



Brand Briefing

6th June 2016

Getting stung online

A briefing on online substitute selling

Many consumers are not getting what they ordered when shopping online. They may believe they have purchased a specific branded product from a website but when it is delivered, it turns out to be a generic or imitation version, not the real thing. The British Brands Group is keen to see this addressed.

THE PROBLEM

Shoppers search for a product online using generic / descriptive words, a brand name or a combination of these in the search engine. The search returns a list of sellers with popular brands at the top of the search, reflecting their reputation and value over time. Shoppers will purchase from the seller they think is offering the brand at the lowest price but the product actually delivered is not the brand but a cheaper generic or imitation substitute.

THE PLAYERS

- The shopper Anyone purchasing products online is a potential victim. Inertia, a belief the product is made by the brand owner or a lack of awareness may inhibit the return of the product and/or the raising of a complaint.
- The brand owner Companies of all sizes are affected but particularly small and medium-sized companies. Affected sectors include garden equipment, LED lights, furniture, heating, clothing and games.
- Online sellers These range from one-man-bands to large, international retailers and distributors. Some sellers may commission online platforms to redeem products to the shopper on their behalf to lower costs and speed dispatch times.
- Online platforms These include companies such as Alibaba, Amazon, eBay and Rakuten.

CONTRIBUTORY FACTORS TO THE PROBLEM

- Online sellers are able to advertise products under a brand listing when they are not selling the brand but their own or generic product. They piggyback on the popular brand's higher listing.
- Manufacturers, often in the Far East, are too ready to provide competitors with products similar to that commissioned by the brand owner but at a lower price. They may compromise on quality to do so and use labels that imitate the original's brand imagery, infringing its IP rights.

- Should picking bins of the online platform be segmented by product type rather than brand, with a number of makes in the same bin, the shopper may get what is picked arbitrarily.
- Online sellers can move fast, changing listings and routes to market at speed, avoiding detection.
- Online platforms may not respond to brand-owners' letters of alert / complaint / request for information on the seller.
- It is feared that some online platform staff reviewing IP infringement notifications may not have the requisite knowledge to make informed decisions on de-listing infringers.
- Online platforms can be unable or unwilling to provide details of infringing online sellers, making it more difficult to serve cease and desist letters on the infringing seller.

THE IMPLICATIONS

Shoppers: do not receive the products they ordered; are sent products that are not compliant with UK law; and/or receive products that are poor quality and/ or dangerous.

Brand owners – lose sales; lose distributors; lose control of their brand; suffer reputational damage when shoppers are disappointed in the product delivered and give negative feedback; are rendered uncompetitive; are less able to invest and innovate; can and have failed.

Case studies are provided below illustrating specific experiences and problems encountered by brand owners.

LEGAL REMEDIES

IP rights, such as trade mark law and passing off, and the Consumer Protection Regulations provide a legal basis to address this form of switch-selling and they have the potential to be effective. A recent claim brought by Bonnington Plastics against a group of prolific substitute sellers resulted in an agreement to refrain and a settlement of £80,000 in compensation and costs.

TOWARDS A SOLUTION

The British Brands Group is working to discourage and significantly reduce online substitute selling, in the interests of shoppers, its members and other companies damaged by the practice.

The focus of the Group's work is to:

- alert brand owners to the risks of substitute selling, helping them spot when their products are targeted and providing the knowledge and tools to help them take action against substitute sellers;
- alert policymakers, regulators and public enforcers and to provide insight and support for policy, regulatory and enforcement initiatives to be effective;
- work with online platforms so they have the necessary information to act against infringers and that processes are effective in making sure shoppers receive the products they ordered.

To find a more permanent solution to the problem, we anticipate that a collaborative approach between brand owners, policy makers and online platforms will be required.

Case studies

Storage Solutions Ltd, trading as SPUR

About us

At Storage Solutions Ltd our best known brand is SPUR®, which has been in use since the 1950s and covers a wide range of products from the wall-mounted shelving for which it is best known to hanging basket brackets.



