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## The fight against counterfeit goods on Instagram

by Claris Aazrael Teo

Candidate at Bocconi University  
LL.M. in Law of Internet Technology





Rigorous empirical  
research on  
intellectual property

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# **The Fight Against Counterfeit Goods on Instagram**

Claris Azrael Teo

## **Summary**

The pandemic has given rise to an increase in online shopping, particularly in luxury goods. This has also seen an increase in luxury brands turning to social media to advertise and sell their products to consumers. More specifically, there has been a marked increase in the number of people in Southeast Asia who use social media to view luxury products and make luxury purchases on the brand's e-commerce websites. The number of people who are purchasing luxury goods in Southeast Asia is increasing but at the same time, the number of counterfeit goods is increasing as well. Counterfeit goods are being sold through social media platforms and it becomes difficult to distinguish what is genuine and what is fake.

The modus operandi of a counterfeit goods seller is to create multiple social media accounts and entice consumers by posting images of these fake goods, which would lead them to websites that sell these counterfeit goods. As social media platforms lack sufficient mechanisms to combat counterfeit goods and platforms such as Instagram does not require much verification to create an account, it makes it easier for sellers to use these platforms to sell their goods. Though counterfeit goods have always been a challenge for social media platforms, it is more important now, more than ever, for social media platforms such as Facebook and Instagram to combat counterfeit goods to reduce confusion amongst consumers and to increase public trust in the platform.

This paper would be evaluating the current measures in place to combat counterfeiting and analyse this against the backdrop of ASEAN countries' economy and socio-legal landscape, this paper will focus on Singapore, Thailand and Cambodia. The second half of this paper would be dedicated to proposing a multi-pronged solution to combat counterfeiting. First, this would be an analysis of the consumers' mindsets when purchasing counterfeit goods as some, if not most, consumers of counterfeit goods intend to purchase these counterfeit goods. This paper would then explore ways to educate these consumers on the adverse effects of purchasing counterfeit goods. This would be in addition to educating unsuspecting consumers on what to look out for when purchasing luxury items online, in particular on social media. Second, this paper will look into the additional measures that Facebook and Instagram can put in place to ensure that they are also actively combating counterfeiting. Third, brands can also combat counterfeiting by implementing counterfeit-resilient supply chains.

To conclude, the fight against counterfeiting should be a joint effort from governments, social media platforms, internet providers, the brands themselves and the community. The responsibility of combating counterfeiting should not rest on one sector of society alone.

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## I. Introduction

Trademark infringements on social media are now in the spotlight. Recently, a joint lawsuit was filed by Facebook and Gucci against Defendant, Natalia Kokhtenko, who used social media sites, Facebook and Instagram, to operate a business trafficking counterfeit Gucci products.<sup>1</sup> This is but one of many individuals who use Facebook and Instagram to sell counterfeit products. According to Facebook, the first half of 2020 has had more than one million pieces of content removed from Facebook and Instagram due to reports of counterfeit content from brand owners.<sup>2</sup>

Like Kokhtenko, counterfeit sellers' create fake profiles and post fake goods to entice consumers and lead them to encrypted messaging sites to sell their products. In the case of *Facebook v Kokhtenko*,<sup>3</sup> Kokhtenko had more than 5 Facebook accounts and more than 150 Instagram accounts across multiple devices where she promoted websites that listed counterfeit products, including Gucci-branded products that were not produced by Gucci.<sup>4</sup>

It is difficult to measure the global reach and economic scale of counterfeiting and the losses attributable to it<sup>5</sup> and this represents a serious threat to legitimate businesses and brands.<sup>6</sup> Counterfeiting also increases law enforcement costs, reduces tax revenues, funds organized crime and terrorism, undermines reputations and damages customer confidence.<sup>7</sup>

### A. A Closer Look at the Southeast Asian Market

In 2020, the luxury goods market generated a revenue of 99 billion U.S. dollars in Asia and is expected to increase to 143 billion euros by 2025.<sup>8</sup> The vast majority of this revenue was

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<sup>1</sup> *Facebook, Inc. v. Kokhtenko*, 2021 U.S. Dist. LEXIS 145257 ("*Facebook v Kokhtenko*").

<sup>2</sup> Gucci and Facebook file joint lawsuit against alleged counterfeiter (27 April 2021) CNBC <https://www.cnn.com/2021/04/27/gucci-and-facebook-file-joint-lawsuit-against-alleged-counterfeiter.html>

<sup>3</sup> *Facebook v Kokhtenko*, *supra* n 1.

<sup>4</sup> Facebook, Gucci Partner to File Counterfeit Suit Against Facebook, Instagram User (27 April 2021) <https://www.thefashionlaw.com/facebook-gucci-partner-to-file-counterfeit-suit-against-facebook-instagram-user/>

<sup>5</sup> Intellectual Property Spotlight – FY 2017-2019 Joint Strategic Plan on Intellectual Property Enforcement, at p 19 <https://advance-lexis-com.libproxy.smu.edu.sg/api/permalink/7c764b31-83ee-443b-afc6-06ebff3b9d4a/?context=1522471>

<sup>6</sup> Yoo, B., & Lee, S. H. (2012). Asymmetrical effects of past experiences with genuine fashion luxury brands and their counterfeits on purchase intention of each. *Journal of Business Research*, 65(10), 1507–1515.

<sup>7</sup> Mark Stevenson & Jerry Busby, An exploratory analysis of counterfeiting strategies: Towards counterfeit-resilient supply chains (2015) *International Journal of Operations & Production Management* Vol. 35 No. 1, 2015 pp. 110-144 [www.emeraldinsight.com/0144-3577.htm](http://www.emeraldinsight.com/0144-3577.htm)

<sup>8</sup> Luxury goods market in the Asia-Pacific region – statistics & facts (21 September 2021) *Statista Research Department* <https://www.statista.com/topics/8454/luxury-goods-market-in-the-asia-pacific-region/>

created by offline sales but it has been predicted to grow and account for a larger percentage of the market's revenue by 2023.<sup>9</sup>

Southeast Asia is growing in purchasing power and luxury brands are starting to focus their outreach in this region. Research has found that the luxury retailers in Malaysia are moving to online shopping and the mode of shopping is set to become another major distribution channel for luxury goods. And Vietnam is experiencing a surge of demand for luxury items as well, largely through e-commerce and social media.<sup>10</sup>

Along with the rise of online purchases in Southeast Asia, there has been an increase in intellectual property ("IP") infringements. Counterfeiting, being a form of trademark infringement,<sup>11</sup> has seen an increase as well. In 2020, counterfeit goods from China are flowing into Southeast Asian countries unchecked and this is resulting in luxury brands suffering substantial losses in sales within the region. Specifically within ASEAN, Thailand and Vietnam manufacture and repackage counterfeit goods, while Singapore serves as the primary origin and transit hub to international markets.<sup>12</sup> These fake goods flow outside legitimate sales channels, so the governments in ASEAN countries are losing duties, taxes and other revenue,<sup>13</sup> further illustrating how counterfeit products are a detriment to luxury brands and society. But more importantly, these findings highlight how the enforcement mechanisms in ASEAN countries in countering fake goods can be improved.

