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## AN EXIGENCY FOR CONSUMER PROTECTION AGAINST COUNTERFEIT PRODUCT MARKETING ON THE INTERNET: A LEGISLATIVE PERSPECTIVE

Deepti Nahush Khubalkar Dr  
*Assistant Professor at Symbiosis Law School, Nagpur*

Shilpa Santosh Sharma Dr  
*Assistant Professor in Symbiosis Law School, Nagpur*

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# AN EXIGENCY FOR CONSUMER PROTECTION AGAINST COUNTERFEIT PRODUCT MARKETING ON THE INTERNET: A LEGISLATIVE PERSPECTIVE

—Dr. Deepti Nahush Khubalkar\* & Dr. Shilpa Santosh  
Sharma‡

*The world of the Internet has opened a limitless market for sellers and buyers but at the same time, it has opened a new chapter of infringement and theft of the identity of well-established companies which trade online. Both original and fake companies are attracted by the lucrative market online; this has ultimately resulted in trading in counterfeit products. Digital marketing is more than just the business of disseminating product information for online sales. It involves content building for marketing, designing of the website, information about the product, customer support tools, chat rooms, online payment system etc. Marketing is a commercial speech and is protected under the fundamental right of freedom of speech and freedom of trade. Misleading and fraudulent statements via marketing to push sale of the product is a wrongful act. To reach customers, while introducing the product or services to customers, some unethical practices are adopted by digital marketers and consumers are deceived and misrepresented to their sites as well as the rights of sellers are violated by such anti-competitive practices. Marketing and selling of counterfeit products are addressed under the trademark laws of various countries such as the USA,*

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\* Dr. Deepti Nahush Khubalkar is an Assistant Professor at Symbiosis Law School, Nagpur, a constituent of Symbiosis International (Deemed) University, Pune. She has a rich experience of more than 15 years in teaching graduate and post-graduate students, as well as guiding them in their research projects. Her subject interest is in Constitutional Law, Criminology and Jurisprudence. She has published papers in the journals of repute and participated/presented papers in various national/international seminars/conferences. Besides this, she also has authored few books. She is an editor of few UGC referred, national and international journals.

‡ Dr. Shilpa Santosh Sharma is presently working as Assistant Professor in Symbiosis Law School, Nagpur affiliated to Symbiosis International University, Pune. She has more than 15 years of teaching experience in law subjects like Environmental Law, Arbitration, Contract etc.

*the UK, and India. Thus, more focus is on protecting the rights of the owner of the goods than protecting the rights of customers. This paper examines the deceptive practices adopted by marketers on digital platforms and the rights of consumers against counterfeit products. This paper also investigates the legislative framework in India and compares it with the framework at global level.*

**Keywords:** Digital marketing, Counterfeit, Product, Consumers, Direct selling, Law, India.

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## I. INTRODUCTION

The rapid growth of e-commerce platforms and the emergence of third-party online market places connected to these platforms has revolutionized the trading of goods. Consumers are informed and attracted to purchase products on these platforms.<sup>1</sup> Marketing and selling of counterfeit products is harmful to the reputation and economy of the country as well as to the health and economy of the consumers. It creates distrust among consumers about the market and products belonging to a country. Therefore, the legal framework of countries provides protections to consumers as well as interested parties against this wrong. It is illegal to market or sell the counterfeited products on internet. Social media platforms also face the problem of counterfeited products and follow the policies of banning and prohibiting the advertisement, promotion, and facilitation of sale of such products on their platform. On the other hand, marketing is commercial speech which talks about the product. Freedom of speech and expression includes freedom of commercial speech to enforce freedom of trade more effectively. Right to information is one of the facets of this right which is fulfilled through marketing when customers are informed about the

<sup>1</sup> Jennifer McAdams, 'The Growing Importance of Ecommerce During COVID-19 & Benefits of Online Selling' (*Progress*, 2021) <<https://www.progress.com/blogs/the-growing-importance-of-ecommerce-in-a-post-covid-19-world>> accessed 2 February 2022.

variety of products available in the competitive market.<sup>2</sup> Digital marketing is a recent trend in marketing. With the evolution of the internet, we see radical change all over the globe towards digitalization. The traditional market is transforming to a digital market and running parallel with the traditional market. Consumers are seeing and examining more on digital platforms to find the best transaction from the competitive market and sellers around the world.

In this process, search engine optimization, search engine marketing, content marketing, influencer marketing, content automation gains importance, and consequently, it has led to the new era of digital businesses and marketing where the services of marketing are hired by the manufacturers or sellers. These marketing agencies are also providing services of social media optimization, email direct marketing, Whatsapp, and Facebook messaging system to attract customers.<sup>3</sup> Digital marketing has a huge reach and is cost-effective, as compared to the traditional marketing system.

