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YOUR GREATER CHINA LAWYERS

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IP UPDATE



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E-Commerce & Customs: Enforcement Update & Beyond the Takedowns

With the advancement of technology, e-commerce becomes an integral part to the daily life of the general public. Currently, more than half a billion users in the mainland China use the online marketplace, and the number is kept increasing. Amongst others, Alibaba and Taobao (which are operated by Alibaba Group) remain to be the most popular e-platforms in the mainland China. In this newsletter, we will outline the enforcement mechanisms that are currently available to the brand owners to protect their intellectual property rights (IPR), together with updates on the e-commerce laws and Customs enforcement in the mainland China.

A. IPR PROTECTION MECHANISMS UPDATES FOR ONLINE PLATFORMS

Most of the online platforms (including of course Alibaba and Taobao) maintain online complaint mechanisms for the IPR owners to submit complaints against infringement of IPR. Provided that a prima facie case could be made out, the complaint will be forwarded to the targets for response, and relevant links would be taken down in the absence of valid response. Point system is also commonly used that repeated infringer's account may be terminated upon a number of successful complaints.

We also see the trend that the online platforms become more helpful and friendly to IPR owners. For example, the Alibaba Group introduced a "Good-Faith Takedown Mechanism" to

expedite the take down process, basing on historical complaint data with the online platforms such as Taobao. Upon joining the mechanism, processing time for further complaint will be reduced from 5 to 7 working days to 1 to 3 working days. Designated contact from Taobao will also be provided.

On the other hand, the Alibaba Group also introduced an "IP Joint Force System". Upon joining the system (only IPR owners may join), dedicated online portal and an account manager will be assigned to facilitate communication on suspected infringing activities. Apart from providing a better communication channel in lodging complaints, the platforms will also take active steps in identifying suspected infringing

activities on the platforms and seeking confirmation from the IPR owners directly. This makes the online platforms also an eye for the IPR owners participating in the IP Joint Force System.

While limited brands have been able to join the IP Joint Force System for the time being (by invitation only provided that sufficient anti-counterfeiting efforts have been spent by the brands previously), this is a welcoming development that the online platforms are now more willing to cooperate with the IPR owners. On the other hand, we also see the online platforms are now more willing to give assistance in the enforcement actions taken by the IPR owners, including but not limited to provision of information and assistance in joint raid action. IPR owners shall keep in mind that assistance from online platforms may now be possible and may indeed be a useful resource for the IPR owners to tackle the infringing activities in the e-commerce.

B. IMPLICATION OF THE PROPOSED NEW E-COMMERCE LAW TO BRAND OWNERS

On 27 December 2016, China introduced the first draft of the e-commerce law (the "Proposed Law") for the regulation of e-commerce business operators, electronic contracts and payments, e-commerce transactions and cross-border e-commerce on the NPC's website for public comments.

Amongst other new measures, the Proposed Law seeks to impose a duty on e-commerce operating entities to protect intellectual property rights by requiring it to delete, block, disconnect infringing links and terminate transaction, and introducing penalty including suspension of business and fine.

In addition, the Proposed Law seeks to provide that an online platform may be liable to a consumer on product quality issues

should the online platform fail to provide the actual name, address or contact of the actual seller upon request.

It could be seen that the Proposed Law seeks to place a greater burden on the e-commerce platforms to ensure market integrity. We welcome the proposed changes and we will keep you posted on the new development of the Proposed Law.

C. CUSTOMS UPDATES

Customs recordal in China remains an effective option available to IPR owner to deter infringing activities. The online official recordation system of the China Customs (the "System") was updated and the officials are now more willing to rely fully on the information as shown on the System. Particularly in view of the increasing number of forged authorization letters found, instead of relying on authorization letters provided upon detention of the products at the border, the officials may only release products if the information of the relevant licensees/suppliers could be found in the System. Therefore, IPR owners are now required to input details of the licensee/supplier into the System for avoid delay in the shipment of authorized products. On the other hand, from our recent experience, the officers in local ports have now been placing a heavier reliance on the information found in the System, and therefore IPR owners may now wish to include further details, including duration, products, consignee, destination country, export port and packaging of the products, to avoid any abuse outside the contracted scope of authority.

In view of the aforesaid, it may be advisable for IPR owners to review its customs recordal, and to supplement relevant and detailed information to the System to better safeguard the interest of the IPR owners.