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Legal Issues Focused on Live-streaming E-commerce and Corresponding Strategies

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ABSTRACT
Live-streaming e-commerce, as an emerging sales model, has rapidly developed in recent years. However, with its popularity, a series of legal issues have also emerged, including product quality, false advertising, and consumer rights protection. Through research and discussion on the legal issues of live-streaming e-commerce, corresponding strategies and recommendations have been proposed. These not only provide references for relevant enterprises and practitioners but also contribute to the improvement of relevant laws and regulations, promoting the healthy development of the industry and safeguarding consumer rights.

KEYWORDS
Live-streaming e-commerce; Legal issues; Product quality; False advertising; Consumer rights

1 Introduction

In today's digital age, live-stream shopping has emerged as a dynamic and convenient form of commerce, allowing merchants to showcase products and promote sales in real-time via live streaming platforms. This unique format has significantly boosted product sales and enhanced consumer experiences, attracting a growing number of businesses and consumers alike. However, as live-stream shopping continues to expand rapidly, alongside the excitement of this new shopping experience, legal issues and challenges have also come into focus.

2 The Rise and Development of Live-Stream Shopping

Live-stream shopping is a business activity that combines product showcasing, sales, and promotion through live-streaming platforms. With the continuous advancement of internet technology and the widespread use of social media, live-stream shopping has emerged as an innovative form of e-commerce. This model merges the features of live streaming and online shopping, allowing hosts to display products, interact with viewers in real-time, and facilitate purchases and transactions. As a result, it has garnered increasing attention and favor from both businesses and consumers.

The rise of live-stream shopping is largely due to the development of internet technologies and changing consumer habits. Through live-streaming, consumers can comfortably watch product demonstrations from home, gain in-depth product knowledge, and enjoy the shopping experience without the inconveniences of traditional in-store shopping, such as long queues or crowded spaces. For businesses and brands, live-stream shopping offers a new sales channel that rapidly promotes products, boosts sales, and fosters stronger connections with consumers.

While live-stream shopping integrates aspects of live streaming, e-commerce, and social interaction, offering businesses, hosts, and consumers a fresh shopping experience and commercial opportunities, it also presents a range of legal challenges.

3 Legal Issues in Live-Stream Shopping

3.1 False Advertising and Ambiguous Host Liability

Misleading Advertising and Misinformation about Products: In the process of live-stream shopping, hosts often exaggerate the effectiveness or features of products to attract consumers. For example, a host might claim that a skincare product can instantly remove wrinkles or that a health supplement can boost immunity immediately. In some cases, product ingredients are intentionally vague, concealing potential quality issues. A product may be marketed as containing valuable ingredients, without specifying what those ingredients are, or using technical jargon to confuse consumers. Hosts may also overstate the appearance or performance of a product to make it more appealing, misleading consumers into purchasing items that don't match their expectations.

Fake Traffic and Fraudulent Transactions: Firstly, fake traffic data. Live-streaming e-commerce platforms may use fraudulent means to inflate the number of views and audience numbers in live streams, making the broadcast appear highly popular, when in fact, these figures are manipulated through illegal methods. Secondly, fake orders. To boost sales and ratings, merchants may hire companies or individuals to place fake orders and pre-arrange positive reviews, thereby improving product rankings and sales volume, which in turn attracts more consumers to purchase. Thirdly, fake reviews and likes. To increase product visibility and appeal, merchants may employ individuals to post fake reviews and likes[1], creating the illusion that the product is a best-seller and attracting more consumer attention.

Price Fraud: In live-streaming sales, merchants may inflate product prices to secure higher profits. They might artificially raise prices without regard to the actual market value or worth of the product. Some merchants may employ a strategy of first inflating prices and then offering discounts or promotions to reduce them[2], misleading consumers into believing they are receiving a genuine discount or deal.

3.2 Product Quality Issues

Counterfeit and Substandard Products: Some merchants, in pursuit of higher profits, may produce or sell counterfeit goods under well-known brand names, passing off inferior products and illegally infringing on trademark rights, thus misleading consumers into making purchases. Some merchants or streamers may also produce low-quality goods at minimal costs and market them under the guise of famous brands. After purchasing, consumers often find that the quality falls far short of expectations.

Non-Compliance with Quality Standards: Firstly, Some merchants may use substandard raw materials in production to cut costs or increase profits, leading to unstable product quality, such as items that are easily damaged, deformed, or discolored.