## ***B. Counterfeit Goods on Social Media***

Though counterfeit goods have been a challenge for social media platforms long before 2021, the pandemic has changed the nature of commerce and now, plenty of luxury brands are looking to sell their products online. Online sales of luxury goods, i.e. handbags, shoes and garments, have surged during the pandemic.<sup>14</sup> About 23% of luxury sales are made online in 2020, which is an increase from 12% in 2019. Before the pandemic, executives in high-end brands often treated their e-commerce operations as an afterthought but this has changed.

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<sup>9</sup> *id.*

<sup>10</sup> The luxury industry landscape in Southeast Asia (12 January 2021) <https://www.marketing-interactive.com/the-luxury-industry-landscape-in-southeast-asia>

<sup>11</sup> Arielle Percival. Social Networks, Counterfeit, and Contributory Trademark Infringement: Are Social Media Giants Still Protected Ten Years After Tiffany? (2021) *Pacific Law Review* at p 883.

<sup>12</sup> Mapping the Real Routes of Trade in Fake Goods (23 June 2017) OECD <https://www.oecd.org/corruption-integrity/reports/mapping-the-real-routes-of-trade-in-fake-goods-9789264278349-en.html>

<sup>13</sup> The counterfeit goods surge in Southeast Asia (17 August 2020) <https://www.lexology.com/library/detail.aspx?g=7f02fe68-b26d-4c98-bfd8-2fb464b37cef>

<sup>14</sup> Gucci and Facebook file joint lawsuit against alleged counterfeiter, *supra* n 2.

The crisis has been a catalyst for developing and executing an online and omnichannel strategy.<sup>15</sup>

At the same time, social media sites are becoming popular for counterfeit sellers because they have fewer registration requirements and listing fees than e-commerce platforms, which makes it difficult to control and measure a problem that would continue to keep surfacing. According to research conducted in 2018, counterfeit goods sold on the internet account for \$30.3 billion in losses to luxury brands every year,<sup>16</sup> and it becomes more prevalent than ever for social media platforms and brand owners to combat counterfeiting.

### ***C. Scope of the Paper***

As more counterfeiters are leaning towards social media platforms to sell their goods in Southeast Asia, the first part of this paper would be analysing the current measures in place to deter counterfeiting and identify the potential gaps or lacunae in these measures. This paper seeks to analyse trademark infringements and counterfeiting against the backdrop of ASEAN economies and its unique socio-legal landscape, in particular, the focus would be on Singapore, Thailand and Cambodia.

These jurisdictions are chosen due to their geographic location and because these jurisdictions differ in their measures against counterfeiting. According to the Global Illicit Trade Environment Index,<sup>17</sup> Singapore ranked sixth in Asia with a score of 71.1, Thailand at tenth with a score of 59.8 and Cambodia at nineteenth with a score of 30.6 (refer to Figure 1 below).

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<sup>15</sup> Antonio Achille & Daniel Zipser. A perspective for the luxury-goods industry during—and after—coronavirus (1 April 2020) McKinsey & Company <https://www.mckinsey.com/industries/retail/our-insights/a-perspective-for-the-luxury-goods-industry-during-and-after-coronavirus>

<sup>16</sup> Global Brand Counterfeiting Report 2018-2020 - ResearchAndMarkets.com (15 May 2018) <https://apnews.com/press-release/business-wire/business-ef15478fa38649b5ba29b434c8e87c94>

<sup>17</sup> The Global Illicit Trade Environment Index, Asia (2018), p 7. <http://illicittradeindex.eiu.com/documents/EIU%20Global%20Illicit%20Trade%20Environment%20Index%202018%20-%20Asia%20June%206%20FINAL.pdf>

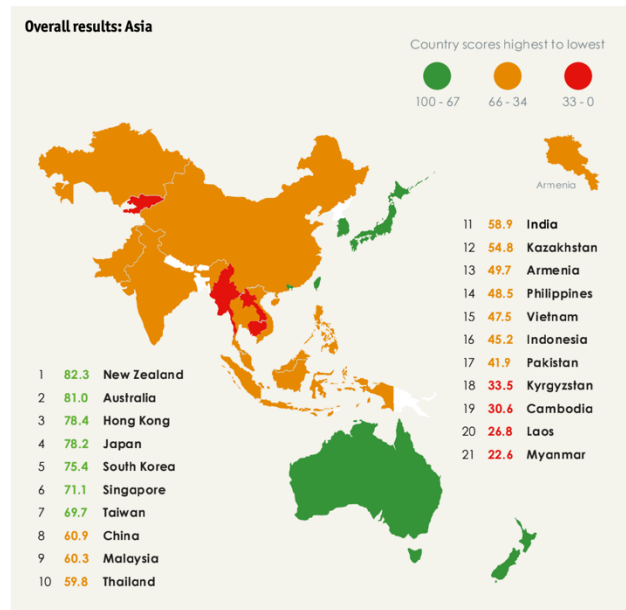


Figure 1

The second part of this paper would then propose a multi-pronged solution that can boost the fight against counterfeit goods by focusing on the consumer, suggesting new policies for social media, proposing supply chain solutions and how governments can also intervene.