The increasing use of smart phones and social media has led to the creation of new opportunities for digital marketing and the COVID-19 pandemic has accelerated this change, both in the use of online platforms as well as communication modes. Companies are gaining business just by providing information about products and advertising space such as Just Dial, Urban Pro etc. while many are doing both trading and marketing. The legal status of these service providers is just like an advertising agent of the trader only. Hence, whatever imputations are made by the marketing agency is the statement of the owner of the product. Therefore, if unfair means are adopted to promote a product, the master will be vicariously liable. Consumers are not told by service providers who and where to contact for misleading marketing in the online method. Secrecy about the seller's identity can be maintained in the digital method. As a result, catching the person dealing in counterfeit goods is quite tough. Amazon, Alibaba, and other intermediaries are not directly accountable for the same. When permitting sellers to sell things, the law assumes that the intermediaries have authenticated knowledge of the commodity. When internet platforms, such as Big Basket, encourage people to purchase products from their site, the assurance of product quality makes them liable.<sup>4</sup>

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<sup>2</sup> Adam D Thierer, 'Advertising, Commercial Speech, and First Amendment Parity' (2011) 5 *Charleston Law Review* <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2227084](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2227084)> accessed 28 March 2022.

<sup>3</sup> Rhonda Hadi, Gil Appel and Lauren Grewal, 'The Future of Social Media in Marketing' [2019] *Journal of the Academy of Marketing Science* 79.

<sup>4</sup> Mohammed T Nuseir, 'Is Advertising on Social Media Effective? An Empirical Study on the Growth of Advertisements on the Big Four (Facebook, Twitter, Instagram, WhatsApp)' (2020) 10 *International Journal of Procurement Management* 1.

The liability of the product seller is towards consumers as well as other affected parties. Infringement of trademark and identity of a product belonging to another person by appropriating the name or identity of another for his interest during marketing is the wrongful act of passing off. While making imputations in marketing (including digital marketing), passing off is a violation of commercial speech under the laws of the UK and India. Selling counterfeit products is prohibited in many countries to provide protection to consumers. Counterfeiting involves manufacture and selling of products which are not genuine, to deceive the consumers.<sup>5</sup> It involves the use of trademark of other sellers to defraud the consumers. In India, there is no special legislative framework to protect consumers against counterfeit products. Selling products on the internet has made it easier to counterfeit products and sell them to consumers.<sup>6</sup> Goodwill is an intangible asset of any business. It can be said to be the established reputation of a business, which is usually quantifiable and is transferred as part of the sale. However, there can be a transfer without goodwill. Counterfeiting of product, passing off, disparagement of goods, injurious falsehood, and comparative advertising of two or more products with dishonest intention of denigrating a competitor causing damage are some of the issues of unethical and illegal marketing. Counterfeiting is a punishable offence and part of trademark violation laws of many countries that are committed to the TRIPS Agreement.<sup>7</sup>

## II. ANALYSIS AND DISCUSSION OF THE STUDY

Modern day customers mostly first search online for the product they want to buy, any place they wish to travel to, or for any services. They see images of products, read about them, compare prices with other products, see the exchange facility and preferable online payment modes, and more importantly search for trusted sites as safeguard against cybercrimes. So, the marketer also looks for the satisfaction of the customer's need of research about the product, and hence, provides a thoughtful model of advertising the product on various trusted and popular platforms, such as Amazon, Flipkart etc. Making money from advertising is not the business of this kind of site. These sites are big businesses and are likely to be advertisers on other sites themselves.

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<sup>5</sup> Rajender Kumar, Saurabh Verma and Sunil Kumar Yadav, 'An Empirical Study on Consumers' Buying Intentions of Counterfeit Products in India' (2019) 23 *Journal of Intellectual Property Rights* 250.

<sup>6</sup> Ashok Kumar Patel, 'A Study on Counterfeit Brands, Consumer Attitude, and Initiatives to Stop Counterfeiting in India' (2018) 5 *Ad Valorem Journal of Law* 69.

<sup>7</sup> WTO, 'TRIPS Agreement – Article 61 (Jurisprudence)' <[https://www.wto.org/english/res\\_e/publications\\_e/ai17\\_e/trips\\_art61\\_jur.pdf](https://www.wto.org/english/res_e/publications_e/ai17_e/trips_art61_jur.pdf)> accessed 28 February 2022.

### III. DIGITAL MARKETING AND DIFFERENT MODES

The internet has changed the way the world publishes content and advertises and markets products. It is now possible for anyone to publish a website, and if the content of the site draws traffic, online marketing makes a newcomer known to the market with no additional effort.