Online infringement and substitute sales

We became aware that a number of companies were selling cheap, light duty substitute products of generally poor quality, using our brand, artwork and images to fool customers into thinking they were buying genuine SPUR products. This problem was most acute online so we needed to understand how these substitute products were getting in front of customers.

Initially we focused on those who appeared high in the Google search ranking for the SPUR brand and those using it in text and titles on platforms such as eBay and Amazon. After being contacted, many substitute sellers ceased their activities altogether; others desisted for a while, only to re-appear months later, sometimes in a different guise; some simply refused to stop their activities. These latter categories became the main targets of our efforts.

Legal action

An initial hurdle was that we felt the law was not in touch with this relatively new problem. However, the courts are becoming more familiar with applying traditional laws to online platforms and new technologies with several legal precedents having been set. We have succeeded in taking legal action against substitute sellers through the court.

Our first success was in 2013 when we issued a claim against a persistent but small offender in the small claims division of the Intellectual Property and Enterprise Court. We secured an injunction preventing further infringements, with the directors personally liable for any breach. We also secured a compensation award of £10,000, the maximum permissible for small claims cases, together with costs. We currently have a number of similar actions underway.

The investment made to date by Storage Solutions against substitute selling is well over £100,000, a substantial commitment for a relatively small company but one we have little choice but to make to protect our brand. We have faced some challenging times, taking on companies ranging from back room sellers to some of the largest retailers in the world.

The future?

We wish to work with Trading Standards and Government agencies to tackle this huge problem. We wish to see brand owners uniting to support these organisations and to find solutions that will benefit consumers, legitimate online sellers and brand owners.

Bonnington Plastics, trading as KINGFISHER

About us

Bonnington Plastics has been trading for just under 50 years and is one of the largest importers of value for money gardening, DIY and houseware products in Europe. The company stocks around 2,500 products which are warehoused in the UK. We supply a whole spectrum of customers from large high street retailers with a few hundred shops to small independent retailers.

Substitute selling

Substitute selling is a big problem for Bonnington Plastics. Not only does it damage our reputation when customers receive a substitute (and often inferior quality) product but it also has a huge impact on our relationship with our distributors, which ultimately affects sales.

Due to the tight profit margins associated with our products, distributors often cancel orders as they cannot compete with substitute sellers offering rock bottom prices. Substitute sellers often secure the 'buy box' on Amazon, meaning that our customers struggle to sell the genuine Kingfisher products purchased from us.

Substitute sellers unlawfully benefit from the pulling power and high ranking of a Bonnington Plastics' online listing, whilst selling cheaper, substitute goods, seen in the example below:

Kingfisher product advertised



Substitute product delivered



What are we doing about it?

We have made a significant investment in IP protection. Our in-house legal team focuses on this and we have a close relationship with our external solicitors, Pannone Corporate, when legal proceedings are issued against substitute sellers. We have helped develop specialist software to detect IP infringement by substitute sellers and take action against such infringement across online platforms.

We have sent over 100 letters of claim to substitute sellers and secured pre-action settlements on occasions. We have also had successes in the High Court and IPEC where we have secured injunctions against companies and their directors engaged in substitute sales, recovering well in excess of £100,000 in compensation and costs. We are committed to raising awareness of the problem through seminars, press activity and working with others to eradicate the practice.

The future?

We wish to work with online platforms to find a more permanent solution to the problem.

RH Smith & Sons, trading as Smiffys, Fever Collection and Time for Fun

About Us

RH Smith & Sons is a leading supplier of fancy dress and dress-up accessories, serving around 5,000 stockists in 58 territories worldwide.

Substitute Selling

The increasing accessibility of online trading platforms allows anyone with a seller account to reach a wide customer base. Changes in the online trading environment have presented challenges for brand owners, the main one for us being substitute selling.