This significantly affects the product's lifespan and consumer experience, and may even pose safety risks. Secondly to speed up production or reduce costs, some merchants may employ substandard manufacturing techniques, resulting in unstable product quality and frequent defects or issues[3].

Thirdly, during production, some merchants may neglect quality inspections, resulting in poor control over product quality and an increased likelihood of defects.

3.3 Intellectual Property Infringement

Intellectual property (IP) violations are a significant issue in live-stream shopping. These violations include:

Trademark Infringement: Merchants may use registered trademarks without authorization or sell goods that infringe on others' trademarks. Patent Infringement: Unauthorized sales of patented products or the use of patented technologies in production and sales without permission. Copyright Infringement: Unauthorized use of copyrighted materials, such as text, images, or videos, during live-streams. Design Patent Infringement: Selling or using designs that infringe on registered design patents. Trade Secret Violations: Merchants may disclose confidential information about a product's production process, sales channels, or customer data.

These violations not only harm the rights of intellectual property holders but also disrupt market competition and hinder the innovation and development of the live-stream shopping industry.

3.4 Insufficient Consumer Rights Protection

Poor After-Sales Service：When consumers encounter quality issues or need to return or exchange products after purchasing through live-streaming sales, they often rely on customer service contacts provided by the live-streaming platform. However, some platforms may offer inefficient or inaccessible customer service channels, making it difficult for consumers to reach representatives in a timely manner, which hinders problem resolution. Moreover, the attitude of customer service representatives from certain platforms or merchants may be unfriendly or impatient, and in some instances, they may outright refuse to address consumer complaints or requests, resulting in a negative shopping experience.

Privacy Violations：During live-streaming sessions, hosts or platforms may collect personal information from viewers, such as names, phone numbers, and addresses, for promotional or other commercial purposes. If this information is accessed or misused by malicious actors, it can infringe on consumers' privacy. In the course of live-stream sales, consumers typically need to complete transactions through the live-streaming platform or third-party payment processors, which involves sensitive information such as payment accounts and bank card details. If there are vulnerabilities or improper practices within the payment platforms, this information could be susceptible to theft by hackers, leading to financial losses.

Weak Platform Oversight：Live-streaming e-commerce platforms may not conduct thorough audits of the merchants and hosts who join, allowing some to enter the platform with false information or low-quality products, which can harm consumer rights. Additionally, these platforms may fail to review live-stream content in a timely manner, allowing illegal or non-compliant content to persist, misleading consumers and posing safety risks.

In summary, the legal issues present in live-streaming e-commerce are multifaceted and require collective efforts from all stakeholders to effectively address them. Strengthening oversight and regulations is essential to protect consumers' legitimate rights and to promote the healthy and orderly development of the live-streaming commerce industry.

4 Strategies for Improvement

4.1 Establish Specialized Regulations and Systems

Laws and regulations such as the Consumer Rights Protection Law, Advertising Law, Product Barcode Management Regulations, and Online Shopping Management Measures, along with self-regulatory norms for live-streaming e-commerce platforms, are designed to protect consumer

rights, regulate market order, and promote the healthy development of the live-streaming commerce industry. However, there are currently relatively few specialized regulations addressing live-streaming e-commerce activities, despite the issuance of guidance and normative documents by various provincial and municipal administrative departments.

Protection of Consumer Rights: Specialized regulations can clearly outline the norms that merchants and hosts must adhere to during live-streaming sales, safeguarding consumers' rights to be informed, to choose, and to be safe[4]. This can help prevent false advertising and fraudulent activities that harm consumer interests.

Regulation of Competition: The rapid growth of the live-streaming commerce market has led to intense competition and complex business models. Specialized regulations can standardize competitive behavior within the industry, preventing unfair competition and market chaos, thereby maintaining a sound market order.

Promoting Quality over Quantity: By formulating relevant laws and regulations, the industry can be guided towards healthy development, shifting from mere quantity expansion to quality enhancement. This will help cultivate more honest and law-abiding merchants and hosts, thereby enhancing the overall credibility and image of the industry.

The rapid development of the live-streaming commerce industry necessitates the establishment of specialized laws and systems to regulate market order, protect consumer rights, and promote healthy and orderly industry development.

4.2 Strengthen Legal Oversight

Strengthening legal oversight is essential for regulating live-streaming e-commerce activities, protecting consumers' legitimate rights, enhancing legal awareness among practitioners, reducing legal risks, and standardizing market behavior. This can maintain market order and improve the overall quality of the industry[5], thereby fostering the healthy development of the live-streaming commerce sector.