## II. Instagram's Policies to Combat Counterfeiting

### A. The Focus on Instagram

Research has shown that almost 57,000 accounts on Instagram are involved in counterfeiting activities. This shows that Instagram is failing to clamp down on the abuse of its platform by counterfeit sellers. In addition, researchers found that for each luxury brand's hashtag, about 15% of posts were generated by accounts dedicated to illegal counterfeiting activities. Many counterfeiters use hashtags and posts to direct prospective buyers to contact them on encrypted messaging apps.<sup>18</sup>

### B. Current Instagram Measures

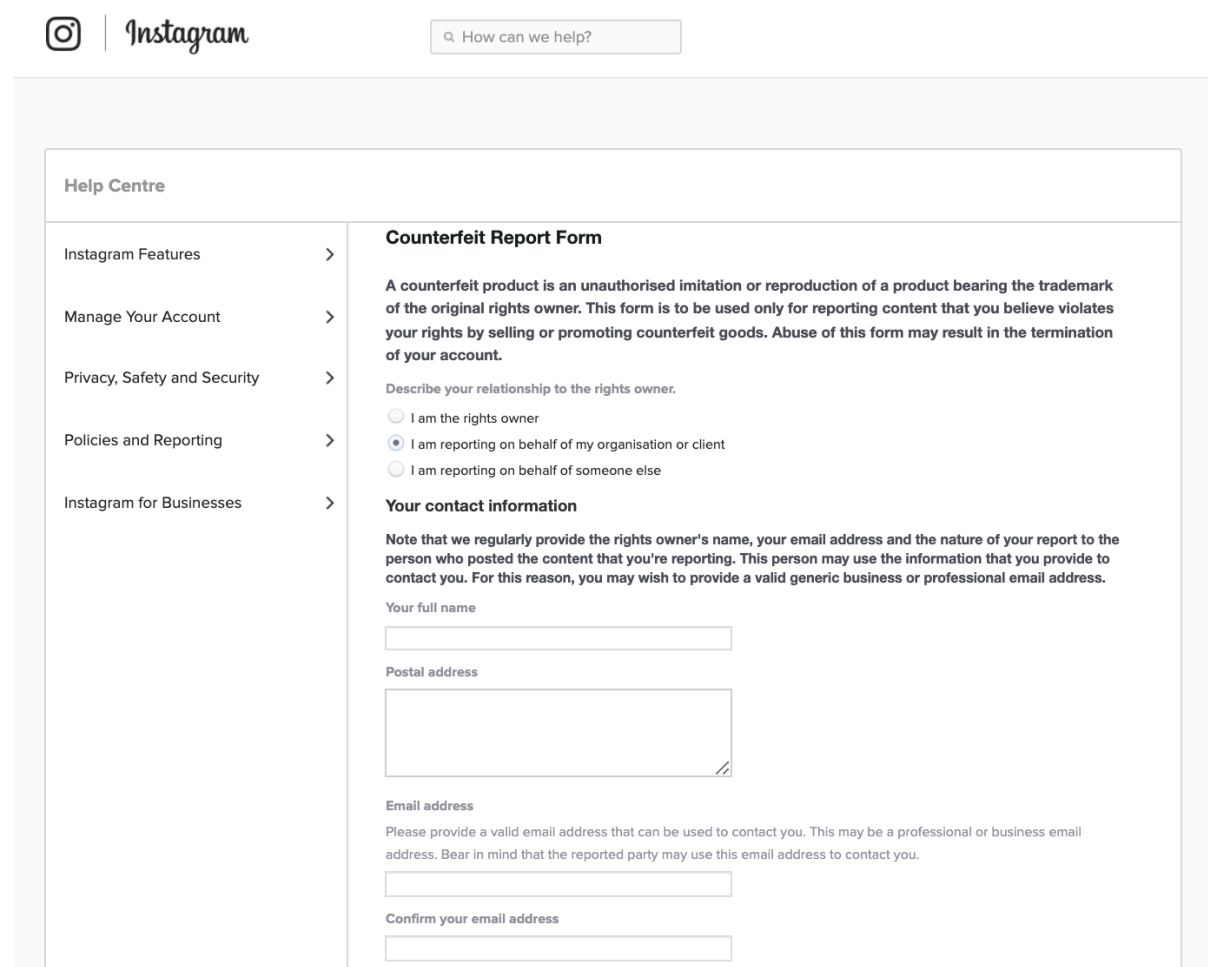
At the moment, Instagram allows trademark owners to report issues of trademark or counterfeits. Counterfeits infringe trademarks and will use the same reporting function as trademarks. Instagram would collect the owner's contact information, examples of infringing

<sup>18</sup> Olivia Solon & David Ingram. Scammers have turned Instagram into a showroom for luxury counterfeits, *NBC News* (24 April 2019) <https://www.nbcnews.com/tech/tech-news/scammers-have-turned-instagram-showroom-luxury-counterfeits-n997256>



content (such as photos, videos, captions and comments), in the form of URLs, trademark details (i.e. what it is, where it's registered, the registration number, categories of goods/services covered, URL link to the trademark, or a soft copy which can be uploaded). Figure 2 is an example of an Instagram counterfeit report form, taken from Instagram.<sup>19</sup>

Recently, Facebook has updated its brand safety tools available to merchants, who can now search Instagram accounts and posts for content that infringes on their intellectual property. This involves uploading images to their accounts which Facebook would automatically scan on Instagram to find unpermitted matches.<sup>20</sup>



The screenshot shows the Instagram Help Centre interface. At the top, there is the Instagram logo and a search bar with the text "How can we help?". Below this is a "Help Centre" section with a sidebar menu on the left containing links to "Instagram Features", "Manage Your Account", "Privacy, Safety and Security", "Policies and Reporting", and "Instagram for Businesses". The main content area is titled "Counterfeit Report Form". It begins with a definition of a counterfeit product and a warning about the consequences of misuse. Below this, there are three radio button options for the user's relationship to the rights owner: "I am the rights owner", "I am reporting on behalf of my organisation or client" (which is selected), and "I am reporting on behalf of someone else". The next section is "Your contact information", which includes a note about how the information will be used. It then contains three input fields: "Your full name", "Postal address", and "Email address". The "Email address" field is accompanied by a note asking for a valid email address that can be used for contact. Finally, there is a "Confirm your email address" field.

<sup>19</sup> Instagram Help Centre Counterfeit Report Form <https://help.instagram.com/contact/751729384978711>

<sup>20</sup> Meta's intellectual property tools

<https://www.facebook.com/business/help/611786833293457?helpref=search&sr=2&query=brand%20safety%20tools%20and%20intellectual%20property>

About Brand Rights Protection

<https://www.facebook.com/business/help/828925381043253?id=4533021280101097&helpref=search&sr=3&query=brand%20safety%20tools%20and%20intellectual%20property>

### Rights owner information

#### Name of the rights owner

This may be your full name or the name of the organisation for which you are the authorised representative.