Google's AdWords program (now called Google Ads) and contextual and CPC advertising and marketing, in which the advertiser pays by the click, have also revolutionized advertising. Contextual advertising means that the ads are relevant to site visitors. Its auction mechanism makes targeted, low-cost advertising available to almost everyone and means that there is no need to hire a specialized advertising agency to place professional and effective ads. It also provides reports and mechanisms, such as conversion tracking, for understanding how successful your ads are.<sup>8</sup> An advertisement is an important tool of marketing. This is big business, with interested parties ranging from business people to advertising agencies to technical folk. If sellers need to advertise, want to advertise, or are advertising managers, the online platform is the easiest tool to attract traffic for the business.<sup>9</sup> Another way of building marketing is through blog and forum participation. An increasingly effective way to build links is through content marketing on blogs, social media websites, and other content aggregators, such as press release distributors etc. Businesses can invite or hire guest bloggers to write interesting content about the products or services of the businesses with links back to their websites. Another content marketing strategy is to design infographics. Content marketing using infographics is a method of brand and link building that uses graphically represented information in the form of infographics. It also serves as a useful tool to convey complex information or to provide summary visual data on specific topics in a particular field of expertise or profession.

Twitter Search is a strong and rapidly growing real-time search engine from Twitter. Unlike Google and Bing, which update their search indexes every few days or weeks, Twitter Search updates its complete collection of news and tweets on a real-time basis. The most effective method to use Twitter Search to increase your followers on Twitter is to enter keywords related to the seller's exact product or service into Twitter Search. When sellers receive search results from Twitter, they follow users who mention the desired keyword.

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<sup>8</sup> Dr Madhu Bala and Deepak Verma, 'A Critical Review of Digital Marketing' [2018] International Journal of Management, IT and Engineering <[https://www.researchgate.net/publication/328253026\\_A\\_Critical\\_Review\\_of\\_Digital\\_Marketing/link/5bc720c292851cae21a8b701/download](https://www.researchgate.net/publication/328253026_A_Critical_Review_of_Digital_Marketing/link/5bc720c292851cae21a8b701/download)> accessed 30 March 2022.

<sup>9</sup> H Davis, *Google Advertising Tools: Cashing in with AdSense, AdWords, and the Google APIs* (Shroff Publication 2006).

One of the popular business-oriented social networking platforms is LinkedIn, where sellers get to connect with like-minded people and establish a network. You may access a vast network of connections with whom you can engage in business, offer jobs, and advertise your firm by developing a database of contacts with individuals you know and trust in business. LinkedIn is a great place to provide professional information and updates about your professional or business related operations. Users can upload, view, and share video clips on video-sharing websites such as YouTube. Videos are an excellent approach to market your company or to build interest in your website.

#### IV. MARKETING AND CUSTOMER BEHAVIOUR

Studies on customer behaviour deal with how businesses can get closer to customers, both offline and online. From those studies, the following criteria can be identified as being important to consumers.

When today's customers want something, they want it immediately. They are not very tolerant of delays; they expect the product to be delivered on the promised date. Otherwise, they go elsewhere for their item. They not only want to be able to choose from a catalog or existing inventory but also want information to help them make the best selection. Further, customers not only want to get their products quickly but also want their orders to be well packaged, so that they arrive safely. The criterion relating to quality has changed over the years. No longer is it simply about a single product. It is all about the total buying experience of the consumer, which on the Web is based on a variety of factors, from the ease of usage of the site to additional information about the product being ordered to personalized service.<sup>10</sup>

Consumers do not want to have a problem with any product or service they purchase. However, if something goes wrong, they want to be assured that the retailer will solve the problem immediately. Their satisfaction is not based on the resolution of the problem alone; they want to feel they did not have to demand resolution to get it. If they did, they will criticize the service as a whole. Like total quality, service is based on the total buying experience. Today's customers want as much information before purchasing as you can provide, whether through a knowledgeable service person or printed information on a website. Like quality, service is a factor that can differentiate an organization from its competitors, all other things being equal.<sup>11</sup>

<sup>10</sup> Kuldeep Chand Rojhe, 'Review Paper on Factors Influencing Consumer Behavior' (2020) 83 *Test Engineering and Management* 7059–7066.

<sup>11</sup> Rebecca Saunders, *Business the Amazon.com Way: Secrets of the World's Most Astonishing Web Business* (Thomson Press 1999) 119.

In traditional retail, customers do not want to encounter surly salespersons. On the Web, they want to have some fun at the sites from which they make purchases. In both real-time and online retailers, however, customers also want to easily return products without being given a tough time.

## V. NETWORK MARKETING AND DIRECT SELLING

Network marketing is the preferred direct selling channel that places a strong emphasis on its compensation plan where they get compensation by selling the product directly to the customers or sale or purchases made by people to whom they are recruiting as member of the networking system.<sup>12</sup> Direct selling is an emerging concept of marketing in India. It involves the concept of direct selling of the product to customers without any middlemen on the basis of mouth to mouth publicity. Recently in India, network marketing promoting pyramid scheme has been prohibited, protecting the rights of consumers against fraudulent schemes.