RH Smith & Sons is the proprietor of a huge catalogue of high quality copyright-protected images and a portfolio of trade marks, including those for its key brands Smiffys, Fever and Time for Fun. We became concerned that many sellers using our IP rights across online trading platforms were unlikely to be selling genuine RH Smith & Sons' products. Test purchases revealed that our IP rights were being used without consent to sell cheaper, inferior, non-branded or competitor products.

Substitute sellers use the Smiffys' brand in advertising whilst supplying either a competitor's product or a completely unbranded, inferior product as in the case to the right.

Ongoing Issue

The significant growth of online trading platforms means it is relatively straightforward for substitute sellers to list products across multiple territories just with the click of a button.

Substitute selling harms consumers, diverts sales and undermines our reputation as a leader in this market. We send cease and desist letters to a substantial number of infringers to deter offenders and to send a clear message that RH Smith & Sons will not tolerate substitute selling.

The future?

We and other brand owners are investing significant resource in dealing with this issue. However, taking action against a substitute seller today does not stop a new substitute seller cropping up tomorrow. Brand owners can only do so much to tackle the problem. Input is needed at a policy level and with co-operation from the online platforms if a more permanent solution is to be found.

Genuine Smiffys product



Substitute product



Seatriever International Holdings

About us

Seatriever is an innovative Cheshire-based company which designs, manufactures and distributes its own range of patented FMCG products. These include a unique range of illuminated latex balloons called ILLOOMS[®], standard balloons with an LED light, batteries and a pull tab. When the tab is pulled, the light within illuminates and the balloon can be inflated. They are stocked in leading UK retailers, exported worldwide and more than 200 million have been sold. ILLOOMS[®] are protected by a variety of IP rights and are classified as a “toy”, requiring compliance with the stringent EU Toy Safety Directive.

Substitute selling

Due to the success of ILLOOMS[®], a large number of substitute products have appeared on the market, selling mainly through websites such as eBay and Amazon (having been imported from China through websites such as Alibaba). When these do not conform with relevant safety standards, they may be unsafe and should not be distributed in the EU. Substitute products of poor quality attract negative reviews which, when wrongly attributed to ILLOOMS[®], damage our reputation and sales.

What are we doing about it

- A Brand Protection Guide for UK customs authorities helps them identify substitutes;
- bespoke third party software trawls over 120 e-commerce platforms daily;
- working with Amazon’s Product Integrity Team to reduce the risk of substitute sales;
- an in-house legal team investigates and implements IP enforcement strategies;
- a global network of external lawyers helps us take legal action, both civil and criminal;
- evidence bundles for trading standards authorities supports criminal prosecutions;
- participating in programmes such as BBC1’s Fake Britain informs consumers.

As a result, infringing distributors have incurred an estimated £1m in recall, product destruction, legal, compensation and other costs, largely relating to substitute sales.

The future?

A significant problem is that sellers can list items for sale on platforms without any due diligence on the product description or the actual item dispatched. An increasing number of Chinese sellers list items for sale on Amazon and eBay and ship directly from China, complicating enforcement.

When complaints are filed with platforms, co-operation is not always forthcoming, with platforms contending they are “passive” in the sale process and that the complaint should be directed to the seller instead. Action has not been taken even when we demonstrate the product is banned for sale in the EU for failing to meet requisite toy safety standards. Frequently, individuals tasked by platforms to analyse complaints do not appear to be trained or equipped to deal with the issue.

A recent discussion with Amazon’s brand protection team in the US established that there is awareness of the problem and that new reporting tools are being developed to facilitate complaints. At our request, a “bar” has now been implemented on users from China listing ILLOOMS[®] on Amazon without authority. Safety issues are also being investigated. These are encouraging developments and we hope to continue working with the online platforms to clear up substitute sales in the market.

Genuine Seatriever product



Substitute product