#### Please provide a link to the rights owner's official online presence.

(E.g. website, Instagram account etc.)

#### What is the trademark?

Please provide information for one trademark at a time. You will have an opportunity to list additional trademarks at the end of this section.

#### Where is the trademark registered (if applicable)?

#### What is the trademark registration number (if applicable)?

If possible, also provide a link (URL) leading directly to the trademark registration.

#### Attachment

If possible, please provide a scanned copy of the trademark registration certificate(s) or screenshot of the registration on the website or database of the applicable national or community intellectual property office(s). Please note that we only support the following file formats: JPG, GIF, PNG, TIFF and PDF.

**Choose files** No file chosen

☐ I have additional trademarks

### Content that you want to report

#### What type of content are you reporting?

- ☐ Photo, video or post
- ☐ Story
- ☐ Ad
- ☐ An entire account
- ☐ Other

#### Please provide links (URLs) leading directly to the specific content that you are reporting.

You can report multiple links (URLs) in this report. To do this, enter links (URLs) in the box below. Enter one link per line.

#### Please provide any additional information that can help us understand your report.

### Declaration statement

By submitting this notice, you state that you have a good-faith belief that the reported use described above, in the manner that you have complained of, is not authorised by the intellectual property rights owner, its agent or the law; that the information contained in this notice is accurate; and, under penalty of perjury, that you are authorised to act on behalf of the owner of the intellectual property rights at issue.

#### Electronic signature

Your electronic signature should match your full name.

**Submit**

Figure 2

### ***C. How These Measures Are Insufficient***

Despite these measures, Instagram is still unable to combat the rise of counterfeit products being sold on its platform. This may be due to a few reasons. First, the ease at which an individual can create new accounts is something that Instagram has not addressed. Instagram only needs a valid email address to create a new account. As there is no other identity verification of any kind to create an account. Instagram should consider imposing additional steps to verify account holders before allowing them to create multiple accounts. This may reduce the “whack-a-mole” problem i.e. when IP owners remove one infringing seller, many more “pop up” in that seller’s place.<sup>21</sup>

Second, as mentioned above, the brand safety tools available to brand owners are insufficient in identifying all counterfeit products. It was found that Instagram only deployed machine learning to detect replicas in advertisements and not on organic Instagram posts and stories.<sup>22</sup> Should luxury brands want to identify fake products, they would have to comb through posts and stories, which can prove quite tedious.

Third, Instagram allows authorised representatives of brands or the intellectual property rights holder to report counterfeit content for takedown. Regular Instagram users are not allowed to report such content.<sup>23</sup> Without the help of the community assisting to report counterfeit products, it may be quite onerous, and sometimes impossible, for the brand owner or its representatives to comb through all posts and stories that promote counterfeit products, which last for 24 hours before it disappears. It is simply not feasible and is a strain on the company’s resources to do so as well.

These measures put in place by Instagram places the responsibility on the brand owners to sweep the platform for replicas and report them individually. If Facebook and/or Instagram is hoping to have more luxury brands use the platform to promote their products or sell their products, this may be a deterring factor as the onus falls on the brand owners alone to ensure that there are no counterfeit products. It should not be only up to brand owners to identify and chase online counterfeiters, and this is a sentiment shared by a spokeswoman for LVMH.<sup>24</sup> It is not feasible for brands owners to spend thousands on legal fees to scan Instagram, investigate the account and pursue one counterfeit seller when there are plenty who will take their place.

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<sup>21</sup> Social Networks, Counterfeit, and Contributory Trademark Infringement: Are Social Media Giants Still Protected Ten Years After Tiffany?, *supra* n 11 at 879.

<sup>22</sup> Scammers have turned Instagram into a showroom for luxury counterfeits, *supra* n 18.

<sup>23</sup> *id.*

<sup>24</sup> *id.*

### III. The Lacunae in the Law and Enforcement Mechanisms

#### A. Global Measures Against Counterfeiting

With the advent of globalisation and the internet age, there have been more efforts to create a global law, especially to deal with IP infringements. From the Paris Convention in 1883 to the World Trade Organisation (“WTO”) and the adoption of the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPs”), there have been attempts to standardise the scope of IP protection. Recently, the Anti-counterfeiting Trade Agreement (“ACTA”) was introduced.<sup>25</sup> ACTA has had plenty of criticisms from various sectors and it was rejected by the European Parliament in 2012.<sup>26</sup>

##### (i) ACTA

ACTA aims to facilitate cooperation among international enforcement authorities, implement best practices and increase coordination of technical assistance.<sup>27</sup> Arguments in favour of the implementation of ACTA argue that it is necessary for a set of global IP laws. However, the biggest, and perhaps most serious, argument against ACTA is that it could lead to violations of fundamental rights and constitutes a threat to the individual freedom of internet users.<sup>28</sup> ACTA empowers the relevant authorities to “order an online service provider to disclose expeditiously to a right holder information sufficient to identify a subscriber whose account was allegedly used for infringement, where that right holder has filed a sufficiently legal claim”.<sup>29</sup> Online service providers such as social networks may, under ACTA, disclose user data when requested to do so.<sup>30</sup>

As ACTA is unenforceable in Europe and only a few signatories in Asia are part of the agreement, this creates a lacuna in the law as different governments are seeking to identify IP protection laws that are both effective in combating counterfeiting and yet do not violate individual privacy. The issue is that different governments have different thresholds of what constitutes a violation of individual privacy. There is a need to create a global standard for IP

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<sup>25</sup> Anti-Counterfeiting Trade Agreement (“ACTA”), Office of the United States Trade Representative

<sup>26</sup> International anti-counterfeiting legislation: existing regime and future developments (18 May 2017) *World Trademark Review* <https://www.worldtrademarkreview.com/anti-counterfeiting/international-anti-counterfeiting-legislation-existing-regime-and-future>

<sup>27</sup> John R Crook, U.S. Trade Representative Releases Text of Anti-counterfeiting Trade Agreement; Critics and Supporters Debate Agreement *The American Journal of International Law* (vol. 105, Iss. 1) (Jan 2011): 137 -139, at p 137.

<sup>28</sup> *ibid*, at p 138.

<sup>29</sup> ACTA, *supra* n 25, at s 4.

<sup>30</sup> *id*.

protection laws that are widely adopted. Perhaps the legislative gap can be filled by a treaty to combat counterfeiting and protect IP rights.