## VI. MODES OF MARKETING AND SELLING OF COUNTERFEIT PRODUCTS

### A. Domain Marketing and Cyber Squatters

To establish one's existence on the internet, one has to have an address. When the world is virtual, locating someone or some information is a herculean task. To make things easier, legible, and handy, a Domain Name System was started. However, it has created a problem for the corporate giants, an apprehension that their name, a trademark, may be stolen by a layman to reap a rich harvest out of it. The system of registration of domain names came as a necessity to specify who's who on the internet. It is for the applicant of the domain name to see that his domain name is not violating any trademark.<sup>13</sup> If he does it intentionally (i.e. if the brand is well known), he will be dealt with as an infringer of the trademark, committing passing off. Similarly, 'typo squatting' is registering a domain name which is a minor variation or common typographical permutations of already registered domain names to divert internet users to their website through typing errors.<sup>14</sup> In this way, marketers seek to get profit from controlling domain names. With the increased use of

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<sup>12</sup> Geevarghese K Mathews, James Manalel and Siby Zacharias, 'Network Marketing: Exploitation of Relationships - Myth or Reality?' [2007] International Marketing Conference on Marketing & Society <[https://www.researchgate.net/publication/242379518\\_Network\\_Marketing\\_Exploitation\\_of\\_relationships\\_-\\_Myth\\_or\\_Reality](https://www.researchgate.net/publication/242379518_Network_Marketing_Exploitation_of_relationships_-_Myth_or_Reality)> accessed 27 April 2022.

<sup>13</sup> Thierer (n 2).

<sup>14</sup> J Rattan, *Cyber Laws & Information Technology* (6th edn, Bharat Law House 2017).



product name or business name as a domain name for digital marketing of counterfeit products, cases of cybersquatting are also increasing worldwide. Cybersquatting involves the act of registering, selling, or using a domain name with the intent of earning from the goodwill of someone else's trademark. Normally, it refers to the practice of purchasing domain names that use the names of existing businesses to sell the names for profit to these businesses. A good number of applicants intentionally get registered as the trade names of corporations, to reap rich dividends, and their *mens rea* is evident.<sup>15</sup>

## **B. Digital Marketing and Use of Cookies**

Cookies are used to bring the targeted result of digital marketing. Cookies follow the user data by storing behaviour evidence, which permits digital marketers, sellers, or services to target customers and groups according to their needs. It collects data based on the history of the internet user's search on different web pages; the interests and needs of the customer are identified. Thus, if one wants to track a user's behaviour without asking the user for data, it can do so with cookies. When a user visits the site, the server can store up to 20 cookies on the user's machine and when the user returns to the site, the server can request any cookies, previously stored by that server, to see information from previous visits.<sup>16</sup> A web bug is yet another type of spyware, which is a file object that is placed on a web page or in an e-mail message to monitor user behavior.

## **C. Email Marketing and Spamming**

Spam is the typical problem faced by e-consumers. The biggest problem while working on email is that a person often receives unsolicited bulk e-mails which he has not asked for from the digital marketers. These spams are generally sent by commercial companies as an advertisement of their products and services, especially when they were cross-posted to several newsgroups.

## **VII. PASSING OFF IN DIGITAL MARKETING**

Passing off is one of the forms of unfair competitive practices. Though its importance has considerably been reduced by the passing of the Copyright Act, 1957, the Trade Marks Act, 1999, and the Patents and Designs Act, 1970, it still provides a remedy where the law of trademarks is inapplicable or where there

<sup>15</sup> T Fatima, *Cyber Crimes* (Eastern Book Company 2016) 30-44.

<sup>16</sup> 'What is the Maximum Size of a Web Browser's Cookie's Key?' <<https://stackoverflow.com/questions/640938/what-is-the-maximum-size-of-a-web-browsers-cookies-key>> accessed 27 April 2022.

has been no registration of trademarks or the registration is invalid. Similarly, passing off claims may be brought in cases of infringement of copyright.<sup>17</sup> The gist of passing off is a deceptive resemblance but in case of copyright violation, the aggrieved party complains that the defendant's work is derived from the plaintiff's work. The emergence of passing off actions can be traced back to the common law system on the simple principle that a person is not to sell his goods or services under the pretense that they are those of another. If a defendant does so, he is misappropriating the effort of the plaintiff who is the claimant.

Passing off is that species of unfair competition by which one person, by the use of deceptive service, attempts to obtain the commercial benefit of the reputation which another has established for himself in any trade, business, or service.

Law forbids internet marketers from using the name of another company as a domain name or trademark because it makes it difficult for buyers to select the brand of their choice. In India, both the laws governing intellectual property and consumer protection recognize these actions as misleading practices. The main object of a passing off action is to protect commercial goodwill and to ensure that a person's business reputation is not misused or exploited by another.<sup>18</sup>

Business goodwill being a proprietary right, the law seeks to protect against all kinds of encroachments. The essence of passing off action lies in the determination of whether the manner in which the defendant's products or goods are being marketed is likely to confuse the buyers that the product is someone else's brand. If not, it does not constitute a tort of passing off.<sup>19</sup> It is significant to note that the law does not prohibit a person from launching a similar product to exploit the market which has been built up entirely by the plaintiff's efforts. The law seeks to encourage a free competitive market through the use of fair trade practices.

