

ROUSE

IP Guide: Participating
in Online E-Commerce
Shopping Platforms
in South East Asia

Philippines

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IP GUIDE ON ENTERING ONLINE SHOPPING PLATFORM IN SOUTH EAST ASIA

1. Status of online shopping platform in SEA: Philippines

1.1 Status of online shopping platforms

The Philippines has big growth potential in ecommerce/online shopping. With over 107 million Filipinos in a country that has been declared as the heaviest internet user worldwide,¹ ecommerce figures can grow in double digits in the coming years. The Covid-19 pandemic may even push the expected growth in ecommerce sooner than later as online shopping is consistent with the “new normal” of observing physical distancing. In a report on the website Statista², an online survey conducted by Rakuten Insight in the Philippines showed that 41% of the survey respondents purchased more items online as a result of the Covid-19 pandemic.

Shopee, Lazada and Zalora are the top three online shopping platforms in the Philippines.³ The top 10 ecommerce websites in the Philippines are as follows:

	Platform	Description	Business Model	Website Traffic
1	 Lazada Lazada (https://www.lazada.com.ph/)	Based in Singapore, Lazada is one of the leading e-commerce platforms. It is operating in SEA since 2013 and have been acquired by the Alibaba Group since 2016.	B2C and C2C	Monthly Visits: Website: 30,745,300 Twitter: 78,900 Instagram: 494,000 Facebook: 29,880,700
2	 Shopee Shopee (https://www.shopee.ph/)	Shopee is a Singapore based e-commerce platform under the Sea Group. It is backed by Tencent, a Chinese multinational conglomerate.	B2C and C2C	Monthly Visits: Website: 28,950,100 Twitter: 44,200 Instagram: 451,800 Facebook: 17,841,400
3	 ZALORA Zalora (https://www.zalora.com.ph/)	<p>Zalora Marketplace is an exclusive fashion community where select boutiques showcase their unique products & styles online.</p> <p>The company was founded in 2012 and has solid presence in SEA i.e. Singapore, Philippines, Malaysia, Indonesia, Hong Kong, Macau, and Taiwan. Its headquarters is based in Singapore.</p>	B2C and C2C	Monthly Visits: Website: 1,056,500 Twitter: N/A Instagram: 218,100 Facebook: 7,816,600

¹ <https://cnnphilippines.com/lifestyle/2019/02/01/2019-digital-hootsuite-we-are-social-internet-philippines-facebook.html>

² <https://www.statista.com/statistics/1126355/philippines-impact-on-online-purchase-behavior-covid-19/>

³ <https://business.inquirer.net/293997/lazada-shopee-zalora-top-list-of-most-visited-online-stores-in-ph>

4	 Ebay (https://www.ebay.ph/)	<p>Founded in 1995, eBay is an American multinational e-commerce platform based in San Jose, California.</p> <p>The platform caters a global online auction and trading which matches buyers and sellers of goods and services.</p>	B2C and C2C	Monthly Visits: Website: 767,400 Twitter: 800 Instagram: 218,100 Facebook: 7,816,600
5	 Beauty MNL (https://www.beautymnl.com/)	<p>Beauty MNL is a Philippine-based online e-commerce platform intended to sell beauty and fashion products. It offers cosmetics, nutrition supplements, beauty treatment products, and fashion and fitness accessories.</p> <p>The platform is founded in 2014 and operated by Taste Central Curators, Inc.</p>	B2C	Monthly Visits: Website: 738,100 Twitter: 4,700 Instagram: 357,800 Facebook: 812,600
6	 Galleon (https://www.galleon.ph/)	<p>Galleon is an online shopping portal in SEA focused on products not available locally.</p> <p>It was founded in 2012 by Openovate, Inc. and then completely acquired by Sterling Paper Group of Companies in 2017.</p>	C2C	Monthly Visits: Website: 379,200 Twitter: 1,800 Instagram: 3,100 Facebook: 91,700
7	 O Shopping (https://oshopping.com.ph/)	<p>O Shopping is the brand of A CH O Shopping Corporation, a joint venture between ABS-CBN Corporation and CJ ENM Company Limited.</p> <p>This Philippine-Korean joint venture bring forth high-quality and world-class products to Filipino consumers through easy ordering via phone or internet.</p>	B2C	Monthly Visits: Website: 299,500 Twitter: N/A Instagram: 68,500 Facebook: 580,300
8	 iHerb (https://ph.iherb.com/)	<p>iHerb is a US-based company serving customers worldwide of nutritional and healthcare products since 1996.</p> <p>It has warehouses located in California, Kentucky, Illinois, Pennsylvania and one in South Korea.</p>	B2C	Monthly Visits: Website: 166,200 Twitter: N/A Instagram: N/A Facebook: 38
9	 Ubuy (https://www.ubuy.com.ph/)	<p>Based in Kuwait, Ubuy provides cross border eCommerce internationally via its payments and shipping infrastructure.</p>	B2C and C2C	Monthly Visits: Website: 130,000 Twitter: N/A Instagram: N/A Facebook: 5,400

10	 <p>Kimstore (https://kimstore.com/)</p>	<p>Kimstore is an online gadget store in the Philippines. It offers a wide selection of gadgets such as mobile phones, laptops, cameras, gaming consoles, tablet PCs, and various electronic accessories.</p>	B2C	<p>Monthly Visits: Website: 118,900 Twitter: 10,200 Instagram: 203,100 Facebook: 3,141,500</p>
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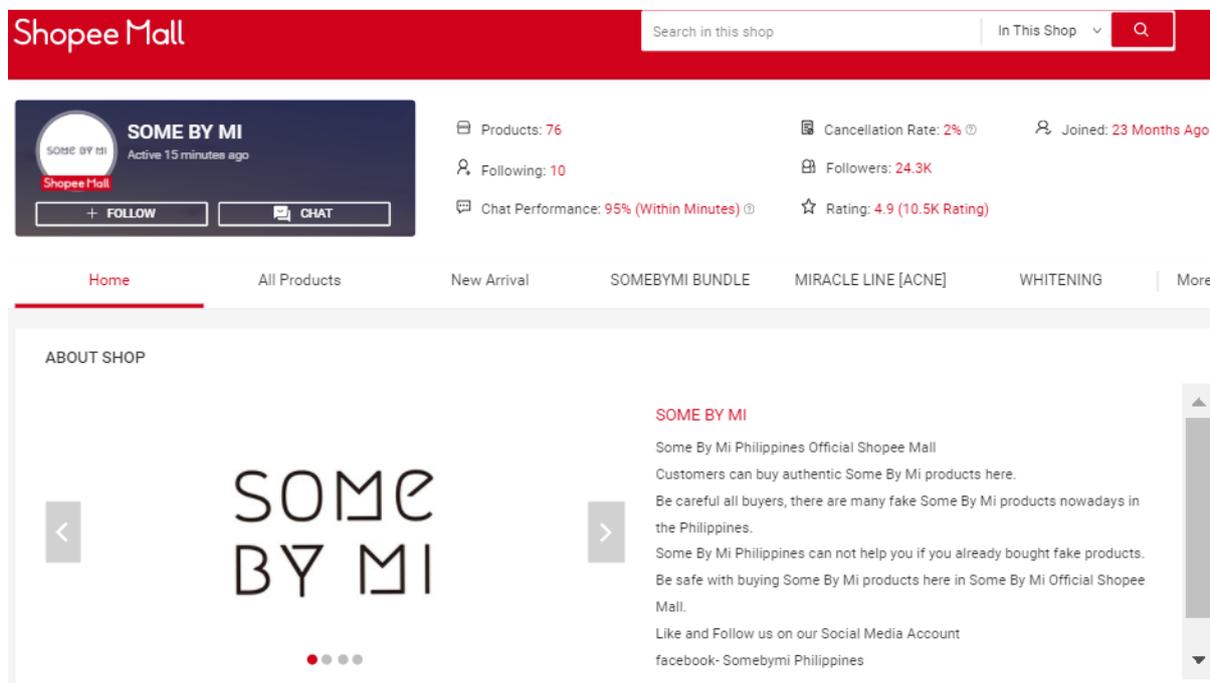
Lazada, Shopee and Zalora rank high in terms of traffic and number of active users. These platforms are also accessible through their websites and mobile applications. In 2019, the highly marketed and patronized Singles’ Day/11-11 sale of top platforms resulted in 1,141 Lazada sellers raking in millions in sales⁴ while over 70 million items were sold on Shopee⁵. Zalora, while not as big as the other two platforms, serves as a dedicated online platform for fashion, accessories and beauty products.