### *(ii) ASEAN's measures*

We look now to ASEAN to determine whether there are any regional IP protection laws in place. The ASEAN IP Rights Action Plan 2016 – 2025 is intended to enhance existing programmes and initiatives on IP education and awareness, improve border control measures, establish mechanisms to ensure the speedy and quality disposition of IP rights cases, strengthen institutional partnerships on the international and regional level, etc.<sup>31</sup> Though the ASEAN IP Rights Action Plan is in place, ASEAN countries still differ in their approach towards counterfeiting. Below are 3 countries that illustrate this.

### ***B. Singapore's Measures Against Counterfeiting***

Singapore's IP rights regime is one of the best by international standards.<sup>32</sup> In the International Property Rights Index 2019, Singapore has achieved second place in Asia and Oceania region and fourth place worldwide.<sup>33</sup>

In Singapore, the applicable legislation for rights holders to combat counterfeiting is the Trademarks Act.<sup>34</sup> Part VI of the Trademark Act<sup>35</sup> criminalises counterfeiting of a registered trademark, including making or possessing an article used for counterfeiting. However, it does not distinguish between counterfeiting online and offline.<sup>36</sup> This becomes a legal lacuna as no legislation deals specifically with counterfeiting online. IP owners would have to resort to reporting the counterfeiter for a breach of terms of service to the social media platform. The efficacy of such a procedure is largely dependent on the platform and its stance towards taking action against the infringing content.

Since Singapore is an international port and serves as a major transit hub for large volumes of imports and exports, shipments of counterfeit goods regularly pass through Singapore's

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<sup>31</sup> The ASEAN Intellectual Property Rights Action Plan 2016-2025: Meeting the Challenges of "One Vision, One Identity, One Community" through Intellectual Property

[https://www.aseanip.org/Portals/0/ASEAN%20IPR%20ACTION%20PLAN%202016-2025%20\(for%20public%20use\).pdf?ver=2017-12-05-095916-273](https://www.aseanip.org/Portals/0/ASEAN%20IPR%20ACTION%20PLAN%202016-2025%20(for%20public%20use).pdf?ver=2017-12-05-095916-273)

<sup>32</sup> The Development of Singapore's Intellectual Property Rights Regime," *Lee Kuan Yew School of Public Policy—Microsoft Case Studies Series on Information Technology, Public Policy and Society*

[https://lkyspp.nus.edu.sg/wpcontent/uploads/2014/11/LKWMS\\_Series01\\_SG\\_IP.pdf](https://lkyspp.nus.edu.sg/wpcontent/uploads/2014/11/LKWMS_Series01_SG_IP.pdf)

<sup>33</sup> The International Property Rights Index 2019 <http://internationalpropertyrightsindex.org/country?c=SINGAPORE>

<sup>34</sup> Cap 332 ("Singapore Trademarks Act").

<sup>35</sup> *id.*, Part VI.

<sup>36</sup> Procedures and strategies for anti-counterfeiting: Singapore (14 May 2019) *World Trademark Review*

<https://www.worldtrademarkreview.com/anti-counterfeiting/procedures-and-strategies-anti-counterfeiting-singapore>

port.<sup>37</sup> Besides allowing a rights holder to initiate a seizure of imported goods, Singapore Customs are also permitted to seize and detain suspected counterfeit goods of their violation in *ex officio* actions.<sup>38</sup>

However, the likelihood of success in a trademark action in Singapore may be quite low. To illustrate, in the case of *Louis Vuitton Malletier v Megastar Shipping Pte Ltd*,<sup>39</sup> a Singaporean freight forwarder was sued for trademark infringement as the Singapore Customs seized a container from China containing counterfeit goods bearing the plaintiff's registered marks. The Singapore High Court held that the Defendant was neither an importer nor the exporter of the counterfeit goods as it was merely an agent of an Indonesian third party and thereby, the Defendant cannot be liable for trademark infringement.

This is likely going to change as the Intellectual Property (Border Enforcement) Act 2018<sup>40</sup> was passed in line with Singapore's obligations under the EU-Singapore Free Trade Agreement to enhance its existing border enforcement measures. The Intellectual Property (Border Enforcement) Act 2018 empowers right holders and Singapore Customs to acquire information from persons connected with seized goods for identifying the right parties to institute infringement proceedings against.

### ***C. Thailand's Measures Against Counterfeiting***

Thailand's monarch has been a great influence on its political and legal framework. The Thai government is "protecting and upholding the Institution of the Monarchy"<sup>41</sup> and upon the guidance from the Thai monarch, Thailand has seen plenty of institutional and legal reforms on IP protection. Most notable of the institutional and legal reforms in Thailand was the establishment of a specialised court for IP and international trade law in 1996, the Central Intellectual Property and International Trade ("IPIT") Court.<sup>42</sup> The IPIT Court has jurisdiction

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<sup>37</sup> China-Southeast Asia Anti-Counterfeiting Project Summary Report (7 December 2015) Foreign & Commonwealth Office and Intellectual Property Office, p 4 <https://www.gov.uk/government/publications/report-on-china-southeast-asia-anti-counterfeiting>

<sup>38</sup> Singapore Trademarks Act, *supra* n 34, s 53A.

<sup>39</sup> [2017] SGHC 305.

<sup>40</sup> (No. 34 of 2018).

<sup>41</sup> Ricardo R. Blancaflor, Research Report on the Best Practices to Initiate, Continue, or Revitalize IP Enforcement Efforts: A Focus on Trademark Anticounterfeiting (2021) ("Research Report on Best Practices") p 10 <https://www.inta.org/wp-content/uploads/public-files/advocacy/committee-reports/20211214-Blancaflor-ASEAN-Anticounterfeiting-Paper.pdf>

<sup>42</sup> Vichai Ariyanuntaka, Rethinking Intellectual Property Rights Enforcement in the Light of TRIPS and Specialized Intellectual Property Court in Thailand (2014) at p 113. [https://www.malaysianbar.org.my/cms/upload\\_files/document/109\\_128\\_vichai\\_ariyanuntaka-12.pdf](https://www.malaysianbar.org.my/cms/upload_files/document/109_128_vichai_ariyanuntaka-12.pdf)

over all IP cases and issues and has its own rules of court, which are different from civil law in Thailand.<sup>43</sup>

Thailand has strong border measures, with Thai customs playing a pivotal role in intercepting incoming shipments of counterfeit products. Customs officials have the authority to intervene *ex officio* to detain and seize suspected counterfeit goods as per section 62 of the Customs Act BE 2560 (2017).<sup>44</sup>

To bring actions against trademark infringement in Thailand, rights holders can rely on a myriad of legislation (i.e. the Trademark Act BE 2534 (1991) (as amended in 2000 and 2016))<sup>45</sup> or international treaties (i.e. the WTO). However, this may be a challenge for IP rights owners as Thai courts can be meticulous when assessing whether to award damages to an injured party.<sup>46</sup> Thai courts award actual damage but are unlikely to award exemplary or punitive damages.<sup>47</sup> Very often in counterfeiting crimes, it is difficult to determine what the actual loss or actual damage is and thus, a rights holder hoping to be awarded damages would find it challenging.

