Experts suggest that the growth in online retail sales will continue unabated in key Asia Pacific markets, with double digit year-on-year growth expected in the coming years. It is predicted that by 2016, 9% of Australia’s and South Korea’s retail dollar and around 4% of India and China’s retail spend will be online.

There can be no doubt that online retailing is a huge growth opportunity for businesses, although the risks associated with this expansion opportunity are less clear.

We outline below some key tips to consider when thinking about venturing into the online retail space.

**TIP ONE – ENSURE THAT WHAT MAKES YOUR BRAND GREAT IS TRANSLATED ONLINE**

Currently, the online retail market is dominated by online retail specialists. However, established brands that have traditionally monopolised the “bricks and mortar” space can also succeed in the online environment. The key here is to incorporate and translate branding elements that made the retail business profitable to begin with into an online environment. This process can present unique challenges, especially when coupled with international expansion.

Many Western brand owners assume that their brands will automatically have resonance with local consumers in Asia Pacific, yet the reality is that, in many jurisdictions, English is not widely understood. It therefore pays to devise a brand name in the local language or characters that is sensitive to local cultural requirements.

This process is not as easy as it may seem. For example, in China there are a number of approaches that can be taken, from literal translation (as direct a translation as possible into Chinese but with the result that the Chinese mark’s pronunciation is different from the brand name), transliteration (devising a Chinese language mark that reflects the pronunciation of the brand name in its native language but which does not necessarily have any inherent meaning or reference to the brand name) to a hybrid of the two that is phonetically similar but also carries with it connotations that are suitable for the brand. DHL’s Chinese character trade mark “中外運豐豪”, which translates as “international bulk delivery with huge delivery volume”, provides a cautionary example of an overly literal approach to the creation of a Chinese language mark leading to an unwieldy and uninspiring trade mark.

On the other hand, two good examples are:

- P&G, which achieved registration of the Chinese character trade mark “寶潔”, meaning Precious and Clean (after their first attempt led to the registration of a trade mark meaning precious alkali)
- Coca-Cola, which owns the registration of the Chinese character trade mark “可口可樂”, meaning delicious and pleasant.

Both these companies adopted a creative approach to selecting appropriate brands for their China expansion and the benefits show.

Further, whether or not you intend to use a new brand tailored to a particular jurisdiction, or your established brand, it is important to remember to do your due diligence. Many brand owners run into difficulties when launching their brand in Asia Pacific, and online, by failing to undertake clearance searches before using or filing trade mark applications for their brands. This can lead to significant issues in the long term, which can be magnified by the availability of the internet across jurisdictions.
TIP TWO – THE CUSTOMER IS ALWAYS RIGHT – ON AND OFFLINE

As the online consumer becomes savvier, and sales on the internet continue to rise, consumers will start to enforce their consumer rights with more vigour.

For example, a Hong Kong retailer used to an environment where consumer law only covers purchases made through a Hong Kong trading portal or in a Hong Kong store needs to be ready to deal with, and respond to, the suite of statutory rights afforded to Australian consumers when they purchase their goods online from Australia (no matter where those goods are sent from).

To avoid complaints or regulatory scrutiny, it is important to ensure that:
- All products are accurately described and displayed
- Delivery and return policies are clearly defined and followed
- Goods are packaged safely and arrive at the required destination promptly.

TIP THREE – DON’T FORGET TO LOCK YOUR ASSETS ONLINE

A move online will result in a large-scale upload of trade marks (logos, slogans and brands) and copyright works (photos, corporate documents, videos and blurbs).

Use technology to protect your assets

Seek advice and take practical precautions. For example, digitally lock all “copyable” intellectual property (IP), display notices of IP rights and regularly review your website to ensure that only content that needs to be online is online.

Ensure that you are taking advantage of the legal frameworks available

Apply for trade mark registration early and ensure that the trade marks applied for provide adequate coverage for your brand in the relevant jurisdictions.

Be alive to the fact that trade mark rights are territorial and the law differs in different jurisdictions. It is important that you seek advice on the development of an ongoing IP registration strategy that will support and protect your online business going forward in all of the jurisdictions in which you intend to operate (or target!).

China is a great example of this. Unlike Australia, China is a “first to file” jurisdiction when it comes to trade mark rights. If your business could potentially enter the Chinese market in coming years (even if it is only via online channels), it may be that now is the time to think about registering your brand in China.

Just think – Ferrari was engaged in 11 years of litigation in China, dealing with a clothing company that had previously registered a picture of a horse for clothing. Not even Ferrari’s use and reputation could invalidate the previously filed registration.