1.2 Status of Korean companies/brands on the online platforms

While there are no statistics available to show the status or popularity of Korean companies in the online platforms, the top 5 of the 10 ecommerce websites ranked by iPrice Group are locally known to sell Korean products/brands.

Shopee

Shopee Mall Philippines features choice partners of Shopee Philippines, which consist of trusted manufacturers, companies and sellers. Through this page, Shopee assures buyers that the product listings are authentic. Buyers are also rewarded for shopping from the preferred sellers. SOME BY MI, SAMSUNG, MISSHA and YOPPOKI are some of the Korean brands with official stores in Shopee’s platform.

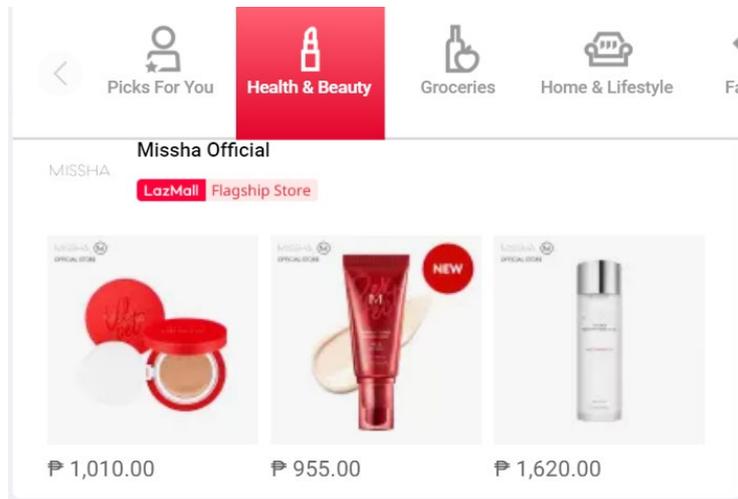


⁴ <https://news.abs-cbn.com/business/11/14/19/biggest-11-11-shopping-cart-on-lazada-worth-p12-million>

⁵ <https://sea.mashable.com/culture/7428/a-whopping-70-million-items-were-bought-online-on-shopee-during-the-1111-sale>

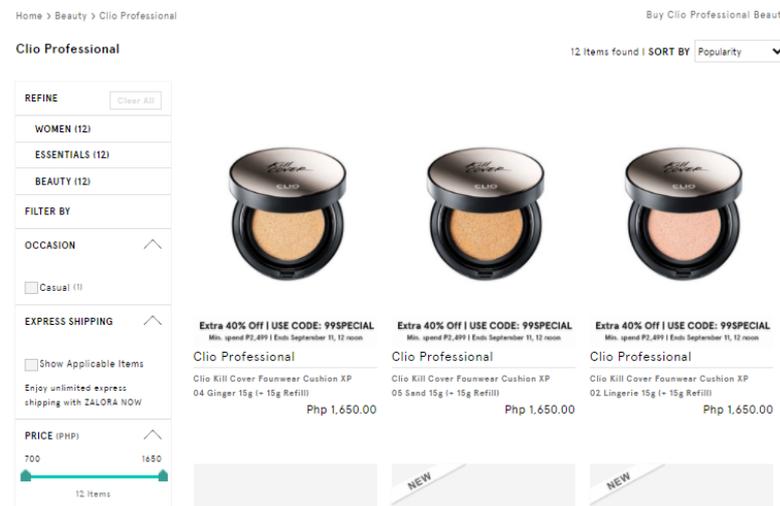
Lazada

Lazada’s LazMall features stores that sell authentic and original products. Brands that signed up to have an online storefront in LazMall are called flagship stores. Korean brands such as YOPOKKI, SAMSUNG, THE FACE SHOP, SOME BY MI, INNISFREE, LA NEIGE and NATURE REPUBLIC, among others, have flagship stores in Lazada, such as shown below:



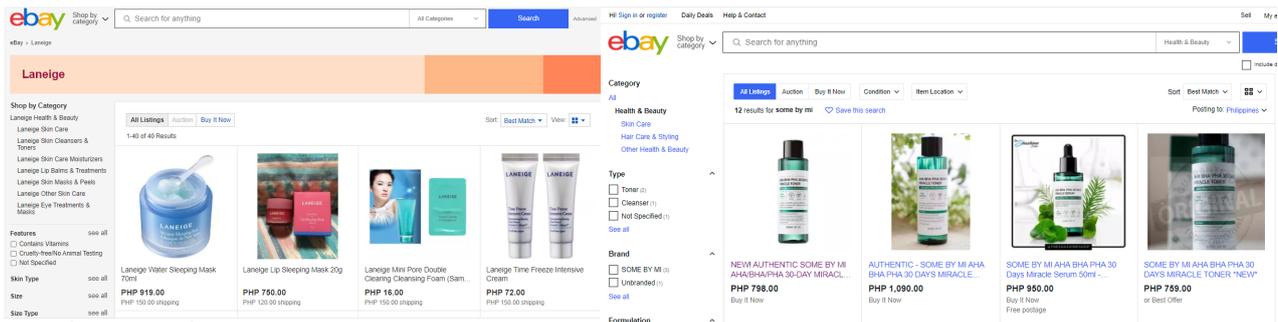
Zalora

Zalora’s marketplace is exclusive for fashion products. The website showcases various fashion products and brands. Zalora has tabs for “K-Fashion” and “K-beauty”. Zalora’s “K-Beauty” tab shows products for the brands HAN SKIN CARE COSMETICS, DEWYTREE and CLIO PROFESSIONAL, such as shown in the photo below:



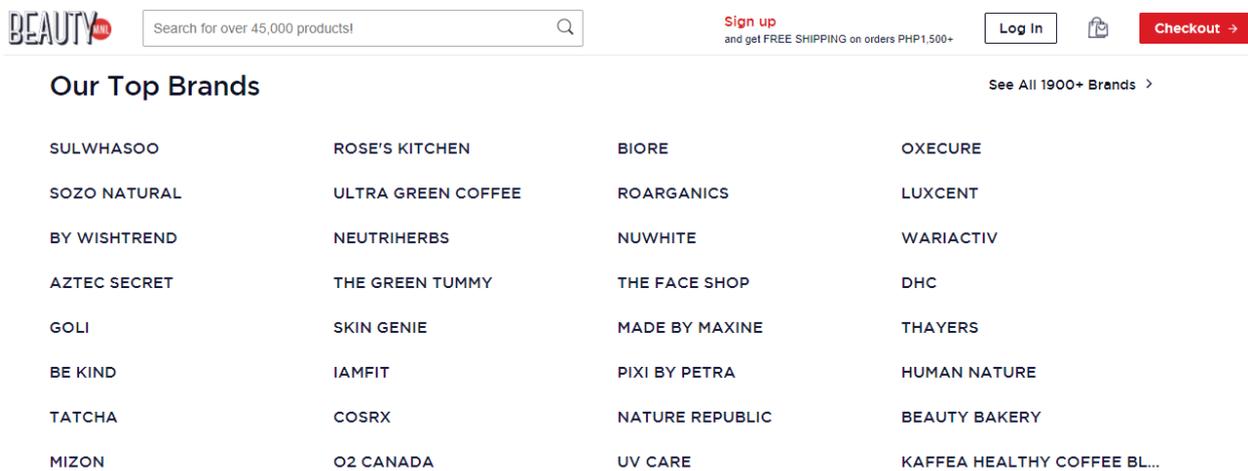
eBay

eBay is known as an online shopping site that allows consumer to consumer (C2C) sales of almost anything new or used products. There are also Korean brands sold in the said platform, as shown in the photos below:



Beauty MNL

Beauty MNL is an online magazine dedicated to Filipinas providing tips, discussions and how-tos on various health and beauty trends and issues. The Beauty MNL shop provides access to an assortment of products that have been tackled in the online magazine. SULWHASOO, THE FACE SHOP and NATURE REPUBLIC are among the top brands sold by Beauty MNL.



Aside from the top three platforms, the following are other locally-operated websites that sell Korean products to their niche market:

- <https://kmall.ph/>
- <https://gobloomandglow.com/>
- <https://kbeautycafe.com.ph/>
- <https://theskincarecurator.com/>
- <https://www.watsons.com.ph/>
- <https://ontheglow.ph/>
- <https://beautybar.com.ph/>
- <https://theistana.ph/>

2. IP Policies of major online shopping platforms

Set out below are the IP policies of the top 5 ecommerce websites in the Philippines:

2.1 Lazada's IP Policy

Lazada has a dedicated page outlining its IPR infringement policy,⁶ which includes the following statement:

"The infringement of intellectual property rights by users of the Platform ("Users") is strictly prohibited. Users who upload content, list products or services, or use the Platform in any manner which infringes intellectual property rights shall be subject to the measures detailed in our Platform policies, including but not limited to the issuance of non-compliance points, the suspension of User accounts, permanent termination from the Platform and/or any action deemed necessary by us, including but not limited to the initiation of civil or criminal proceedings by Lazada independently or in conjunction with rights holders."

Lazada's Seller Center⁷ also provides the following:

"Lazada, as part of the Alibaba Group, is committed to protecting intellectual property rights and maintaining a healthy and safe e-commerce environment on our platforms. We take a serious stance when dealing with intellectual property infringement claims on the e-commerce platforms that we operate.

This policy provides an overview of intellectual property (IP) rights and some common IP concerns that might arise when selling on Lazada. Violating this policy may result in loss of selling privileges or other legal consequences."

IP owners have the option to use the IP Protection Platform (IPP Platform), which is the Alibaba Group's platform: <https://ipp.alibabagroup.com/register.htm>. This is the preferred platform of Lazada for IP infringement complaints. Another option for the IP owners is to file notices via the email trust@lazada.com.

Notices for infringement must include information and details of infringement, including the following:

- Name of the brand owner/rights holder;
- URL/link to the infringing ad/post;
- Nature of the complaint (trademark infringement, copyright infringement);
- Photos or side-by-side comparison of the ad/post complained of with the genuine product.

2.2 Shopee's IP Policy

Shopee's position is that they take IP protection seriously, as follows⁸:

"Shopee takes Intellectual Property (IP) protection seriously and does not condone the use of Intellectual Property (IP) in any manner that is contrary to applicable law.

It is each seller's own responsibility to ensure that the products listed and the content of the listings, including product images and descriptions, do not infringe IP rights owned by any other party. Some common examples of infringement are:

⁶ https://pages.lazada.com.ph/wow/i/ph/LandingPage/IPR?spm=a2o4l.home.footer_top.16.239e359dBCymqX

⁷ <https://sellercenter.lazada.com.ph/seller/helpcenter/what-is-intellectual-property-rights-policy-5580.html>

⁸ <https://help.shopee.ph/ph/s/article/How-can-I-report-infringement-of-my-rights-PH>

Trademark Infringement: Unauthorized use of any trademark, trade name or trade dress in which another party has rights, or any element confusingly similar to such trademark, trade name or trade dress, in relation to a listed product, its packaging or the product listing.

Copyright Infringement: Unauthorized use of copyright-protected content, such as images and descriptions, in relation to a listed product, its packaging or the product listing.

Industrial Design Infringement: Unauthorized use of a registered design, or a design substantially similar to a registered design, in relation to a listed product.

Patent Infringement: Unauthorized use of a patented invention in relation to a listed product.

‘Unauthorized use’ refers to the use of IP without any consent, license or authorization from the relevant IP owner.”

Shopee’s Terms of Service also provides the following⁹:

“8. REPORTING INTELLECTUAL PROPERTY RIGHTS INFRINGEMENT

8.1 The Users are independent individuals or businesses and they are not associated with Shopee in any way. Shopee is neither the agent nor representative of the Users and does not hold and/or own any of the merchandises listed on the Site.

8.2 If you are an intellectual property right owner (“IPR Owner”) or an agent duly authorised by an IPR Owner (“IPR Agent”) and you believe that your right or your principal’s right has been infringed, please notify us in writing by email to help@support.shopee.ph and copy legal@shopee.com and provide us the documents requested below to support your claim. Do allow us time to process the information provided. Shopee will respond to your complaint as soon as practicable.