The main ingredients of the wrong of passing off includes that there should be a misrepresentation and it should be made by a trader in the course of trade, advertising, or marketing the product. Further, the misrepresentation should be made to prospective customers of his goods or services supplied by him. It should be aimed at injuring the business or goodwill of a rival trader. It should

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<sup>17</sup> ME Laskar, 'Passing Off and Infringement of Trademarks – India' (2013) <<https://doi.org/DOI:10.2139/ssrn.2410451>> accessed 27 April 2022.

<sup>18</sup> Rahul Chakraborty, 'Growth of Intellectual Property Law and Trade Marks' (2009) <<https://doi.org/http://dx.doi.org/10.2139/ssrn.1335874>> accessed 27 April 2022.

<sup>19</sup> *Moorgate Tobacco Co Ltd v Philip Morris Ltd* (1984) 156 CLR 414.

cause or threaten to cause actual damage to a business or goodwill of the trader by whom action is brought against the defendant.

Thus, in an action of passing off against the defendant, the plaintiff is not required to prove latter's fraud, i.e. that anyone was deceived, nor is he required to prove actual damage; a mere possibility of a loss of sale would suffice to succeed in the action.<sup>20</sup> In an action for passing off, the main issue involved is regarding misrepresentation by the defendant which is likely to confuse the public mind that the goods or business is that of the plaintiff. A common form of passing off is imitating or copying the plaintiff's registered trademark. This is actionable under the Control of Misleading Advertisements Regulations, 2000, or in a civil suit for damages under the tort of passing off.

### **VIII. DIFFERENT MODES OF COUNTERFEITING ADOPTED IN DIGITAL MARKETING**

There are several modes of counterfeiting by passing off one's goods in the name of another person's goods. The marketer expressly declares that the goods which the actual owner of the goods is selling is his goods, and thus, fraudulently sells the original owner's goods as his own. The marketer would resort to this unfair tactic when his goods are inferior in quality as compared to the goods of the original owner and the latter has a better market due to his goodwill among the customers. Marketers may use any digital platform for such expression, including blog writing, content writing on a website, or advertisement on various digital platforms including social media like Facebook, WhatsApp etc.

A marketer may adopt a trademark closely resembling that of the original trader's trademark with a slight alteration to mislead the public that his product is that of the plaintiff's product. He may use a trademark that has already been registered in the name of other traders. Company law in India provides that no company or business organization should adopt a trading name that contravenes the provisions of Emblems and Names (Prevention of Improper Use) Act, 1950.<sup>21</sup>

Passing off may be committed by marketers and sellers by imitating the getup or appearance of original labels having a good reputation in the market. Sometimes, these wrongdoers use the original trademark to sell off their goods. Where the seller has imitated the packing, bottling etc. of his products

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<sup>20</sup> *Erven Warnink Besloten Vennootschap v J Towned & Sons (Hull) Ltd* 1979 AC 731.

<sup>21</sup> Companies Act 2013, s 20.

or goods and makes it appear as if the goods are those of the original owner, he is committing the wrong of passing off.

Website marketers can even purchase such famous domain names with cyber squatters or register domain names identical to the reputed name of the product belonging to others. There are different parts of a domain name, these people make changes in Second Level Domain (SLD), mostly by adding sub domains to SLD. Cybersquatters register a domain name which is a minor variation or common typographical permutation of already registered domain names to divert internet users to their website by typing errors and selling it to the competitor seller for digital marketing by which he diverts the customers to his business by misrepresenting. Personalized, behavioural, and contextual advertising may also target customers with greater precision which unduly manipulates the customers decision and choice of the product.<sup>22</sup>

In *Yahoo! Inc v Akash Arora*,<sup>23</sup> the defendant was restrained from using the domain name *Yahooindia.com* which had the format, content, and color scheme identical to the plaintiff's "Yahoo.Com". The Delhi High Court observed that domain names "Yahoo!" of the plaintiffs and "*Yahooindia*" of the defendants are almost similar, except for the use of suffix "India" in the latter. Further, in the *Maruti* case, the court directed the defendant to transfer it to the complainant.<sup>24</sup>

## IX. LEGISLATIVE FRAMEWORK IN DEVELOPED COUNTRIES

Selling counterfeit products is prohibited in the UK as an illegal act. Selling or advertising fake goods to consumers attracts civil and criminal liability. In the UK, counterfeiting of goods is directly addressed under the Trade Marks Act, 1994 to protect the rights against misleading marketing, unfair trading and deceptive and fraudulent practices adopted by sellers. The Act was consequently amended in the years 1994, 1996, 2006, 2008. Though the Act protects the rights of the original owner of the goods, it also provides protection to consumers against unfair trading. Under Section 41 of this Act, offences include unauthorized use of trade mark, offences under the Trade Descriptions Act, 1968, offences under the Business Protection from Misleading Marketing Regulations, 2008, offences under the Consumer Protection from Unfair Trading Regulations, 2008, or any offence involving dishonesty or deception.<sup>25</sup>

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<sup>22</sup> Jeannie Marie Paterson and others, 'The Hidden Harms of Targeted Advertising by Algorithm and Interventions From the Consumer Protection Toolkit' (2021) 9 International Journal on Consumer Law and Practice.