4.2.1 Innovating Regulatory Concepts

Strengthen Real-time Supervision: Traditional regulatory methods primarily focus on post-event oversight, addressing issues only after they occur. In the context of live-streaming commerce, which involves immediate interactions, real-time supervision is essential. Utilizing technological tools, a real-time monitoring system can be established to oversee live-streaming activities, enabling timely detection and resolution of issues.

Focus on Risk Prevention: Live-streaming commerce activities carry inherent risks, including product quality issues and false advertising. It is crucial to heighten risk awareness and develop preventive measures. This includes closely monitoring product quality and swiftly addressing any risk events to protect consumer rights. Ensure Fairness and Justice: Regulatory bodies should enhance their oversight of the live-streaming market to maintain a fair competitive environment. This includes preventing merchants and hosts from gaining competitive advantages through improper means and safeguarding the legitimate rights of small and medium-sized businesses, promoting a healthy market. By innovating regulatory concepts, the oversight of live-streaming commerce activities can be strengthened, ensuring market order and protecting consumer rights, thereby facilitating healthy and orderly industry development[2].

4.2.2 Enhancing Regulatory Effectiveness

Develop Comprehensive Regulatory Policies: Regulatory agencies should create comprehensive

policies tailored to the characteristics and development needs of the live-streaming commerce industry. This includes establishing clear laws, regulations, industry standards, and self-regulatory norms to provide legal foundations and operational guidelines for regulatory efforts.

Improve Regulatory Mechanisms: Establishing a well-defined regulatory framework that includes information-sharing, collaboration, and penalty mechanisms is essential. Strengthening cooperation with relevant departments will create a cross-departmental and cross-regional regulatory network, facilitating the effective integration and sharing of regulatory resources.

Intensify Law Enforcement: Regulatory bodies must take firm action against illegal activities, increasing penalties to create a strong deterrent effect. For severe violations, legal accountability should be pursued to combat unlawful activities and maintain market order and social stability.

By implementing these measures, the regulatory effectiveness of live-streaming commerce can be enhanced, safeguarding market order and consumer rights, while promoting the healthy and orderly development of the industry.

4.3 Protecting Consumer Rights

Improving Platform Complaint Handling Mechanisms：Improving the complaint handling mechanisms of live-streaming platforms is essential for enhancing regulatory effectiveness. Live-streaming platforms should establish specific channels for consumers to easily report issues, such as online complaint forms, customer service hotlines, and other accessible methods, ensuring timely feedback and resolution. Platforms should set clear timelines for resolving complaints and prioritize swift responses. Faster processing reduces consumer wait times, increases satisfaction, and allows for quicker action against violations. A clear and structured complaint process should be developed, detailing the responsibilities of individuals and steps involved at each stage. This ensures that complaints are handled efficiently, reducing errors and ensuring accountability.

By strengthening these mechanisms, live-streaming platforms can more effectively identify and address violations, protect consumers' legal rights, and improve overall regulatory outcomes.

Enhancing Consumer Rights Protection：Improving consumer rights protection is essential for enhancing the regulatory effectiveness of live-streaming commerce. To achieve this, platforms should implement several key measures:

First, platforms can organize promotional and educational initiatives to inform consumers about relevant laws and consumer protection knowledge. This will raise awareness of legal rights and improve consumers' ability to protect themselves effectively[5].

Second, dedicated channels for consumer rights protection, such as complaint hotlines and online customer service, should be established to ensure consumers can easily express concerns and have their issues promptly addressed.

Lastly, platforms can issue consumer rights guides that educate consumers on identifying product quality issues, detecting false advertising, and taking appropriate steps to safeguard their rights.

By implementing these measures, consumers' rights protection capabilities can be effectively enhanced, empowering them in live-streaming commerce activities and promoting the healthy and orderly development of the market.

5 Conclusion

Live-streaming commerce, as an emerging business model, offers new opportunities for product sales, but it also presents a range of legal risks and challenges. A systematic analysis and research of the legal issues in live-streaming commerce can provide valuable references for regulatory oversight

and normative development in this field, protecting consumers' legitimate rights and promoting healthy and orderly development.

In future developments, it is essential to further improve relevant laws and regulations, clarify compliance standards and responsibilities for live-streaming commerce activities, and establish a robust regulatory framework and complaint handling mechanisms. Additionally, there should be increased emphasis on educating and supervising merchants and hosts regarding legal compliance. Consumers should also enhance their risk awareness, shop rationally, and choose legitimate channels for purchasing goods to avoid losses resulting from illegal activities.

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