8.3 Complaints under this Section 8 must be provided in the form prescribed by Shopee, which may be updated from time to time, and must include at least the following: (a) a physical or electronic signature of an IPR Owner or IPR Agent (collectively, “Informant”); (b) a description of the type and nature of intellectual property right that is allegedly infringed and proof of rights; (c) details of the listing which contains the alleged infringement; (d) sufficient information to allow Shopee to contact the Informant, such as Informant’s physical address, telephone number and e-mail address; (e) a statement by Informant that the complaint is filed on good faith belief and that the use of the intellectual property as identified by the Informant is not authorised by the IPR Owner or the law; (f) a statement by the Informant that the information in the notification is accurate, indemnify us for any damages we may suffer as a result of the information provided by and that the Informant has the appropriate right or is authorised to act on IPR Owner’s behalf to the complaint.”

IP infringement complaints may be submitted through Shopee’s dedicated page:

https://shopee.support.formstack.com/forms/ipr_ph. The following are the requirements in filing a complaint:

- Letter of authorization (if the informant is not the IP owner); and
- Trademark registration certificate/copyright recordal and deposit certificate.

Shopee may also request for pictorial guidance/pricelist (in case of trademark infringement) and pictorial proof.

⁹ <https://shopee.ph/legaldoc/terms>

2.3 Zalora’s IP Policy

Zalora does not have an express IP policy in its website. There is also no dedicated page for an IP infringement complaint. Zalora has claimed that they have not encountered any IP-related complaint on their platform.¹⁰ Zalora further claimed that they curate the posts/ads on their website and so can assure the public that none of the items sold on their platform are counterfeits. Nevertheless, in the event an issue may arise, communications and notices may be sent through Zalora Philippines’ registered business address, as follows:

BF Jade E-Services Philippines, Inc.
d.b.a. Zalora Philippines / Zalora PH
Level 2, B7 Bonifacio High Street
Bonifacio Global City, Taguig City

2.4 eBay PH’s IP Policy

eBay provides the following IP policy¹¹:

“Rules about Intellectual Property – Overview

eBay is committed to protecting the intellectual property rights of third parties and to providing its users with a safe place to trade. Infringement is the unauthorised use of other people’s intellectual property, like copyrighted material and trademarks.

Rules that affect what you can sell on eBay

The following items are restricted or prohibited because they would potentially infringe on intellectual property rights.

Replica, counterfeit items and unauthorised copies

Celebrity material including faces, names and signatures, and autographs

Media - movie prints (35 mm, 70 mm), bootleg recordings, recordable media, promotional copies and digitally delivered goods.

Software including academic software, beta software, OEM software

Equipment that would support unauthorised copies including mod chips, game enhancers, and boot discs and hardware or software that would enable members to duplicate copy-protected material.

eBay’s VeRo Programme – Reporting Listing Violations

eBay created the Verified Rights Owner (VeRO) Programme so that intellectual property owners could easily report listings that infringe their rights. It is in eBay’s interest to ensure that infringing items are removed from the site, as they erode buyer and good seller trust.

If you are a Verified Rights Owner and want to report a listing issue, see Reporting Intellectual Property Infringements.

¹⁰ <https://www.ipophil.gov.ph/news/ipophl-and-e-commerce-players-tackle-how-to-better-protect-ip-rights-online/>

¹¹ <https://www.ebay.ph/pages/help/policies/intellectual-property-ov.html>

Note: Only the intellectual property rights owner can report potentially infringing items or listings through eBay's VeRO Programme. If you are not the intellectual property rights owner, you can still help by getting in touch with the rights owner and encouraging them to contact us.

If your listing was removed through VeRO, and you believe that your listing was removed in error, see How eBay Protects Intellectual Property (VeRO).

To learn how to avoid having your listings removed because they infringe on third party intellectual property take eBay's intellectual property policies tutorial.

eBay's Verified Rights Owner Program (VeRO)¹² facilitates all complaints relating to IP infringement. eBay's VeRO allows expeditious removal of listing reported to eBay, proactive monitoring and removal of listing that violate eBay's policies, and suspension of repeat offenders. Infringing listing may be reported to eBay through filling out and submitting the Notice of Claimed Infringement (NOCI) form. eBay also encourages IP owners to create an "About Me" page that will educate eBay users about the brands and products of IP owners.

2.5 BeautyMNL

BeautyMNL does not have a clear IP policy. Their terms and condition on IP rights¹³ merely lay down the claims of BeautyMNL over the content provided on their website. There is no clear avenue on how the ecommerce website will address IP infringement complaints. As a first step, an email may be sent via sos@beautymnl.com.

¹² <https://www.ebay.ph/pages/help/tp/vero-rights-owner.html>

¹³ <https://beautymnl.com/terms#intellectual-property-rights>

3. IP guide when opening and operating business on online shopping platform

3.1 IP guide when opening a business on online shopping platform

The following are recommended guidelines when opening a business on online shopping platforms:

Doing business in the Philippines

Foreign investments are welcome in the Philippines. However, doing business in the Philippines will require a review of industries where foreign investments are restricted or limited, which are listed in the Foreign Investments Negative List (FINL). The industries are listed in two categories: List A provides the industries where the activities are reserved to strictly Philippine nationals only while List B provides the industries where foreign investment are restricted to a certain percentage.

The 11th FINL was issued in October 2018. It serves as the latest reference on the industries open to foreign ownership. List A of the 11th FINL enumerates the following industries where no foreign equity is allowed:

- Mass media, except recording and internet business;
- Practice of profession (including criminology, law and marine deck officers and marine engine officers), subject to exceptions;
- Retail trade enterprises with paid-up capital of less than USD2,500,000;
- Cooperatives
- Organization and operation of private detective, watchmen or security guard agencies;
- Small-scale mining;
- Utilization of marine resources in archipelagic waters, territorial sea and exclusive economic zone;
- Ownership, operation and management of cockpit;
- Manufacture, repair, stockpiling and distribution of biological, chemical and radiological weapons and anti-personnel mines; and
- Manufacturer of firecrackers and other pyrotechnic devices.

The 11th FINL provides that “internet business” can be owned entirely by foreigners or foreign corporations. On the other hand, the 11th FINL, pursuant to Republic Act No. 8792 or the Philippine Retail Trade Liberalization Act of 2000, also states that foreign equity in retail enterprises is allowed only if the minimum capital requirement of USD2,500,000.00 is met.¹⁴

The following matters must also be taken into consideration when starting a business in the Philippines:

Government agency	Matters to take into consideration:
Securities and Exchange Commission:	Incorporation/secure license in the Philippines as a: Domestic Corporation; Branch Office of a Foreign Company; Representative Office; Regional Headquarters;

¹⁴ The Philippine House of Representatives approved House Bill No. 59 in March 2020, which aims to encourage more foreign investors to invest in the Philippines by reducing the minimum capital requirement for foreign-owned retail enterprises from USD2,500,000.00 to USD200,000.00. A similar bill is pending before and must be approved by the Senate of the Philippines in order for the measure to become law.