Online infringement, particularly on social media sites, has been increasing daily in Thailand and IP owners face challenges in this sector.<sup>48</sup> The Thai government has taken notice of the trend of selling counterfeit products online and has attempted to address the growing issue by amending two pieces of legislation: the Copyright Act BE 2537 (1994) (as amended up to Copyright Act B.E. 2561 (2018)) (“amended Copyright Act”)<sup>49</sup> and the Commission of Computer-Related Offences Acts BE 2560 (2017) (No. 2) (“Computer Crimes Act”).<sup>50</sup>

Section 32/3 of the amended Copyright Act<sup>51</sup> provides that where there is reasonable evidence to believe that there is an infringement of copyright in the computer system. This allows for preliminary injunctions that remove copyright-infringing works from the Internet and provides an exemption from liability for internet service providers. After which, rights owners must initiate a copyright suit against the offenders. However, this may only deal with posting counterfeit product images online and does not deal with the selling of counterfeit

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<sup>43</sup> Research Report on Best Practices, *supra* n 41, p 10.

<sup>44</sup> Customs Act, B.E. 2560 (2017), s 62.

<sup>45</sup> Trademark Act B.E. 2534.

<sup>46</sup> Procedures and strategies for anti-counterfeiting: Thailand (14 May 2019) World Trademark Review <https://www.worldtrademarkreview.com/global-guide/anti-counterfeiting-and-online-brand-enforcement/2019/article/procedures-and-strategies-anti-counterfeiting-thailand>

<sup>47</sup> Litigation in Thailand: The Legal System of Thailand <https://www.siam-legal.com/litigation/litigation-in-thailand.php>

<sup>48</sup> *id.*

<sup>49</sup> Copyright Act, B.E. 2537 (1994) (“amended Copyright Act”).

<sup>50</sup> Commission of Computer-Related Offences Act (No. 2), B.E. 2560 (2017) (“Computer Crimes Act”).

<sup>51</sup> *id.*, section 32/3 (added by the Copyright Act (No. 2) B.E. 2558)

products online. It becomes a tiresome process or a “whack-a-mole” situation where you deal with one infringer and ten more pop up in its place. This also places the onus on the rights holder to bring action against the counterfeit sellers as they may have to constantly monitor online sites and conduct in-depth investigations which may drain resources that can be better invested elsewhere in their business.

Under the Computer Crimes Act, trademark owners can plead for a permanent injunction against online infringement of their works. A competent official may, with approval from the Ministry of Digital Economy and Society, file a motion to the court to request an order to block the dissemination of data or delete such data should it be found to be a criminal offence under IP law. This does not allow the trademark owners to start a suit against the counterfeit sellers, they would have to convince a competent official. This makes the suit a lengthy process and is expensive and may deter rights holders from bringing an action against counterfeiters.

#### ***D. Cambodia’s Measures Against Counterfeiting***

There is a wide distribution of agency functions relating to IP amongst the Cambodian ministries – i.e. the Ministry of Commerce, the Ministry of Industry, Science, Technology and Innovation, the Ministry of Culture and Fine Arts, and the Ministry of Posts and Telecommunication. Thus, the Cambodian legislators found it necessary to enhance measures to implement and enforce IP rights. In 2008, Cambodia’s National Committee for Intellectual Property Rights (“NCIPR”) was established by the Prime Minister to govern the three areas of IP: copyright, trademarks and patents.<sup>52</sup>

At the moment, Cambodia has no customs recordal system in place.<sup>53</sup> Recourse for rights owners in Cambodia are limited, especially for selling counterfeit items online as Cambodia has no specific laws or provisions addressing online counterfeiting. In addition, the Cambodian legal framework allows for *ex officio* border measures, although this is rarely employed.<sup>54</sup>

Cambodia is slowly catching up as a draft Cybercrime Law and a draft e-commerce law is currently under consideration by the government, but there has been no official indication as

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<sup>52</sup> 30ECD-WTO Aid-for-Trade Case Story: Cambodia, The Implementation of Cambodia’s “Work Programme of Legal Reforms and Commitments Resulting from WTO Accession,” <https://www.oecd.org/aidfortrade/48413417.pdf>

<sup>53</sup> IPR Enforcement in Cambodia, *Kenfox* <https://kenfoxlaw.com/ipr-enforcement-in-cambodia>

<sup>54</sup> Procedures and strategies for anti-counterfeiting: Cambodia (14 May 2019) *World Trademark Review* <https://www.worldtrademarkreview.com/global-guide/anti-counterfeiting-and-online-brand-enforcement/2019/article/procedures-and-strategies-anti-counterfeiting-cambodia>



to when it may be adopted.<sup>55</sup> Yet, the current IP enforcement landscape in Cambodia seems quite lacklustre. The initiative lies mostly with the rights holder. Many enforcement authorities in Cambodia expect the rights holder to conduct their own investigations, send out warning and cease and desist letters, as well as negotiate with infringers first before bringing an action in court.<sup>56</sup>

### ***E. Evaluating the Legislative Measures***

A general observation for these three jurisdictions is that there is still much to do to fight counterfeiting. Though Singapore claims to be one of the best IP rights regimes internationally, it faces a legal lacuna in its trademark laws. Thailand is no different. Cambodia has much to do to catch up with the rest of its counterparts in ASEAN, Asia and the rest of the world.

The main issue is that all three jurisdictions have rules that differ greatly (if any at all). And the approach by the Courts differs as well. Given how counterfeiting transcends borders and harnesses technology to be located virtually anywhere in the world, it is likely that governments have to work together, not just across nation-state but across different stakeholders. The following gives detail to a proposed multi-pronged solution that would engage the community, social media platforms, governments and brands themselves in the prevention of counterfeiting.

