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E-commerce related Intellectual Property Disputes and the Jurisdiction Conundrum



Ameet Datta & Suvarna Mandal

The online “market place” in India has seen tremendous growth in the past decade replacing and indeed challenging the traditional brick and mortar businesses. As more people engage with the online retail industry, given the increased access to mobile technology and digital penetration, it was

perhaps inevitable that the traditional legal norms would come under pressure forcing law makers and the judiciary to take note of the requirement to evolve “tech savvy” laws. The Information Technology Act, 2000 was one such effort. The ability and relative ease with which an online platform can straddle and impact multiple jurisdictions presents in turn multiple regulatory and jurisdictional challenges.

From an IP perspective, jurisdictional rules under which courts assert subject matter and personal jurisdiction over disputes in relation to the online space have struggled to keep pace with rapidly evolving business models which regularly emerge online to disrupt existing businesses. Static or “passive websites” gave way soon enough to “active” portals which engage in direct connect with individual customers/

consumers by hosting content or offering services and / or products, raising questions of which court could (or would) properly assert jurisdiction in case of disputes.

Clearly, the jurisdictional aspect in e-commerce disputes will continue to be a “hot button” issue given the borderless nature of online businesses and the rapidly changing nature of online businesses. Section 20 of the Civil Procedure Code, 1908 provides for the traditional rules for determining jurisdiction in civil litigation claims and broadly follows a “defendant centric” model whereby a plaintiff must normally lay a claim in the jurisdiction where a defendant resides or where the cause of action (or a substantial or integral part of the cause of action) may have arisen. However, jurisdiction in e-commerce cases can become tricky as it is difficult to establish physical location and locality. For instance, when a consumer orders a t-shirt from his home in Cochin, Kerala, from an e-commerce company physically located in New Delhi, and asks the t-shirt to be delivered to his friend in Mumbai, then in case of a dispute, determining the jurisdiction becomes complicated.

The Delhi High Court has taken the lead in examining jurisdiction in e-commerce disputes in two important judgments, the *Banyan Tree* case and the *WWE* case which have been examined in detail in this article. The *Banyan Tree* case dealt with passing off and relied on Section 20 (c) of the CPC to determine jurisdiction, whereas the *WWE* case was a trademark and copyright infringement case and relied on Section 134 (2) of the Trademarks Act, 2002 and Section 62 (2) of the Copyright Act. Interestingly, in both cases neither the Plaintiff nor the Defendant reside or have business establishments in Delhi.

THE DELHI HC'S DECISION IN BANYAN TREE HOLDING (P) LIMITED V. A. MURALI KRISHNA REDDY & ANR - THE CONCEPT OF “PURPOSEFUL AVAILMENT OF JURISDICTION”

In this case the court dealt with a passing



off and trademark dilution claim in the online environment. The Plaintiff, a Singapore based hospitality company sued a real estate developer based in Hyderabad in relation to the use of the trade mark “Banyan Tree” for a project which was advertised on their website. An ex-parte interim injunction was sought against the Defendant for the alleged dilution and passing-off of the “Banyan Tree” mark. The Plaintiffs in this case relied on Section 20 (c) of the Civil Procedure Code, i.e. they claimed that the cause of action wholly or in part arose in Delhi. Consequently, it was pleaded that the Defendants services were available to the residents of Delhi, firstly, because the website actively solicits its business in Delhi and secondly, on one occasion brochures were sent to a Delhi resident.

The Single Judge of the Delhi High Court referred the case to a Division Bench of the Delhi High Court in view of prior orders by coordinate benches which laid down contradictory rules for courts to assert jurisdiction in such case ranging on one hand to “passive access” providing adequate basis per one court for the court to assert jurisdiction as opposed to the *India TV* case which required activity to be directed at the forum basis the minimum contacts theory. The primary question that the Division Bench addressed in the judgement was, that in passing-off or infringement cases, would the forum court have jurisdiction by virtue of hosting of a website that is universally accessible and whether the *India TV* dictum was adequate. A number of judgement by courts from the US and other countries were examined by

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the bench. Consequently, the court held that “purposeful availment” of jurisdiction of the forum court by “specifically targeting” the customers of that particular forum state for “commercial transactions” was required to be shown. The court specifically pointed out that a claimant would need to corroborate its claim that a Defendant specifically directed its commercial activities towards the forum state and intended to result in injurious effect to the Plaintiff within the forum state.

THE DIVISION BENCH'S DECISION IN WORLD WRESTLING ENTERTAINMENT V. RESHMA COLLECTION AND THE INTERPRETATION OF THE TERM “CARRIES ON BUSINESS”

In this judgement, a Division Bench while reversing the decision of a single Judge of the Delhi High Court, further drew a distinction between the brick and mortar world and the virtual world in relation to the jurisdictional question. The Plaintiff a California based company which owns a popular wrestling franchise broadcast across the world including in India, also sold merchandise in relation to its wrestler characters in these programmes. The Defendant based in Mumbai allegedly was selling counterfeit merchandise of the Plaintiff on its website.

The appellate court carefully analysed the Supreme Court judgements BhagvanGoverdhandasKedia and Dhodha House. The Apex Court in theDhodha House case laid down a 3-pronged test to determine whether an entity is “carrying on business” in a particular jurisdiction. The test primarily states that the business can be carried on by a servant/agent as well. The third condition specifically lays down that to constitute carrying on business at a certain place, the essential part of the business must be performed at that place. To determine this question in the present case the bench then dealt with the question of where the contract was concluded when the transaction is over the internet. The BhagvanGoverdhandasKedia casewas therefore relied uponwhich examines formation of contracts over instantaneous modes of communication such as the telephone. The bench applied the rule of ‘instantaneous mode of communication’ to the case which was basically comprised of transactions over the internet and reiterated the general rule that the contract is complete when the offeror receives intimation that the offeree has accepted his offer. The court explained that the website, and the services offered therein would be construed as an invitation to offer, and if accepted by a customer in Delhi becomes

an offer to purchase the goods/services advertised on the website. Thereafter, via the software and the browser, the transaction is concluded as the payment is made to the appellant/plaintiff on its website, the appellant/plaintiff accepts the offer at Delhi. Therefore in this case a part of the cause of action would arise in Delhi.

The Banyan Tree Judgement has been cited in approval by other High Courts in India and has established the criteria for courts to assert personal jurisdiction in IP cases. The WWE Judgement further has critically expounded the need for jurisdictional rules to keep pace with technological advancements and the evolving online business models. [w](#)

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