

## MALAYSIA

## Cyberspace is the fastest growing sphere for counterfeit trade

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While the Internet is a convenient place for users to share and receive information, the fast and continuous growth of the Internet has created opportunities for counterfeiters to more easily use means and channels online to promote and sell counterfeit goods to consumers.

Selling counterfeit goods online has now become a lucrative business. By virtue of the anonymity gained from operating via the Internet, counterfeiters may easily promote and sell counterfeit goods. Further, as goods are sold without the prior inspection of consumers, counterfeiters may easily represent counterfeit goods as genuine to consumers. It is not uncommon to see advertisements or be directed to websites offering counterfeit goods for sale. Hence so long as consumers have access to the Internet, there is a high risk of being exposed to the promotion and sale of counterfeit goods.

According to the Global Brand Counterfeiting Report 2018, the amount of total counterfeiting globally reached US\$1.2 trillion in the year 2017 and is expected to reach US\$1.82 trillion by the year 2020. The report further estimated that the losses suffered due to online counterfeiting globally have amounted to US\$323 billion in the year 2017.

Other various statistics extracted from NYSBA Inside, the Spring/Summer 2016 edition, Vol. 34 No. 1 have also shown the following:

- Online counterfeiting costs the US economy anywhere between \$135–\$250 billion annually.
- The FBI, Interpol, World Customs Organization (WCO) and International Chamber of Commerce (ICC) estimate roughly 7-8% of world trade every year is in counterfeit goods. The equivalent of about \$512 billion in

global lost sales.

- Internet sales have seen rapid growth over the past decade. In 2014, overall US retail e-commerce sales were US\$237 billion accounting for almost 7% of all retail sales.
- According to a United Nations report, the value of counterfeit goods sold online was expected to top \$1.7 trillion by 2015.

It is clear from the statistics above that online counterfeiting has brought challenges for rightful brand owners. Any counterfeit goods which are of inferior quality will be associated with the brand owners. In addition, use of the infringing trade mark on counterfeit goods by the counterfeiters is also likely to dilute the trade marks of brand owners. This can cause significant damage to the goodwill and reputation of brand owners.

Due to the increasing use of the Internet, brand owners must now be prepared to face challenges brought by counterfeit trade in cyberspace. Brand owners have spent resources, money and time in building, creating and promoting their brands and trade marks. As such, it is important for brand owners to take all necessary steps to ensure that their trade marks are not misused by online counterfeiters. Needless to say, it is important to ensure that the trade marks of brand owners are applied for registration and registered in the jurisdictions of interest. In attempting to combat online counterfeiting, the following tools will be helpful to brand owners:

### 1) Consistent Internet monitoring

While monitoring the Internet may seem to be a difficult task, brand owners should take active steps to maintain frequent and consistent monitoring of the Internet in particular, online marketplaces, online shopping sites and social media platforms. This can assist brand owners in identifying counterfeit goods and taking the necessary action at an earlier stage.

### 2) Website takedown procedures

This is one of the common strategies offered to brand owners. Reporting mechanisms are often made available by many popular websites like Facebook, Alibaba and Amazon. Hence, if brand owners detect any acts infringing

their registered trade marks, they can utilise the reporting tool and make a request for the infringing links to be taken down by the websites.

### 3) Working together with the relevant government agency

In Malaysia, where acts of online counterfeiting are identified on a Malaysian website, brand owners can lodge a report with the Ministry of Domestic Trade and Consumer Affairs (MDTCA) requesting that the infringing links be removed. Such a written report must, however, be supported with evidence of trade mark registration and proof of trade mark infringement.

### 4) Other enforcement tools

In some instances, online tools alone may not be sufficient in combating online counterfeiting. In these circumstances, the traditional approach of initiating civil action for trade mark infringement and/or passing off against the counterfeiter may be adopted in addition to online tools. Such an approach would, however, only be adopted if the identity of the online counterfeiter is revealed.

In conclusion, online counterfeiting is not something that can be eradicated easily and is seen as a menace especially in today's fast-paced internet age. Brand owners will need to be vigilant and attentive to all activities in cyberspace and evaluate and upgrade their monitoring tools. If they fail to do this, they may be faced with a disease that has spread to the point of no return.