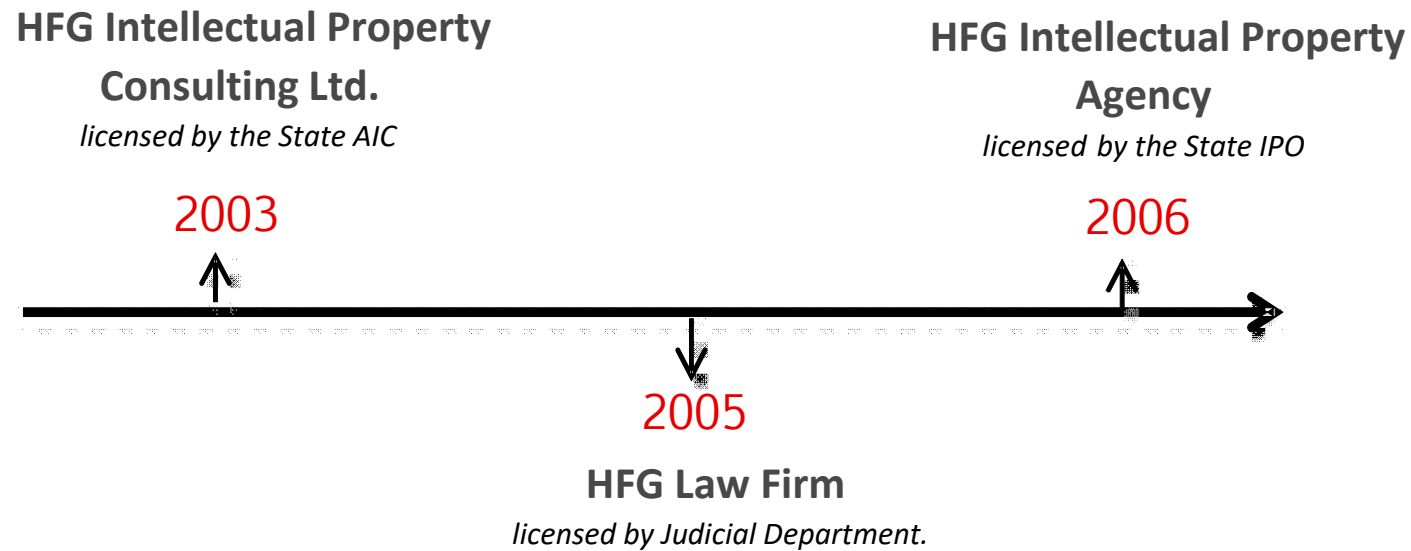
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# ABOUT HFG

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## FOUNDATION

HFG consists of 3 integrated entities duly licensed by law for full legal practice:



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# NEW E-COMMERCE LAW

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## **SUMMARY:**

1. GENERAL PROVISIONS
2. INTELLECTUAL PROPERTY RELATED REGULATIONS WITHIN THE LAW
3. INFRINGEMENT CASES AND ENFORCEMENT ACTIONS



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# GENERAL PROVISIONS

## □ **Article 9:** main subjects within the law:

- **“E-commerce Business” (“ECB”):** means natural persons or legal persons that engage in the business activities of selling commodities, or providing services, through the Internet or any other information network, including e-commerce platform businesses, in-platform businesses, and e-commerce businesses that sell commodities or provide services through a self-built website or any other network services.
  - ┌ 本法所称电子商务经营者，是指通过互联网等信息网络从事销售商品或者提供服务的经营活动的自然人、法人和非法人组织，包括电子商务平台经营者、平台内经营者以及通过自建网站、其他网络服务销售商品或者提供服务的电子商务经营者。
- **“E-commerce Platform Business” (“ECPB”):** means a legal person or an organization without the status of legal person, which, in e-commerce, provides both or multiple parties to trading with services, such as online places of business, match-making, and releasing information, for them to independently conduct trading activities.  
JD.COM, ALIBABA, AMAZON...
  - ┌ 本法所称电子商务平台经营者，是指在电子商务中为交易双方或者多方提供网络经营场所、交易撮合、信息发布等服务，供交易双方或者多方独立开展交易活动的法人或者非法人组织。

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# GENERAL PROVISIONS

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- **“In-platform business” (“IPB”):** means an e-commerce business which sells commodities or provides services through an e-commerce platform.