<sup>23</sup> 1999 SCC OnLine Del 133 : (1999) 1 Arb LR 620.

<sup>24</sup> *Maruti.Com v Maruti Udyog Ltd* 447 F Supp 2d 494 (D Md 2006).

<sup>25</sup> Trade Marks Act 1994.

Consumers' rights are protected under the Consumer Protection from Unfair Trading Regulations, 2008, which were amended in the year 2014.<sup>26</sup> The law protects consumers from unfair or misleading trading practices and sales tactics. The Regulations specifically deal with business to consumer practices.<sup>27</sup> They impose a statutory duty upon sellers and traders to behave honestly and in good faith with consumers.<sup>28</sup> Misleading practices are specifically prohibited under Regulation 6 and include advertisements to mislead consumers about goods.<sup>29</sup> Consumers have a right to claim damages against the violations of their rights, subject to two conditions, namely - there must be a contract and it must be proved that the misleading practices were committed. Further, under Schedule 1, a list of blacklisted unfair trade practices is provided, for which criminal liability is provided under the law.<sup>30</sup> The E-commerce Regulation, 2002 imposes a range of obligations on the operator of the commercial websites. Further, the General Data Protection Regulation (GDPR) and the Data Protection Act, 2018 also provide protection to the personal data of users. The Privacy and Electronic Communications (EC Directive) Regulations, 2003 govern direct marketing (both solicited and unsolicited) by means of electronic communication.<sup>31</sup> The landmark case of *O2 Holdings Ltd v Hutchinson 3G Ltd*<sup>32</sup> introduced a new defence to trade mark infringement under the Comparative Advertising Directive. The petitioners, a leading provider of mobile telecommunication services in the UK, had been using imagery including bubbles in its advertisements since 2002 and had spent \$320 million on advertising and promotion. The bubble formed a part of the petitioner's identity. The bubbles in the respondent's advertisement was similar to O2's bubble and that it could have caused confusion. In this case respondents took the defence under the comparative advertising directive which lays down conditions for acceptable comparative advertising such as it must not be misleading, must compare goods meeting the same needs, must not create confusion, must not take unfair advantage of the reputation of the competitor's trade mark and must not present goods or services as imitations or replicas of goods of the competitor trade mark owner.

USA laws also prohibit counterfeiting the goods and provide protection to consumers. In the USA, counterfeiting of goods is a punishable offence under

<sup>26</sup> Consumer Protection from Unfair Trading Regulations 2008.

<sup>27</sup> *ibid* reg 3.

<sup>28</sup> *ibid* regs 3(1), (3), (4).

<sup>29</sup> *ibid* reg 6.

<sup>30</sup> *ibid*.

<sup>31</sup> Craig Giles and Will Deller, 'Digital Business in the UK (England and Wales): Overview' (Thomson Reuters, 2022) <[https://uk.practicallaw.thomsonreuters.com/7-618-4909?transition-Type=Default&contextData=\(sc.Default\)&firstPage=true](https://uk.practicallaw.thomsonreuters.com/7-618-4909?transition-Type=Default&contextData=(sc.Default)&firstPage=true)> accessed 3 March 2022.

<sup>32</sup> 2006 EWHC 534 (ch) 12.

the Trafficking in Counterfeit Goods or Services federal law, which provides punishment with fine and imprisonment for 10-20 years. The law protects consumers against traffic in goods or services and use of spurious/counterfeited marks on goods.<sup>33</sup>

In the USA, there are very few laws to regulate the online marketing and selling of counterfeit products or legal standards for third party consumer protection. The law holds the e-commerce site liable to regulate the trading activities of counterfeit products on their platforms. In the last few years, there is a remarkable increase in the selling of counterfeit products through the electronic medium.<sup>34</sup> Counterfeiting is also covered under two US laws - Trademark Counterfeiting Act, 1984 and the Lanham Act. Both are federal statutes and provide civil remedies to the aggrieved person.<sup>35</sup> Counterfeiting is also subject to criminal liability in the US, and is punishable with imprisonment for up to 10 years and penalty.<sup>36</sup> In civil cases, the trade mark owner can secure seizure order of such spurious goods. Internet service providers are protected in certain circumstances under the Trade Mark and the Digital Millennium Copyright Act.<sup>37</sup>

## X. LEGAL FRAMEWORK IN INDIA

Besides personal property rights and remedies against invasion on business rights, there is a species of incorporeal property rights that are recognized by law for securing to every individual the fruits of his industry labour or capital. Most countries, including India, have now enacted separate statutory legislations for the protection of these rights; the disputes relating to them are decided under the relevant statutory laws. Injuries to patent rights and cases of infringement of copyright, trademark etc., which relate to intellectual property are disposed of under the Trade Mark Act, 1999, the Copyright Act, 1957 etc.

