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DELHI HIGH COURT CLARIFIES THE EXTENT OF 'SAFE HARBOUR' PROVISIONS FOR INTERMEDIARIES

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On 2 November 2018, the Delhi High Court (High Court), in *Christian Louboutin SAS v Nakul Bajaj and Others* (Civil Suit No. 344/2018) has laid down certain guiding principles in respect of liability of e-commerce platforms as intermediaries and the ambit of 'service' as has been used in the definition of 'intermediaries' under the Information Technology Act, 2000 (IT Act).

Background

The plaintiff claimed intellectual property rights over the name 'Christian Louboutin', which is the name of its founder, Mr Christian Louboutin, a designer of high-end luxury products. The dispute pertained to the sale of "Christian Louboutin" products by the defendants on its website (Darveys.com), using the image and the name of Mr Christian Louboutin. The plaintiff alleged that the defendants attracted traffic on their website by using the names "Christian" and "Louboutin" as meta-tags. Further, it was alleged that the sale of the products (which were allegedly counterfeits) on the website of the defendant gave an impression that such products were in some manner sponsored, affiliated and approved for sale by the plaintiff. This resulted in an infringement of the intellectual property rights of the plaintiff, the personality rights of Mr Christian Louboutin and the luxury status enjoyed by their products and brand. The defendants in their response stated that they were not selling the products but were merely enabling the booking of the orders placed by the customers through their online platform.

Analysis of the law

- Position in European Union (EU) and United States (US): The High Court examined the manner in which courts in EU and US interpreted the meaning of 'intermediary' and noted that the determination in such countries was made on the basis of the nature of role of the operator or the internet service provider. While lesser responsibilities are attributed on genuine intermediaries, courts in EU and US have held that intermediaries which played active roles, were liable for the content on their platform. From an Indian context, the High Court noted that while intermediaries have been exempted in most circumstances, the courts in India have not delved deep into the extent of protection / exemption that is to be awarded to intermediaries and the conditions under which such exemptions are to be awarded.

- Meaning of 'intermediary': The High Court opined that the crucial words in the definition of 'intermediary' for consideration are '*receives, stores or transmits that record or provides any service with respect to that record*'. A determination on whether the e-commerce platform in question, is performing any service in respect of a certain record is a question of fact.
- Analysis of the exemption available to intermediaries: The protection available to intermediaries in respect of third-party information, data, links hosted on the platforms is not absolute. In case the intermediary initiates the transmission, selects the receiver of the transmission and selects or modifies the information contained in the transmission, it may lose the exemption to which it is entitled. The High Court has provided instances where the exemption can be availed, which includes, the platform not being responsible for initiating the transmission, mere temporary storage or hosting of the information, the platform not being involved in selecting the persons who receive the information, the platform not having the power to select or modify the information, or the platform having the obligation to observe due diligence.

The High Court has further observed that the requirement for undertaking due diligence' by the intermediaries provided under the IT Act, has to be broadly construed. The intermediaries are also obliged to have agreements with the sellers to the effect that the sellers will not host, display or upload products that violate any trade mark rights, copyrights, patent rights or any other proprietary rights.

- Measures to ensure that no unlawful acts are committed by the sellers: It is also important to verify if the platform is taking adequate measures to ensure that no unlawful acts are committed by the sellers. For this verification, it may be useful to analyse factors such as the terms of the agreement between the seller and the platform, the manner in which the terms are being enforced, the consequences of violation of the terms, whether adequate measures are in place to ensure that rights in trademarks are protected, whether the platforms have knowledge of the unlawful acts of the seller, etc.

In this context, the High Court also referred to Section 101 and Section 102 of the Trade Marks Act, 1999 and the Information Technology (Intermediaries Guidelines) Rules, 2011 to interpret what constitutes conspiring, abetting, aiding or inducing the commission of an unlawful act. The High Court went on to state that applying a trademark or falsifying a trademark or falsely applying a trademark could include applying the trademark to the goods themselves, or usage in relation to a service, or applying the trademark to any package in or with which the goods are sold or exposed for sale, placing the goods which are sold or exposed for sale in any package or with any package or any other thing to which the trademark has been applied, etc.

Applying the provisions of the Trade Marks Act, 1999 to the given facts, it was observed that the performance of any service by an intermediary in respect of counterfeit goods or goods which are not genuine, could constitute infringement, and any online market place or e-commerce website, which allows storing of counterfeit goods, would be falsifying the mark. The High Court further went on to note that: "*Displaying advertisements of the mark on the website to promote counterfeit products, would constitute falsification. Enclosing a counterfeit product with its own packaging and selling it or offering it for sale would also amount to falsification. All these acts would aid the infringement or falsification and would therefore bring the e-commerce*

platform or online market place outside the exemption provided under the IT Act".

Ruling of the High Court

The High Court categorically observed that Darveys.com exercised complete control over the products being sold in so far as it was identifying the sellers, aiding the sellers actively, promoting the products and selling the products. Accordingly, the role of Darveys.com was much more than that of an intermediary. It went on to state that the safe harbour provisions for intermediaries are meant for promoting genuine businesses which are inactive intermediaries and, "*the obligation to observe due diligence, coupled with the intermediary guidelines which provides specifically that such due diligence also requires that the information which is hosted does not violate IP rights, shows that e-commerce platforms which actively conspire, abet or aide, or induce commission of unlawful acts on their website cannot go scot free.*" The High Court further noted:

- The moment an e-commerce website is said to actively conspire, abet or aide, or induce commission of unlawful acts, it crosses the line from being an intermediary to an active participant. Only for so long as an e-commerce website or an online marketplace is a mere passive transmitter of the records or of the information, they continue to be intermediaries.
- Considering that Darveys.com represented the products being sold through its platform to be genuine while they are not, amounted to legalising the infringing activity. Accordingly, Darveys.com could not be termed as an intermediary and be entitled to protection under the IT Act.
- The activity in question would result in the trademark owner losing its customer base. If the products turned out to be counterfeit, the trademark owner's brand equity would be diluted. The seller himself would not suffer. Such immunity is beyond what is contemplated to intermediaries under the IT Act.

On the basis of the above, the High Court directed Darveys.com to *inter alia* disclose the complete details of all its sellers, their addresses and contact details on its website with immediate effect, to obtain a certificate from its sellers that the goods are genuine, to notify the trademark owner before offering their products for sale (in case of sellers located outside India), to enter into an agreement with the sellers (in case of sellers based in India), guaranteeing the authenticity of the products and consequences of violation.

Comment:

This decision is a big step forward to clarify the extent of the safe-harbour provisions under the IT Act. Since the infamous case of Baazee.com, many e-commerce companies have sought refuge under the safe harbour provisions which essentially provide that intermediaries are not responsible for the products uploaded by the sellers on their websites. This decision will go a long way in protecting trademark / brand owners by imposing an absolute obligation on e-commerce websites and online marketplaces to exercise due diligence in order for them to make use of the benefits provided to them under the IT Act.

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