† 本法所称平台内经营者，是指通过电子商务平台销售商品或者提供服务的电子商务经营者

- **They are the main players involved in the economic transactions happening in the online environment together with consumers and IP rights holders.**



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# GENERAL PROVISIONS

## ❑ NEW OBLIGATIONS ACCORDING TO E-COMMERCE LAW

- ❑ **Article 10:** mandatory registration before administrative authorities for e-commerce businesses.

*“An e-commerce business shall make market participant registration according to the law [...]”.* General rule.

第十条 电子商务经营者应当依法办理市场主体登记 [...].

## ❑ **Article 15:**

*“An e-commerce business shall **continuously publish the information of its business license, the information on the administrative licensing relating to the business operated by it, the circumstances not requiring it to make market participant registration as provided in Article 10 of this Law, and other information, or the mark of the link to the aforesaid information**”.*

第十五条 电子商务经营者应当在其首页显著位置，持续公示营业执照信息、与其经营业务有关的行政许可信息、属于依照本法第十条规定的不需要办理市场主体登记情形等信息，或者上述信息的链接标识。

- ✓ **Not doing so may bring legal consequences according to this law. Mainly an economic punishment**

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# GENERAL PROVISIONS

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## ❑ HOW IS THIS BEING IMPLEMENTED IN PRACTICE?

- Competent administrative authority who handles the registration procedure is the State Administration for Industry and Commerce (SAIC).
- To get registered the e-commerce operator or the operator on the platform will have to provide not only all the information to identify himself or the company, including locations and contact information, but also submit the necessary business license to confirm he is entitled to conduct the specific economic activity in the platform.

## ❑ **However**, up-to-date no matter the obligations in arts. 10 and 15 still many **In-Platform Businesses and E-commerce Businesses sell all kind of products online and no detailed information about those companies or individuals is displayed in their online stores.** That points out:

- Insufficient implementation of the E-Commerce Law when it comes to its enforcement.
- Not enough measures taken by some of the E-Commerce platforms to implement the E-Commerce Law and tackle these issues.



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# GENERAL PROVISIONS

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## ❑ New regulations developing the E-Commerce Law

- Last April, the State Administration for Market Regulation announced Measures for the Supervision and Administration of Online Transactions (“Draft Measures”), which provides more detailed rules in implementing the E-Commerce Law, specially with respect to **information related issues** of the online stores selling products in the E-Commerce platforms.
- **Highlights of the Draft Measures:**
  - ✓ Provide more detailed guidance regarding the information disclosure requirements imposed on the online transaction operator, requiring it to disclose certain **specific information of its business license**, identity and contacts, close of business, and **specifies the penalty for violation of laws and regulations**.
  - ✓ These detailed measures should allow IP holders to take more effective action against counterfeiters in the market and also develop investigations to locate and stop them.
  - ✓ We hope these measures can lead to a more efficient implementation of the E-Commerce Law and result in the benefit of IP rights holders.