	Regional Area Headquarters; Regional Operating Headquarters; Regional Warehouses; or Offshore Banking Unit. *Endorsements from other government agencies may have to be secured depending on the industry
Bureau of Internal Revenue	Registration as a tax paying/remitting entity
Local government permits	Securing Mayor's Permit/Business Permit
Board of Investments	Registration with the Board of Investments for Availment of Incentives, if applicable
Special economic zone registration	Registration with special economic zones for availment of incentives, if applicable.
Bangko Sentral ng Pilipinas (central bank authority)	Registration of Inward Remittance or securities deposit
Bureau of Immigration	Securing of Working Permit Visa Application

Conduct clearance search of IPs to be used in the business

Trademarks: Conducting a prior mark search is important before conducting a business in the Philippines. Bad-faith applications/registrations are still common in the Philippines. These bad-faith applicants/registrants usually expect compensation from the true owners in exchange for surrendering the registration over the trademark. Affected IP owners have to deal with opposition or cancellation actions against bad-faith applications/registrations. To aid in the clearance search, the trademarks database of the Intellectual Property Office of the Philippines (IPOPHL) may be accessed through this link: <https://www3.wipo.int/branddb/ph/en/index.jsp>

Copyright: Registration is not a requirement for copyright protection in the Philippines. There is, however, a deposit system for copyrighted works. Copyright recordal/registration creates a prima facie evidence of the title over the copyrighted work and may facilitate procedure for the copyright owner in case of dispute or litigation. In the absence of a copyright recordal/registration, an affidavit evidence may be submitted to establish ownership.

Patents: If applicable to the business, a Freedom to Operate (FTO) search is recommended to ensure that the business' products and/or processes will not infringe an active patent/utility model/industrial design registration in the Philippines.

Secure registration of IPs

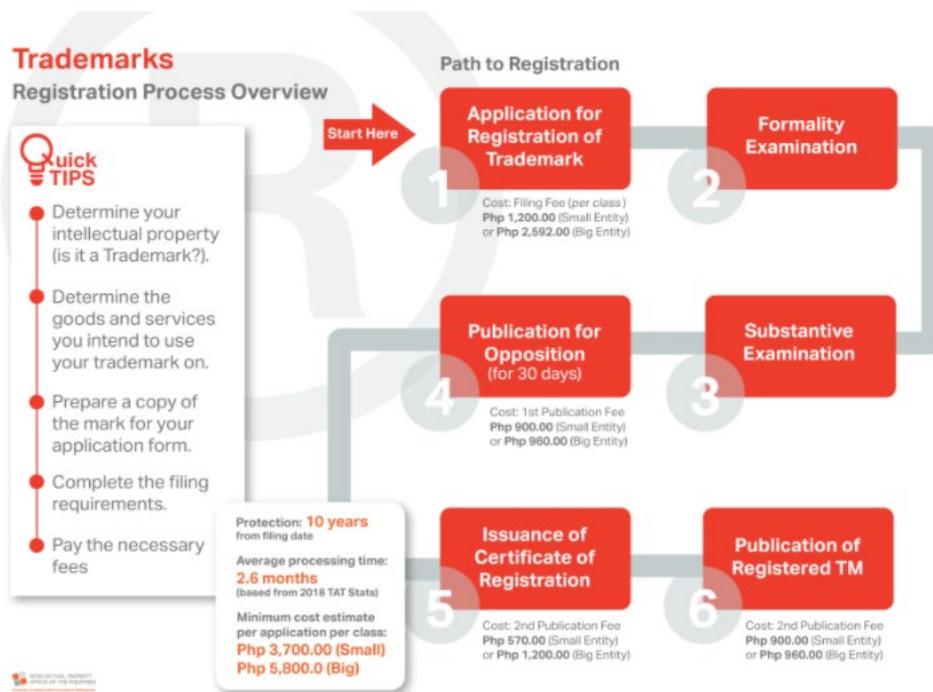
The Philippines follows the first-to-file IP system. It is essential to register an IP before starting a business in the Philippines. While registration of an IP is required as a general rule, there are exceptions in the following cases:

- Copyrights are not required to be registered in order to be protected and enforced. The Certificate of Copyright Recordal and Deposit issued by the IPOPHL is useful, but not required, in enforcement.

The certificate serves as prima facie evidence (or provides a disputable presumption) of ownership of a copyright.

- Internationally well-known trademarks that are not registered in the Philippines are entitled to protection. A competent authority in the Philippines (the IPOPHL Director General or the Bureau of Legal Affairs director) must declare the mark as well-known.
- Trade names or business names are protected against unlawful use by third parties even if the trade name or business name is not registered in the Philippines (Section 165 of the IP Code).

Provided there are no obstacles to the registration, registering a trademark in the Philippines is a straightforward process. The IPOPHL prides itself in having an average processing time of 2.6 months in trademark applications, as shown in the flowchart below:¹⁵



Determine if a separate permit/license is required for products to be offered for sale

Products such as foods, medicines, cosmetics and medical devices should have corresponding product registrations or notifications issued by the FDA. Products that do not comply with these requirements are deemed unregistered/unnotified products by the FDA. While it is common for these products to be marketed and sold online, doing so without the required registration/notification may open the business to risk of being cited by the FDA for violating FDA laws and regulations. FDA notices are published online and may give the brand/business negative publicity. In fact, a local company manufacturing all-natural home and cosmetic products was put into bad light in 2019 when the company's office and warehouse were raided by the National Bureau of Investigation (NBI) on the basis that they sell products without FDA permit (<https://rappler.com/nation/nba-confiscates-messy-products-lack-fda-permits>).

Determine if the company will have to enter into a licensing contract

In the event the Korean company will operate through a licensee or if the parent Korean company will issue a license contract in favor of a subsidiary domestic company, the licensing contract between these entities

¹⁵ <https://www.ipophil.gov.ph/services/trademark/trademark-registration-process-overview/>

will be considered a technology transfer agreement (TTA)¹⁶. TTAs are required to comply with the IP Code's Section 8717 (on Prohibited Clauses in a TTA) and Section 8818 (on Mandatory Provisions in a TTA). In case a TTA will not be compliant with the said provisions of the IP Code, the IP owner must first secure a clearance and exemption from the IPOPHL's Department of Documentation, Information and Technology Transfer Bureau ("DITTB"). TTAs that do not comply with Sections 87 and 88 of the IP Code are considered unenforceable and the DITTB interprets this to mean that the TTAs shall be deemed void.

¹⁶ Section 4.2. of the IP Code provides the following definition of technology transfer agreements:

The term "technology transfer arrangements" refers to contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights, including licensing of computer software except computer software developed for mass market.