<sup>33</sup> 18 USC 2320 Trafficking in Counterfeit Goods or Services.

<sup>34</sup> US Department of Homeland Security, 'Combating Trafficking in Counterfeit and Pirated Goods: Report to the President of the United States' (24 January 2020) <[https://www.dhs.gov/sites/default/files/publications/20\\_0124\\_ply\\_counterfeit-pirated-goods-report\\_01.pdf](https://www.dhs.gov/sites/default/files/publications/20_0124_ply_counterfeit-pirated-goods-report_01.pdf)> accessed 29 March 2022.

<sup>35</sup> Kristina Schrader and Maia Woodhouse, 'Procedures and Strategies for Anti-Counterfeiting: United States' (2019) <<https://www.worldtrademarkreview.com/global-guide/anti-counterfeiting-and-online-brand-enforcement/2019/article/procedures-and-strategies-anti-counterfeiting-united-states>> accessed 28 February 2022.

<sup>36</sup> UNODC, 'Counterfeit Products' <[https://www.unodc.org/documents/data-and-analysis/tocta/8.Counterfeit\\_products.pdf](https://www.unodc.org/documents/data-and-analysis/tocta/8.Counterfeit_products.pdf)> accessed 24 March 2022.

<sup>37</sup> Thomas SE Hilton and Ingrid Ulstad, 'An Ethics Analysis of the Digital Millennium Copyright Act' (2004) 5(2) Issues in Information Systems <[https://www.researchgate.net/publication/242681201\\_AN\\_ETHICS\\_ANALYSIS\\_OF\\_THE\\_DIGITAL\\_MILLENNIUM\\_COPYRIGHT\\_ACT](https://www.researchgate.net/publication/242681201_AN_ETHICS_ANALYSIS_OF_THE_DIGITAL_MILLENNIUM_COPYRIGHT_ACT)> accessed 24 March 2022.

Trademarks in the commercial field give protection from imitation. Trademark law aims to protect words and symbols used in the commercial field by traders to identify their goods. This will give a distinct identity to the goods of the trader. Trademark serves four functions:<sup>38</sup>

1. It identifies the goods and services and their origin;
2. It guarantees its unchanged quality;
3. It advertises the goods and services;
4. It creates an image for the goods and services.

In India, the Trade Marks Act, 1999 is in compliance with TRIPS obligation. It gives better protection to the owner of trademarks and also lays down conditions for the acquisition of trademark and provides legal remedies in case of violation.

Besides legislations relating to intellectual property rights, there are other enactments, namely, the Sale of Goods Act, 1930, the Indian Contract Act, 1872, and the Consumer Protection Act, 2019 which talk about product liability and liability of the seller where consumers are misrepresented for the purchase of products by advertisement or any other mode of marketing in physical as well as in digital platform.<sup>39</sup> The Act imposes duty upon the e-commerce entities to be incorporated under the Companies Act, 2013 or under FEMA 1999.<sup>40</sup> Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2017 includes the e-commerce entity which is a company incorporated under the Companies Act, 1956 or the Companies Act, 2013 or a foreign company covered under section 2(42) of the Companies Act, 2013 or an office, branch or agency in India as provided in Section 2(v)(iii) of FEMA 1999, owned or controlled by a person resident outside India and conducting the e-commerce business. To enable consumers to make informed decisions relating to purchase, e-commerce entities should set terms of contract with sellers relating to return, refund, exchange, manner of payment, and grievance redressal mechanisms. Further, e-commerce entities should confirm that the advertisements for marketing of goods are consistent with the actual features of such goods. The Consumer Protection (E-Commerce) Rules, 2020 also provide that if a buyer informs the e-commerce entity about a counterfeit product being sold on its platform, and the e-commerce entity is satisfied after conducting due diligence, it will notify the seller, and if the seller is unable to provide any evidence that the product

<sup>38</sup> A Kapczynski, *Access to Knowledge: A Conceptual Genealogy* (Zone Books 2010).

<sup>39</sup> H Keith, *Tort Law* (CUP 2016).