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# GENERAL PROVISIONS

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- ❑ **Articles 27-29:** obligations for e-commerce platform business to verify the In-platform businesses information.
- E-commerce platforms shall verify whether In-platform businesses is duly registered before the AIC and request all necessary documents to the operators on the platform in order to allow them to start operating his business in the platform.
- The e-commerce platform shall submit the identity of the operators on the platform to the AIC and request the operators not yet registered to duly proceed with the registration.
- In case the e-commerce platform business finds out the any In-platform business is selling goods or providing services without the mandatory permits or violating the requirements provided by this law, it shall take the necessary measures against the in-platform business and report this illegal activity to the competent authorities.
- **Not complying with this article may have legal consequences (economic punishment) for the e-commerce platform business according to the provisions of this law.**

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# GENERAL PROVISIONS

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## ❑ HOW IS THIS BEING IMPLEMENTED IN PRACTICE:

- Up-to-date we have not seen any consequence for E-commerce platforms due to non-compliance with these articles, even though we could confirm several In-platform business are not duly registered or not disclosing business information (art. 15).
- Apparently, it seems no pro-active approach or preliminary review from most of E-commerce Platforms Business is carried out to detect potential counterfeit products being offered in their platforms.
- Lack of clarity and measures on the legal consequences imposed by E-Commerce platforms and by the Law when not complying with the afore-mentioned articles.



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# IP RELATED PROVISIONS

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- ❑ **Articles 41-44:** intellectual property provisions in the e-commerce law.
- **Art. 42.** *“Where the owner of an intellectual property right considers that his or her intellectual property right has been infringed upon, he/she shall have the right to notify the e-commerce platform business of taking necessary measures, such as **deletion, blocking or disconnection of links and termination of transactions and services**. The notice shall include prima facie evidence that the infringement has been committed. The e-commerce platform business shall, after having received the notice, **take timely and necessary measures and forward the notice to the in-platform business; and if e-commerce platform business fails to take timely and necessary measures, it shall be jointly and severally liable with the in-platform business for any aggravation of the injury**”.*
- Therefore, in case the trademark holder notice any infringement on an e-commerce platform he may:
  1. File an on-line complaint before the e-commerce platform and submits evidences of the infringement.
  2. The platform will review and forward the complaint to the operator on the platform. If the evidences provided suffice, then the platform may take actions against the alleged infringing on-line store. These actions consists in deleting, shielding or removing the link, terminating transactions and services, etc...



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## IP RELATED PROVISIONS

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- Art. 43. *“An in-platform business may, upon receipt of the notice forwarded, give a **declaration of non-existence of infringements** to the e-commerce platform business. The declaration shall include prima facie evidence of non-existence of infringements. The e-commerce platform business shall, upon receipt of the declaration, **forward it to the owner of the intellectual property right** that gives the notice, and advise the owner that he/she may file a complaint with the relevant competent authority or bring an action in the people's court. If the e-commerce platform business does not receive notice, within 15 days after the forwarded declaration reaches the owner of the intellectual property right, that the owner has filed a complaint or sued, the e-commerce platform business shall promptly terminate the measures it has taken ”.*
- Once the alleged infringing operator on the platform receives the complaint he may provide a counter-response, including a declaration of non-infringement together with evidences or materials to support this declaration. The e-commerce platform will then pass these materials to the complainant for his opinion.
- As soon as the e-commerce platform business notifies the IP right holder the declaration of non-infringement submitted by the potential infringer, the first one will have 15 days to file an official administrative complaint or lawsuit reporting the potential infringement to the competent authorities [NOT FEASIBLE FOR FOREIGN COMPANIES].
- In the event he does not timely file such official complaint the e-commerce platform **operator will be entitled to conclude the on-line infringement procedure** and immediately lift any measure taken against the alleged infringing content.



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# IP RELATED PROVISIONS

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## ❑ WHAT ARE WE REALLY WITNESSING IN PRACTICE IN IP INFRINGEMENT ONLINE DISPUTES?