## **IV. Proposed Multi-Pronged Solution**

### ***A. Deterring Customers or Potential Customers***

#### ***(i) The Draw to Purchasing Counterfeit Goods***

Research has shown that in purchasing counterfeit luxury goods, consumers often know that they are purchasing counterfeits. Given the current set up of e-commerce functions on Instagram, where consumers can purchase luxury goods directly on the Instagram pages of these luxury brands, it is quite likely that consumers who do not purchase from these official Instagram pages know that they may be dealing with fakes. Thus, curbing the appetite for counterfeit products is essential to reducing counterfeiting.

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<sup>55</sup> *id.*

<sup>56</sup> *id.*

Research shows that several internal and external motives explain counterfeit buying motivations.<sup>57</sup> This study found that it is not only becoming more acceptable to own a counterfeit product, more than half of the counterfeit buyers are influenced by their peers. There is also a desire to be seen as someone coming from a higher social class and yet an inability to afford genuine products, thus, the affordability of these counterfeit products become a lucrative option. There are also fewer perceived risks associated with purchase as consumers believe they would be safe from legal and regulatory penalty systems and browsing online provides them with anonymity which also allows them to avoid the social judgement of others. Social media is also accessible and enhances peer influence since buyers then feel that their purchase decision is supported by the number of likes and comments from other virtual customers.<sup>58</sup>

The study also found that the need to be on-trend or to pursue novelty is a vital driver for them to purchase counterfeit goods. This, coupled with the fact that there are no perceived ethical issues, allows them to justify their purchase. This is further justified by the fact that some Gen y consumers regard the use of counterfeits as a way of fighting against branding and inequality in society. Furthermore, previous positive experiences in buying and/or using counterfeit products give buyers more confidence to purchase more.<sup>59</sup>

#### *(ii) Addressing These Motives*

The findings suggest that more efforts need to be put into educating customers on the issue of IP infringements to reduce the desire to seek out and purchase counterfeit goods. According to the article, there is a chance that this might decrease the enjoyment and attractiveness of these counterfeit products and may lower the purchase of these products. A solution is to engage the help of schools, universities, news agencies and brands themselves to educate new generations on the positive side of using genuine products and provide consumers with more information on how the counterfeit industry creates loss and damage to the public welfare directly and indirectly. Information could be spread about how to detect fake products and stores, which could evoke emotions associated with fear of being noticed and losing face, something that according to researchers would greatly deter buyers.<sup>60</sup>

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<sup>57</sup> Park Thaichon & Sara Quach, Dark motives-counterfeit purchase framework: Internal and external motives behind counterfeit purchase via digital platforms (2016) *Journal of Retailing and Consumer Services*.

<sup>58</sup> *id.*

<sup>59</sup> *id.*

<sup>60</sup> *id.*

## ***B. Social Media Bearing a Greater Responsibility***

### *(i) Altering Existing Social Media Policies*

Referring to the abovementioned, social media platforms, such as Instagram, should impose more identification checks before allowing users to create accounts, similar to Facebook. Furthermore, Instagram should be the first line of defence when it comes to counterfeiting. Instagram should do a more thorough sweep and investigation of counterfeit seller accounts, and if found that the account is selling counterfeit products, remove it. Instagram and/or Facebook may want to invest in technology or harness existing technology to identify and ban hashtags that can identify fake products from being used. For example, hashtags such as #mirroquality and #mirrorbag are coded descriptions for counterfeits. Hashtags such as #replicabagseller or #bagwholesale yields thousands of search results of posts on counterfeit goods. These are hashtags that Instagram can easily ban with AI technology.

### *(ii) Legal Measures: Contributory Trademark Infringement*

In the past, IP owners have attempted to hold the intermediary or online service providers (“OSP”) liable under the theory of contributory trademark infringement. The landmark decision in *Tiffany (NJ) Inc. v eBay, Inc*<sup>61</sup> in 2010 shows that OSPs are not contributorily liable for their users’ direct trademark infringement unless they possess actual knowledge of specific instances of infringement.<sup>62</sup>

*Tiffany (NJ) Inc. v eBay, Inc* was decided ten years ago the state of technology has changed and advanced, academics have proposed that the Court reconsider the conclusion that OSPs do not possess requisite knowledge.<sup>63</sup> OSPs analyse countless amounts of data to inform and run their businesses.<sup>64</sup> They can evaluate user behaviour and present customised advertisements to each user. There is little to suggest that OSPs would not be able to identify counterfeit sellers, and OSPs should also bear some responsibility in allowing counterfeiters to continue promoting and selling on their platforms. This is an argument that can be extended to social media. The Courts deeming social media platforms and OSPs partly liable for counterfeiting would be a huge incentive for social media to pay more attention to counterfeit sellers and implement stricter measures for account creation, do a more thorough sweep of accounts selling counterfeit products and remove them from the platform. This

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<sup>61</sup> *id.*

<sup>62</sup> Irene Calboli. Contributory Trademark Infringement on the Internet: Shouldn’t Intermediaries Finally Know What They Need to “Know” and “Control?” (2016) *Research Handbook On Electronic Commerce Law* 211, 213–20.

<sup>63</sup> Social Networks, Counterfeit, and Contributory Trademark Infringement: Are Social Media Giants Still Protected Ten Years After Tiffany?, *supra* n 11, at 898.

<sup>64</sup> Data Policy, Help Center, Instagram. <https://help.instagram.com/519522125107875>

would discourage counterfeiters and thereby, reduce the number of counterfeit purchases and promotions on social media platforms.