¹⁷ Section 87. Prohibited Clauses. - Except in cases under Section 91, the following provisions shall be deemed prima facie to have an adverse effect on competition and trade:

- 87.1. Those which impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor;
- 87.2. Those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license;
- 87.3. Those that contain restrictions regarding the volume and structure of production;
- 87.4. Those that prohibit the use of competitive technologies in a non-exclusive technology transfer agreement;
- 87.5. Those that establish a full or partial purchase option in favor of the licensor;
- 87.6. Those that obligate the licensee to transfer for free to the licensor the inventions or improvements that may be obtained through the use of the licensed technology;
- 87.7. Those that require payment of royalties to the owners of patents for patents which are not used;
- 87.8. Those that prohibit the licensee to export the licensed product unless justified for the protection of the legitimate interest of the licensor such as exports to countries where exclusive licenses to manufacture and/or distribute the licensed product(s) have already been granted;
- 87.9. Those which restrict the use of the technology supplied after the expiration of the technology transfer arrangement, except in cases of early termination of the technology transfer arrangement due to reason(s) attributable to the licensee;
- 87.10. Those which require payments for patents and other industrial property rights after their expiration, termination arrangement;
- 87.11. Those which require that the technology recipient shall not contest the validity of any of the patents of the technology supplier;
- 87.12. Those which restrict the research and development activities of the licensee designed to absorb and adapt the transferred technology to local conditions or to initiate research and development programs in connection with new products, processes or equipment;
- 87.13. Those which prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor;
- 87.14. Those which exempt the licensor for liability for non-fulfilment of his responsibilities under the technology transfer arrangement and/or liability arising from third party suits brought about by the use of the licensed product or the licensed technology; and
- 87.15. Other clauses with equivalent effects.

¹⁸ Section 88. Mandatory Provisions. - The following provisions shall be included in voluntary license contracts:

- 88.1. That the laws of the Philippines shall govern the interpretation of the same and in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;
- 88.2. Continued access to improvements in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;
- 88.3. In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) or the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) shall apply and the venue of arbitration shall be the Philippines or any neutral country; and
- 88.4. The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor.

4. IP guide when operating a business on online shopping platform

4.1 Enforcement option when being infringed

There are various enforcement options available to IP owners in the Philippines although the Philippines does not have a comprehensive legal framework to address ecommerce enforcement.

Current ecommerce regulatory framework in the Philippines

The following are the existing legal provisions that may be applied in online enforcement:

- Section 216 of the IP Code on copyright infringement provides for landlord liability. Under Section 216(b) of the IP Code, copyright infringement is committed by a person who:
 - Benefits from the copyright infringing activity of another person who commits the infringement;
 - The person benefitting has been given notice of the copyright infringing activity; and
 - The person benefitting has the right and ability to control the activities of the other person.

This provision may be applied in the case of online platforms (landlord) as regards the copyright infringing activities of their sellers (tenant). However, landlord liability does not apply in case of trademark infringement, which limits the action of IP owners affected by sale of counterfeit goods.

- The Philippines has Republic Act No. 8792 or the Electronic Commerce Act of 2000 (ECA). Section 30 (b) of the ECA provides a safe harbour provision, which may be cited by online platforms, as follows:

“Section 30. Extent of Liability of a Service Provider. - Except as otherwise provided in this Section, no person or party shall be subject to any civil or criminal liability in respect of the electronic data message or electronic document for which the person or party acting as a service provider as defined in Section 5 merely provides access if such liability is founded on -

xxx

(b) The making, publication, dissemination or distribution of such material or any statement made in such material, including possible infringement of any right subsisting in or in relation to such material. Provided, That:

i. The service provider does not have actual knowledge, or is not aware of the facts or circumstances from which it is apparent, that the making, publication, dissemination or distribution of such material is unlawful or infringes any rights subsisting in or in relation to such material;

ii The service provider does not knowingly receive a financial benefit directly attributable to the unlawful or infringing activity; and

iii. The service provider does not directly commit any infringement or other unlawful act and does not induce or cause another person or party to commit any infringement or other unlawful act and/or does not benefit financially from the infringing activity or unlawful act or another person or party; xxx”

The Philippines also has Republic Act No. 10175 or the Cybercrime Prevention Act of 2012. The said law defines and penalizes cyber-squatting, as follows:

“Section 4. Cybercrime Offenses. — The following acts constitute the offense of cybercrime punishable under this Act:

a. Offenses against the confidentiality, integrity and availability of computer data and systems:

Xxx

(6) Cyber-squatting. – The acquisition of a domain name over the internet in bad faith to profit, mislead, destroy reputation, and deprive others from registering the same, if such a domain name is:

(i) Similar, identical, or confusingly similar to an existing trademark registered with the appropriate government agency at the time of the domain name registration:

(ii) Identical or in any way similar with the name of a person other than the registrant, in case of a personal name; and

*(iii) Acquired without right or with intellectual property interests in it.
xxx”*

“Section 8. Penalties. Any person found guilty of any of the punishable acts enumerated in Sections 4(a) and 4(b) of this Act shall be punished with imprisonment of prision mayor or a fine of at least Two hundred thousand pesos (PhP200,000.00) up to a maximum amount commensurate to the damage incurred or both.”

Section 19 of the Cybercrime Prevention Act of 2012 also provides a site blocking option, as follows:

“Section 19. Restricting or Blocking Access to Computer Data. — When a computer data is prima facie found to be in violation of the provisions of this Act, the DOJ [Department of Justice] shall issue an order to restrict or block access to such computer data.”

However, Section 19 has been declared unconstitutional by the Supreme Court in *Disini v. The Secretary of Justice*, G.R. No. 203335, 11 February 2014. The remaining remedies offered by the Cybercrime Prevention Act of 2012 in the case of cyber-squatting is to seek the assistance of law enforcement agencies such as the National Bureau of Investigation (NBI) and Philippine National Police (PNP) or to file a court action.

Efforts to address the gap in the current regulatory framework

- The gap in the current regulatory framework of the Philippines, as discussed above, is recognized by the IPOPHL. Thus, the IPOPHL pursues efforts to address online infringement through, among others, engaging in a dialogue with online platforms so that the latter will strengthen their IP policies and supporting the proposed Memorandum of Understanding between IP owners and online platforms.¹⁹
- The IPOPHL is also taking steps to revise the IP Code so that, among others, landlord liability will apply also in case of trademark infringement and online enforcement options will be expressly provided.
- There is a proposed legislation, House Bill No. 6122 or the Internet Transactions Bill, which seeks to regulate sale through the online platforms in the Philippines. The provisions of the bill are primarily

¹⁹ <https://www.ipophil.gov.ph/news/ipophil-helps-build-trust-between-ip-rights-owners-and-e-commerce-players-in-anti-counterfeiting-piracy-endeavor/>

aimed to protect the consumers, but this is a start to establish an ecommerce regulatory framework. Further, the Internet Transactions Bill have provisions that are especially relevant to IP owners:

- Section 11 of the Internet Transactions Bill requires online platforms to secure and publish information of the sellers using their respective platforms, such as the full name of the online seller, geographic address and business registration details. This section seeks to prevent anonymity of sellers who use the online platforms. The information required to be provided under Section 11 are useful to IP owners in pursuing further action against the online seller.
- Section 17 of the Internet Transactions Bill makes online platforms solidarily liable with the sellers if the online platform fails to take necessary measures against the infringing acts of the seller committed within the online platform. This provision is significant in encouraging online platforms to act timely on IP infringement complaints/takedown request. This should also be useful in addressing the gap that landlord liability does not apply in trademark infringement cases.