To this end, it is also important to ensure that you file broad trade mark specifications that cover all of your key goods and services. Bear in mind that many countries in Asia operate a system of sub-classes within classes and that goods and services within different sub-classes will not necessarily be considered similar. As such, it pays to register in each sub-class of the classes relevant to your goods and services.

Takeaway: If you are thinking of expanding your business online in the coming years, and Asia Pacific is an area of interest, don’t forget to incorporate this into your IP strategy.

FIRST TO FILE

Under the “first to file” rule, the first party to file an application is given protection, regardless of who is the first to use the trademark.

“First to file” jurisdictions in Asia Pacific include South Korea, Japan, China, Hong Kong, Taiwan, Philippines, Vietnam, Thailand, Cambodia and Indonesia.

TIP FOUR – TAKE ADVANTAGE OF THE VARIOUS ENFORCEMENT STRATEGIES AVAILABLE

If you have your IP house in order, there are a number of strategies available to prevent infringing conduct online.

The most important thing is that IP owners are able to, and do, detect infringement of their assets online. As a practical measure, invest time and money in monitoring search engines, auction sites and competitors to ensure that none of your IP is being misused or misappropriated. The sheer scale of infringing activities in Asia, particularly in China, means that brand owners can be tempted to take a scatter-gun approach to pursuing infringements. It is crucial to try to identify and then target the source of infringing goods or conduct.

If infringing conduct is discovered, it can be dealt with in a number of ways (and does not have to involve going to court). Examples include:
- Enforcing the policies offered by large internet search engines and auction sites, which can result in infringing copies being “taken down” within days
- Enforcing provisions in trade mark licences relating to proper control over use of the trade mark
- Using domain name dispute resolution options to freeze and transfer domain names that infringe trade mark rights, which can be a cost-effective way to shut down a website that is infringing all forms of IP
- Preventing infringing goods from entering markets through the use of customs notices (as in Australia) and other border measures, such as applying for import suspensions.

Takeaway: Taking advantage of non-traditional enforcement strategies saves money and time. However, these strategies need to be implemented quickly in order to be effective, and therefore understanding the nuances of them is key.

TIP FIVE – GETTING YOUR ONLINE PLATFORM IN ORDER

For many retailers, one website will be used for consumers in a number of markets. As such, you need to think carefully about not just the look and feel of the website, but also the terms and conditions of use and any local restrictions in your target markets relating to the products or advertising.

Getting your terms and conditions in order

Online transactions are no different to any other commercial transaction, so careful consideration of the terms and conditions that will apply is important. Allowing customers to use and access your website without setting some ground rules could end up costing your business significantly. It is therefore vital that you seek advice on putting in place robust terms of use.

Once the terms of use are in order, retailers need to consider how to bring them to the attention of users and make sure they are accepted by customers, without burdening the website with pages of legal text.
Remember – how effective and successful your online retail platform will be is influenced by how well you translate your business success to an online environment, including ensuring there are balanced and appropriate legal protections in place.

**Local restrictions**

While flexible terms relating to the use of the website may be possible, you will also need to ensure that what you put on your website complies with local laws and regulations in the markets where you are targeting customers. This includes:

- Ensuring your products and services are permitted in the country where they may be offered for sale
- Ensuring your website complies with any local advertising restrictions
- Ensuring your goods arrive with packaging that meets local requirements.

As always, prevention is better than cure and it is vital that retailers appreciate the risks associated with online commerce and get appropriate advice early.

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**CONSUMER LAWS ACROSS THE ASIA PACIFIC**

**ONE SIZE DOES NOT FIT ALL**

**AUSTRALIA**

Australian customers purchasing goods online are afforded the same consumer law protections as they would be in a “bricks and mortar” store (this includes a suite of statutory imposed warranties and guarantees in respect of product quality etc). These protections apply irrespective of where the goods come from, and international online retailers may be held liable in Australia for breaches of Australian consumer protection laws.

**INDIA**

The jurisdiction of the National Commission (established by the Consumer Protection Act) is limited to complaints against businesses that are carrying on business in India. This may exclude online retailers not based in India.

**PEOPLE’S REPUBLIC OF CHINA**

Aggrieved Chinese customers will generally only have recourse against online retailers in the jurisdiction in which the domain name is registered and in which the retailer’s business or operations are carried out. However, an exception arises where an “express jurisdiction” clause is included in the online sales contract.

**HONG KONG SAR**

Hong Kong consumer protection laws apply to sale activities conducted physically in, and online within, Hong Kong SAR only.

Hong Kong’s enforcement agencies do not have authority over commercial activities occurring outside Hong Kong, so no protection is afforded to consumers who shop online through overseas portals or purchase from companies operating outside Hong Kong.

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