

Liability of Internet intermediaries for the sale of counterfeit products in Peru

✓ Background

Mercadodepulgas.com is a successful Spanish start-up that runs an online platform where users can buy and sell second-hand products. Sofas, bikes, electronic devices and the like are exchanged in the platform. The website and app have become very popular due to the ease of its use and its effectiveness in allowing users to get in touch.

The start-up has had great success in the Spanish market. Because of this, the company decided to expand its business to Peru. To this end, the company created a new, similar platform for the Peruvian market, with a slight adaptation of the language used in the website.

Mercadodepulgas did not have to wait long to find out that while Peruvian users also sell bikes and sofas, the platform is also used to offer pirated or counterfeit products. This was something the start-up was not prepared for, since Spanish users only used the platform to exchange old items they had at home and that did not want anymore. The partners of the start-up started to doubt the viability of the expansion: what would happen if IP owners decided to sue the start-up for the sale of counterfeited products carried out by their users on the company's platforms? Could the start-up be held responsible for such activities?

⚙️ Actions taken

Mercadodepulgas contacted a Peruvian IP law firm to find out whether they could be found to be responsible for user's sale of IP infringing products. In that case, what could they do to limit the risks?

The local lawyers informed them that Peru does not have laws on the responsibility of online platforms for the sale of illegal/counterfeit products by their users.

They also recommended that the company follow the following strategy:

1. To amend the "Terms and Conditions" of the service so that any user who sells products on the platform must take on full responsibility for the legality of the products they offer. In case a user is offering counterfeited products, the platform may adopt measures to suspend, or to terminate their account.
2. To send notices by e-mail to all users of the platform informing of the amendments to the Terms of Use and granting a period of 30 days to users to remove all the products that infringe third party rights.
3. To adopt a special "notice and takedown" mechanism consisting of a specific web page where IPR holders can notify to Mercadodepulgas if they have found a user offering products that infringe their IPR. If the infringement is confirmed, the product is removed and the infringer is sanctioned. If they persist, they can be expelled from the platform.
4. To inform all competent authorities (INDECOPI) and national associations of IPR-sensitive industries of these measures.

📊 Outcome

Mercadodepulgas decided to adopt all the measures proposed by the law firm.

The e-mails sent to notify the changes were very effective. At least half of the offers of infringing products that had been identified were voluntarily removed by users. Those that did not comply received an individual notification asking them to comply with the new policy. Only in few cases was the platform forced to suspend and terminate the user's account.

This strategy also proved to be a PR success: the company earned a reputation of being a reliable e-commerce platform that respects and protects IPRs. At the same time, this helped to increase the reputation of the platform in the country.

📖 Lessons learned

When expanding your business to Latin America you do not only have to look for the adaptation of the business model to the particularities of the new market. Attention needs to be paid to the legal framework, as well.

You should always seek help from an IP expert who will be able to help you design an adequate IP strategy tailored to your activity and the laws of the territory. In the long run, an investment in this aspect, even if more costly, is fruitful in the beginning of the expansion of the business.

Gaining the reputation of an online e-commerce intermediary that protects IP rights can be highly beneficial as it shows it is reliable. In the future, this will attract users who prefer to buy products from a trustworthy source.

Due to a free trade agreement signed with the EU, Peru is actually under the obligation to adopt laws similar to those in the EU on the responsibility of online platforms for IP-infringing user content. However, it has so far failed to do so. Free trade agreements negotiated by the EU with its partners help to harmonise national legislations on IP matters. However, the process may be slow and it is therefore possible that European companies will find unexpected problems in this regard.