### **C. Supply Chain Solutions**

A study by Harvard Business Review found that luxury brands are a symbol of status and privilege but not much else and the emphasis has been on signalling rather than delivering luxury products. The prices of these luxury goods have been rising but with brands moving their production to other countries to lower costs and reduce quality control over the products, consumers start to doubt whether these products are still worth the investment. As a result, more customers are less concerned about buying fakes.<sup>65</sup>

Some solutions for luxury brands are to bring manufacturing to their home countries where stricter controls are easier to implement. Similarly, there is a need to impose stricter quality control, and ensure that luxury products have quality craftsmanship.<sup>66</sup> Some brands, like LVMH,<sup>67</sup> are emphasizing traditional craftsmanship, handmade component and heritage techniques. This would appeal to Millennials as they are now focused on sustainability and are looking for experiences.<sup>68</sup>

Another strategy is to invest in technology and processes that will enable the ability to track the chain of distribution and original products. Blockchain is a way to record transactions, track assets and provide transparency as data is stored, timestamped and are unforgeable.<sup>69</sup> In 2019, LVMH partnered with Microsoft and ConsenSys to develop AURA, which is a blockchain-based platform to authenticate luxury goods. A customer can access the item that they have purchased through an online certificate that has been cryptographically signed by the brand and all those involved in its supply chain (design, raw materials, manufacturing, distribution). Thus, promoting authenticity. Blockchain does not only benefit luxury brands but resellers as well.<sup>70</sup>

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<sup>65</sup> Roberto Fontana, Stéphane J.G. Girod & Martin Králik, How Luxury Brands Can Beat Counterfeiters (24 May 2019) <https://hbr.org/2019/05/how-luxury-brands-can-beat-counterfeiters>

<sup>66</sup> *id.*

<sup>67</sup> How to take part in Les Journées Particulières LVMH (13 September 2018) [https://www.google.com/search?q=les+journ%C3%A9es+particuli%C3%A8res+lvhm+2022&rlz=1C5CHFA\\_enSG902SG903&oq=Les+Journ%C3%A9es+Particuli%C3%A8res&aqs=chrome.10i512l3j0i22i30l4.2475j0j7&sourceid=chrome&ie=UTF-8](https://www.google.com/search?q=les+journ%C3%A9es+particuli%C3%A8res+lvhm+2022&rlz=1C5CHFA_enSG902SG903&oq=Les+Journ%C3%A9es+Particuli%C3%A8res&aqs=chrome.10i512l3j0i22i30l4.2475j0j7&sourceid=chrome&ie=UTF-8)

<sup>68</sup> How Luxury Brands Can Beat Counterfeiters, *supra* n 66.

<sup>69</sup> Blockchain Explained (4 November 2021) *Investopedia* <https://www.investopedia.com/terms/b/blockchain.asp>

<sup>70</sup> Katerina Mansour, Luxury brands using blockchain to fight counterfeiting (13 November 2020) <https://earlymetrics.com/luxury-brands-using-blockchain-to-fight-counterfeiting/>

#### ***D. The Role of ASEAN Governments***

Governments may want to impose heavier and stricter penalties that would lower the “sense of safety to purchase” counterfeit products, and thereby reduce the number of counterfeit sellers and buyers.<sup>71</sup> This paper also proposes 3 strategies for governments to consider:

- (i) establishing IP courts with its own IP rules of procedure;
- (ii) engendering regional coordination and cooperation through data-sharing partnerships; and
- (iii) co-operation with China.

##### *(i) Specialized IP Courts with Special IP Rules of Procedure*

ASEAN countries should create specialised courts granted specific jurisdiction concerning IP jurisdiction. These rules of court should be harmonised across ASEAN. This way, there is a standardized set of rules for the enforcement and criminalisation of IP infringements.

There are plenty of benefits to creating specialised courts, it would ensure consistency and predictability of case outcomes. It would also ensure that decisions are effective in deterring counterfeiters from committing IP infringement acts within these countries. This also ensures that the courts are more efficient and accurate, and ease the backlog of cases in the local courts.<sup>72</sup>

##### *(ii) Data sharing partnerships*

Just as coordinated enforcement efforts are beneficial on the national level, regional coordination would allow countries to strengthen enforcement mechanisms. A report proposes two sets of data sharing methods: one is deterrent, including IP enforcement through referral information, summary documentation and evidence, and the other involves operational intelligence that can be used to either stop a shipment or catch the criminal.<sup>73</sup>

Currently, there is plenty of data, statistics, and information collected and available amongst ASEAN countries.<sup>74</sup> A cloud system or storage system where this information can be shared

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<sup>71</sup> Dark motives-counterfeit purchase framework: Internal and external motives behind counterfeit purchase via digital platforms, *supra* n 58, at p 90.

<sup>72</sup> Research Report on Best Practices, *supra* n 41, at p 13.

<sup>73</sup> *id.*

<sup>74</sup> *id.*

amongst ASEAN countries would enhance border control measures and bust large-scale counterfeit operations located within the region.

*(iii) Co-operation with China*

China is the main manufacturer of counterfeit goods,<sup>75</sup> ASEAN may want to reference the EU's approach in its international engagement with China on IP rights issues.<sup>76</sup> The EU-China Customs Intellectual Property Rights Action Plan was recently implemented, which "includes all dimensions of IP border enforcement, from risk analysis and trend detection to sharing of intelligence, partnership with the private sector, exchanges of best practice, and cooperation between customs and the other IP law enforcement authorities."<sup>77</sup> Working together with China may prove to be beneficial to both ASEAN and China in combating counterfeiting as ASEAN countries, especially Singapore, is the biggest importer and exporter of counterfeit goods.

## **V. Conclusion**

With the advent of social media and e-commerce, counterfeiting has become more widespread than ever. This surge in counterfeit luxury products being sold through social media during the pandemic period prompts more lawmakers and other stakeholders to pay attention to this phenomenon. This paper has highlighted how both social media platform policies, namely Instagram counterfeiting policies, are insufficient to counteract counterfeiting. In addition, ASEAN countries, where the import and export and manufacture of counterfeit goods, have been trying to ramp up their efforts to combat counterfeiting. However, this paper points out the noticeable gaps in the laws.

As the law does not exist on a plane all on its own, it co-exists, shapes and is re-shaped by societal forces around it. Thus, this paper did not only propose legal solutions but attempted to combine social psychology and advancements in technology to propose a multi-pronged solution to combat counterfeiting. In addition to legislative solutions and cross-border cooperation between governments, this paper also proposes nipping the root cause of the desire for counterfeit goods through education, calling for social media platforms to step up more, and for brands to leverage on the blockchain. More research into the efficacy and effectiveness of these measures should be done through a collaboration between academics from different disciplines, lawyers, legislators and other business entities.

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<sup>75</sup> China-Southeast Asia Anti-Counterfeiting Project Summary Report, *supra* n 36.

<sup>76</sup> EU-China Cooperation in IPR. [https://ec.europa.eu/taxation\\_customs/eu-china-cooperation-ipr\\_en](https://ec.europa.eu/taxation_customs/eu-china-cooperation-ipr_en)

<sup>77</sup> *id.*

Regardless, we are slowly becoming more aware of the need to work together, as evinced by Facebook and Gucci working together to file a suit against Kothtenko, and this is promising as more collaborations signal the dawn of a new way to work towards the elimination of counterfeiting.