- Even though according to the Law the E-commerce Platform Business obligation in this proceeding is limited or reduced to merely transmit the information between the parties in the complaint, the E-Commerce platforms are reviewing and examining the content providing by the parties to take a decision.
- However, we can say most of times the E-commerce Platform Business did NOT submit to the IP right holder the non-infringement declaration, nor the evidences provided by the alleged counterfeiter, not giving the chances to file a counter-response.
- As a result, considering that the E-commerce Platform Operator will not be entitled or obliged by law to analyze or examine the evidences provided by those parties but just transmit them, the potential infringer operator might easily prevent his online store to suffer any effective measure against the infringement (at least temporarily) by providing the e-commerce platform operator with this declaration of non-infringement.
- In conclusion, vagueness in the drafting of the E-Commerce law plays in the benefit of the infringers as it **leaves to the discretion of E-commerce Platforms whether to act or not against the alleged counterfeit products being offered in the platform.**



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## IP RELATED PROVISIONS

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- Art. 44. “Where an e-commerce platform business **knows or should have known** that an in-platform business infringes upon any intellectual property right, it shall take necessary measures such as deletion, blocking or disconnection of links and termination of transactions and services, or, failing that, it shall be jointly and severally liable with the infringer”.
- The letter of this article suggest the e-commerce platform business may be found liable in the event they knew or should have known the infringement and still took no action to stop it.
- However, the vagueness of the wording makes hard its analysis at this point, as we still lack of any jurisprudence that bring light over it. The article states as a premise for the e-commerce platform operators to be held liable that they “*knew or should have known*” about the infringement.
- The formula “*knew or should have known*” frequently used in western legal systems requires precise interpretation based on specific premises in order to define its scope of application and determine whether the e-commerce platform operator knew or should have known about the infringement and assess its liability. **Needs definition of the scenarios that will trigger the liability over the e-commerce platform business.**
- It is likely that further regulations developing this new E-commerce law together with administrative and judicial decisions will bring light and certainty to precise how and when the liability of the e-commerce platform operators in these cases may be claimed. Unfortunately, for the moment this uncertainty impedes the effectiveness of the law at this point and decrease the rule of law, which can only be beneficial for the infringers of IP rights.

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# CONCLUSIONS

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## □ CONCLUSIONS

- **ANALYSIS OF THE LAW IN THE LIGHT OF CURRENT PRACTICE:**
- This new regulation has implemented a legal and clear procedure to deal with on-line IP infringements, which standardize the already-existing on-line procedures but does not add further tools for the IP rights holders to protect their interest in the on-line environment.
- It places the IP right holders in a situation where they will have to face a significant economic investment any time they want to act against potential infringers of their rights in the e-commerce platforms, if the e-commerce business does not remedy it by examining the complaints from a substantial point of view.
- Otherwise, the IP rights holders will have to necessarily take their complaints before the competent administrative or judicial authorities at all times.



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# CONCLUSIONS

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## ❑ CONCLUSIONS:

### • E-COMMERCE PLATFORMS:

- Key players in the online environment with regards to provision of goods and services to consumers.
- As key players in this market they hold an enormous responsibility to keep and maintain a fair and safe environment for the rest of legitimate In-business platforms. They represent an essential role to combat and stop counterfeiters.
- Further regulations or Jurisprudence should clarify their obligations when dealing with IP on-line complaints and their liability when counterfeit products are being offered in their e-commerce platforms.

## ❑ FURTHER LEGISLATION:

- It is necessary that any potential regulations that will be promulgated to develop the E-Commerce Law together with future Jurisprudence describes **in detail** and in a **precise way** those points mentioned that remain vague causing the law to be less effective on certain situations or even difficult to enforce.

THANK YOU

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## CONTACT US

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### Daniel de Prado Escudero

Tlf. +86 156 1870 8547  
[descudero@hfgip.com](mailto:descudero@hfgip.com)

#### SHANGHAI OFFICE

14/F, Huaqi Plaza, No. 969 Wuding Road,  
Jing'An District, Shanghai, 200040 China  
Tel +86 21 52135500

#### BEIJING OFFICE

Suite 712, Shiye Plaza, No. 65 Fuxing Road,  
Haidian District, Beijing, 100036 China  
Tel +86 10 68150420



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