<sup>40</sup> Consumer Protection (E-Commerce) Rules 2020, r 4.

is genuine, it will remove the listing and notify the consumers.<sup>41</sup> The Rules are applicable to all products which are sold over digital network.<sup>42</sup> The new Consumer Protection Act and the Rules passed on e-commerce is a significant step taken by legislators in India to encourage e-commerce as well to gain trust of the consumers on e-commerce platforms.<sup>43</sup> The Consumer Protection (Direct Selling) Rules, 2021, passed under the Consumer Protection Act, 2019 prohibit multi-level marketing and pyramid schemes. Prior to passing of this rule, guidelines were issued in the year 2016 to regulate multi-level marketing. The law imposes an obligation upon direct selling entities to ensure that they do not indulge in fraudulent, unfair, and deceptive trade practices.<sup>44</sup>

The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 were notified by the Ministry of Electronics and Information Technology in the year 2021.<sup>45</sup> The Rules provide the due diligence to be followed by an intermediary (including social media intermediaries) while discharging its duties, the grievance redressal mechanism and digital media code of ethics.<sup>46</sup> They provide that the intermediary should ensure to inform the user of its computer resource not to host, display, upload, modify, publish, transmit, store, update or share any information that belongs to any other person, which infringes any patent, trademark, copyright or other proprietary rights, with intent to mislead any person for financial gain or to cause any injury.<sup>47</sup> The clause has been criticized for being too wide in its coverage of service providers' responsibilities. When the content on the website is not within their knowledge, the service provider is granted immunity. The concern is whether the laws will be effective in combating the problem of counterfeit products being sold on e-commerce platforms.<sup>48</sup>

The rapid growth of e-commerce has posed a significant challenge to the protection of rights of consumers against counterfeit products all over the world. The UK and the USA have e-commerce legislation and trademark law

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<sup>41</sup> *ibid* r 5.

<sup>42</sup> *ibid* r 2.

<sup>43</sup> N Chawla and Basant Kumar, 'E-Commerce and Consumer Protection in India: The Emerging Trend' [2021] *Journal of Business Ethics*.

<sup>44</sup> Consumer Protection (Direct Selling) Rules 2021.

<sup>45</sup> Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021.

<sup>46</sup> Fatima Talat, *Cyber Crimes* (3rd edn, EBC Publishing Ltd 2021)827.

<sup>47</sup> Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021, r 3.

<sup>48</sup> Moksha Sharma and Keerti Pendyal, 'Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021: Protection From Malicious Content or Chilling Free Speech' (2021) Centre For Research in Finance, Technology & Law Working Paper No 3/2021<[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3967857](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3967857)> accessed 30 March 2022.



against counterfeit products marketed or sold through the digital medium. India also has basic legal framework against the trading of counterfeit products and for the protection of rights of consumers after passing of the new Consumer Protection Act, 2019 and the E-Commerce Rules, 2021 as well as the Intermediary Guidelines Rules, 2021. In India as well as in the UK and the USA, there are no special laws on this issue but efforts are still underway through constant amendments in the law. As per 2019 statistics, out of 142 countries, 115 countries have adopted legislation on consumer protection relating to e-commerce.<sup>49</sup>

## XI. CONCLUSION

With the evolution of e-commerce, consumer behavior is also changing. People are becoming more aware of their rights and opportunities. This revolutionary change has been brought about by information technology. The way people interact and communicate with each other all over the globe has changed drastically due to globalization and e-revolution. This has led to new ways of functioning e-business. Now, we have new terminology of cyberspace, digital marketing, website marketing, email marketing, e-transactions, and different modes.

Just like the physical world, cyberspace is misused and exploited by digital marketers to push their sales by unethical means. Passing off is one of these unauthorized modes of anti-competitive practices. Common law remedies for passing off are even provided to those names which are not registered trademarks. This concept is developed with the increasing use of digital platforms for product marketing. The question of passing off arises wherever the customers are misrepresented regarding the identity of the product by using deceptive means and it causes injury to the owner of the name of the product. A trader's goodwill is protected in the action of the passing off in all common law countries. Goodwill is the right of the seller, which can not be stolen by unethical means. However, in the case of domain name passing off, non-cooperation between the two registering authorities i.e. trademark registering authority and Internet Corporation for Assigned Names and Numbers (ICANN) creates the problem of the use of the registered trademark of another as a domain name by another. If the genuine seller and his rights are safeguarded against the infringement of original identity, the consumer's rights are adequately protected.

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<sup>49</sup> 'Online Consumer Protection Legislation Worldwide' <<https://unctad.org/page/online-consumer-protection-legislation-worldwide>> accessed 30 March 2022.

Though the Uniform Domain Name Dispute Resolution Policy (UDRP) provides a mechanism of non-judicial dispute resolution, with increasing digital dependence, some concrete procedure of checking the violation at the stage of registration of domain name should be provided. Proper guidelines to restrict these practices to intermediaries and internet service providers should be issued by the government. Strict legal checks should be provided, such as anti-cybersquatting consumer prevention laws with exemplary damages as a remedy. For checking unethical digital marketing, a separate statute should be passed to protect the rights to goodwill and consumers' rights against unethical digital marketing.

Digital marketing has become a necessity for present-day businesses. However, fair competition requires that the practices adopted by marketers while using technology should not be anti-competitive or unfair to the right owner. The present legal framework is not adequate to deal with these problems effectively. The analysis of laws in developed countries also reveals that the problem of counterfeit goods sales and marketing is mostly addressed under trade mark regulations. Consumer protection laws do not successfully address the concerns that are needed to defend consumer rights yet India's new consumer protection statute and rules are a positive beginning towards addressing this problem.