Available enforcement options to IP owners

With the foregoing being said, to address online infringement in the Philippines, IP owners have to utilize the online takedown system of the online platforms and pursue offline IP enforcement options, which are set out below:

a. Utilizing the takedown system of online platforms

IP owners are encouraged to exhaust the online takedown system of online platforms in view of the limited ecommerce regulations in the Philippines. This may require regular monitoring of online platforms. It is suggested to work with a local partner to aid in identifying keywords used in local online market places to sell infringing products, which may change from time to time, such as “class A”, “premium copies” and “mall overruns”.

b. Sending a warning letter/cease and desist letter

Sending warning letters is appropriate (and cost-effective) against retail establishments engaged in the sale of infringing products or against online sellers that refuse to cooperate despite takedown requests made. There is, however, the possible obstacle that sellers will maintain anonymity online. The assistance of an investigation firm may be needed to take the proper steps in determining the identity of the online seller. A warning letter may also be addressed to online platform that refuses to act on a takedown request.

c. Seeking the assistance of the IPOPHL’s IP Enforcement Office (IEO)

The IPOPHL has visitorial powers and enforcement capabilities, but to be performed with other enforcement agencies such as the NBI or PNP. The IPOPHL exercises its visitorial powers and enforcement capabilities through the IEO. The IEO closely coordinates with the IP owner in assessing the infringement committed, including online infringement, and in recommending the next steps. The IEO, after evaluating a complaint, may issue the following:

- Visitorial order to inspect the premises of the reported IPR violator;
- Compliance order to any business establishment or entity noted to be violating an IPR;
- Issue necessary mission orders, which will be addressed to the relevant enforcement agencies and/or deputized enforcement agents;

- Initiate, file and maintain a formal charge and/or complaint before another government agency;
- Other powers necessary to ensure compliance with the provisions of the IP Code.

The IEO's authority is currently limited to cases of straightforward pirated goods or counterfeit products. The IEO cannot act on matters that involve question of determining whether there is confusing similarity of marks and/or goods.

d. Conducting a raid action;

This is recommended in case large-scale infringement is identified, which may include a major distributor/supplier of infringing goods. This is also a suggested remedy in case of infringers who do not refrain from the infringing acts despite a previous takedown or warning letter. This would require identifying the seller's store and/or warehouse. Post-raid, a settlement may be explored from the infringer, which may include the following terms:

- Destruction of the infringing goods seized;
- Signed undertaking to refrain from selling infringing products;
- Provide identity of the supplier or manufacturer of infringing products;
- Publish an apology in a newspaper; and
- Payment of damages.

e. Filing a court criminal action or civil action or an administrative action before the Bureau of Legal Affairs of the IPOPHL;

This is a last resort to enforce IP rights because of lengthy court processes and the expense involved in pursuing court action. It takes about 3 to 5 years to reach a first instance decision.

f. Border protection – customs recordal

We usually suggest focusing on border protection to stop the entry of infringing products in the Philippines. The first step is to seek the recordal of an IP. The recordal system before the Bureau of Customs (BOC) is provided under Customs Administrative Order No. 6-2002. The following have to be submitted in support of the recordal:

- Trademark certificates or copyright information;
- Photos or samples of the genuine goods; and
- Information about the supplier, importer and distributor of the genuine goods.

Recordals are valid for two (2) years and are renewable for two-year periods.

The next suggested step is to conduct brand familiarity training to officers and employees of the BOC, particular frontline personnel who conduct the inspection of incoming shipment.

The BOC can conduct seizure and detention of infringing goods and raid actions of warehouses and establishments. However, the BOC rely on information provided by IP owners about reported incoming shipment of counterfeits or pirated goods or warehouse used to store imported infringing goods.

How to act when our companies infringe upon others

In case the company is complained to be infringing the IP rights of another we suggest the following:

- Assess the company's IP registrations: As a first step, one should determine if the registrations that are cited as basis for the complaint are valid and active and no deadline to maintain the registrations has lapsed. After which, a review of the acts that are complained of must be done to determine if they are indeed covered by the company's IP registrations. A company has a valid and reasonable expectation to use a registered IP.
- Review the IP registrations of the complaining party: The complaining party may have a prior right or claim over an IP, even if a junior party or user was able to register an IP. The registration of an IP creates a presumption of ownership of the IP on the part of the registrant. However, this may be disputed by a third party claiming to be the true and prior owner of the IP, which may be shown through evidence.
- If the acts complained of are not covered by the company's IP registrations, and the complaining party has proof of registration of the IP, the complained acts must be immediately stopped. The acts of the company from the date of notice of infringement will be crucial in the complaining party's claim for damages. Further, any disregard of the complaining party's IP rights after being notified of the infringing acts may be used to support an allegation that the company is in bad faith.

The Korean company should not respond whether in writing or verbally to the complaining party without consulting a counsel in the Philippines. Further, we suggest consulting with a counsel specializing in IP to handle these types of cases.

5. Major cases and precedents

There is no landmark decision yet ruling on the liability of the online platforms in case of IP infringement committed by a seller using the said platform. As mentioned above, the Philippines currently lack the legislative framework to provide for online enforcement. IP owners have to resort to offline enforcement in order to protect their rights such as in the 2015 case of Rosa Fiore House Corp., (Rosa Fiore), the Philippine distributor of the Korean brand ETUDE HOUSE, suing the platform Lazada.²⁰ It was reported that Rosa Fiore received several complaints about fake ETUDE HOUSE products on Lazada. Rosa Fiore thereafter conducted an investigation of one of the reported sellers of fake ETUDE HOUSE products on Lazada. There are no details provided as regards the initial exchange that transpired between Rosa Fiore and Lazada, but Rosa Fiore posted the following statement²¹ through its Facebook account:



This statement of Rosa Fiore was reiterated in news reports, stating that criminal charges against the responsible officers of Lazada have been filed before the Office of the City Prosecutor of Makati for selling and/or facilitating the sale of fake and/or counterfeit ETUDE HOUSE OF KOREA products.²² Rosa Fiore relied on Sections 155, 168 and 169 of the IP Code. Section 155 prohibits the sale, offering for sale, distribution or advertising of any counterfeit goods. Section 168 provides against unfair competition. Section 169 prohibits the false designations of origin for goods and false or misleading descriptions or representations. Lazada, per the news reports, claimed that they promptly removed the merchant in question from their platform. They also stated that “[i]n the event of exceptional cases of suspicious products being sold on our platform, we take decisive action, including investigating the merchants and removing the products from our site.”²³

It has been five (5) years since the suit against Lazada was reported and there have been no further news reports about the case, possibly because the matter is still pending before the court or a settlement was made, which may have been subject to confidentiality agreement of the parties. In any event, it is notable that ETUDE HOUSE now has an official store on Shopee (<https://shopee.ph/etudehousephilippines>). Further,

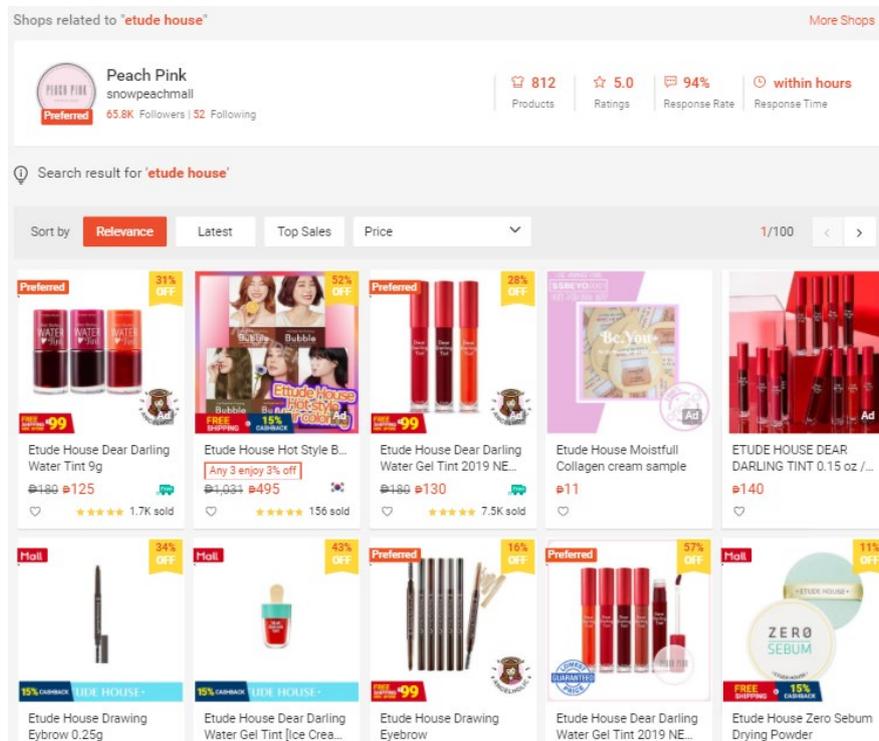
²⁰ <https://news.abs-cbn.com/business/10/23/15/why-etude-house-distributor-sued-lazada>

²¹ <https://www.facebook.com/etudehousephilippines/photos/a.156310611058248/1020556317967002/?type=1&theater>

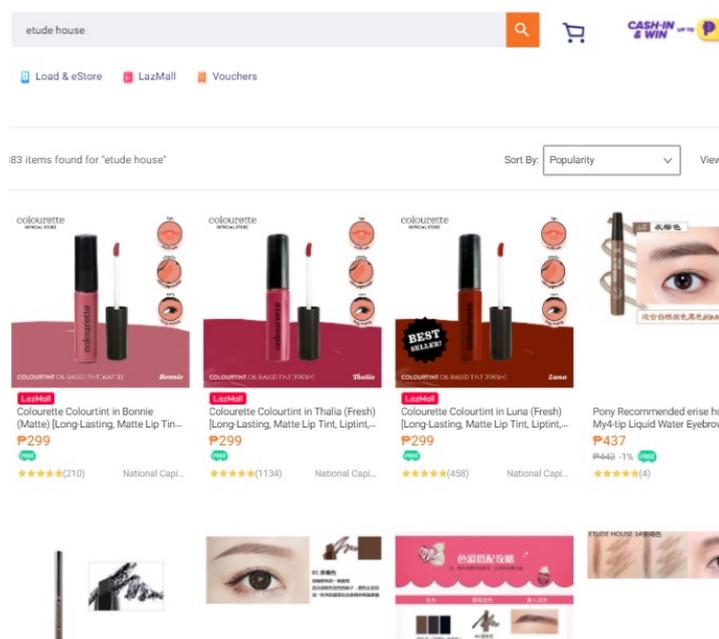
²² <https://news.abs-cbn.com/business/10/22/15/etude-house-distributor-sues-lazada-over-fake-products>

²³ Ibid.

a search for “etude house” in Shopee generated results for shops and ads showing the ETUDE HOUSE mark, which ads are not owned or posted by Rosa Fiore’s official Shopee store. Please see below photo screenshot for reference:



On the other hand, a search for “etude house” on Lazada will show results for ads mentioning the ETUDE HOUSE mark but the photos are not for ETUDE HOUSE products, as shown below:



Further, we enumerate below some news reports to illustrate the steps being taken in the Philippines to address IP infringement online:

1. Consumers warned against counterfeit products online
(<https://www.pna.gov.ph/articles/1083984>)

IPOPHL in 2019 has warned the public against the proliferation of fake and counterfeit products online. To respond to this problem, the Department of Trade and Industry seeks to engage online platforms such as Lazada, Shopee and Zalora, in a dialogue to ask these platforms about their IP policies. In the said news report, IPOPHL added that the Korean Embassy has requested IPOPHL to stop the selling of counterfeit cosmetics that are made to appear as products coming from South Korea.

2. Beware of fake beauty products, SoKor warns Filipino consumers
(<https://www.philstar.com/business/2019/08/04/1940312/beware-fake-beauty-products-sokor-warns-filipino-consumers>)

In a roundtable discussion in 2019, the Korean Embassy warned against stores selling products that use Korean language and characters to mislead the consumers that the products are made by Korean companies when in fact they are not. Further, the news report shared that the Korean Copyright Commission Manila has conducted an investigation of Ilahui and Minigood, which are two Korean-inspired concept stores in the Philippines. The said two companies do the following:

- Use of Korean alphabet in sign boards and products;
- Play K-pop music in the store premises.
- Sell cosmetic products with designs that copy Korean cosmetic products;
- Store employees represent to customers that the company/employer is Korean and the products originate from Korea.

The above findings are left to the discretion of the Korean companies, whose cosmetic products have been copied, to take the necessary action against the companies Ilahui and Minigood.

3. FDA warns vs use of fake Korean face masks, beauty products (<https://news.abs-cbn.com/news/05/28/19/fda-warns-vs-use-of-fake-korean-face-masks-beauty-products>)

The FDA regularly warns the public against the use of unnotified/unregistered products in the market. The FDA also issues advisories to the public against the buying counterfeit products.