

Articles

Protecting brands in the digital space

In recent years the way that businesses operate globally has changed dramatically, thanks to the growing importance of the Internet. The situation in India is no different: consumers are increasingly turning to the Web for product information, price comparisons, special deals, discounts and even returns policies. India's e-commerce market is estimated at \$35 billion and is growing at a rate of 34% annually. E-tailing has now reached the point where it has disrupted the traditional brick-and-mortar retail model – even though at one stage it was considered a non-starter, due to low credit card penetration. The game changer was the cash on delivery model adopted by e-retailers, which is unique to India.

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The digital era presents many obvious advantages, together with many complex IP issues, resulting in significant changes to the legal landscape. On the one hand, the Internet allows brands to communicate their messages globally; on the other, its anonymity and unfettered nature have created new avenues for IP infringement, which in turn has presented the courts with novel questions concerning the scope of IP rights in cyberspace.

Modes of IP infringement

Online trademark and copyright infringement can variously involve meta-tagging, deep linking, pay-per-click advertising, the offer of counterfeit products for sale through websites or online auctions and social media sites, banner advertising and framing, search engine marketing abuse, cybersquatting, typosquatting and so on. This often results in the exploitation of brands through counterfeit and grey-market sales.

Legal framework

No specific legislation sets out guidelines on online transactions and IP issues in India. The relevant provisions of various IP-related statutes, coupled with precedents in this area, thus play an important role.

Under the Trademarks Act 1999, the tests for infringement and passing off where goods are sold online are the same as those where the goods are sold in physical spaces. The Copyright Act 1957 protects content stored in electronic format. Computer

programs are specifically covered and protected under the act. The Copyright Act also grants owners of literary, dramatic or musical works the exclusive right to authorise the reproduction of such works in any material form, including storage in any medium by electronic means.

The Information Technology Act 2000 provides for the admissibility of electronic records and sets out offences and penalties for cybercrimes, including unauthorised access, downloading or extracting data stored in computer systems and networks, tampering with source code, hacking with intent to cause damage, and breach of confidentiality and privacy. In addition, the act outlines the conditions for the liability of internet service providers (ISPs). However, the Information Technology Act is only an enabling act to facilitate online transactions, and thus must be read in conjunction with the Contract Act in order to determine whether a transaction concluded online constitutes a valid contract.

India's data and knowledge process outsourcing industries have grown significantly in recent years. Simultaneously, increasing incidents of data theft and misuse of personal/confidential information have raised concerns about India's data protection laws. At present, no specific legislation governs the protection of data and private information. However, such rights can be enforced through other legislation; and given that most outsourcing businesses in India have clients based in the United States and Europe, they are generally required to comply with the data protection laws of the countries in which their customers are based.

Jurisdiction

One of the issues that frequently arise in a dispute involving online transactions is that of which court has jurisdiction over the case, as a website can be accessed from anywhere in India. The online availability of copyrighted materials further presents complex enforcement issues in relation to the rights holder, the infringer and the ISP. The place where the work is posted on the Internet, the place where the server is located and the place where the user downloads the work all play a role in determining jurisdiction.

In *Banyan Tree Holding Pvt Ltd v Murali Krishna Reddy* the Delhi High Court Division Bench laid down the following guidelines:

- In order to establish jurisdiction, the plaintiff must prove that the defendant engaged in commercial activity by targeting its website specifically at customers in the place of the court's jurisdiction. Simply posting an advertisement on a passive

website does not allow consumers to enter into commercial transactions and therefore is not enough to invoke jurisdiction.

- The plaintiff must demonstrate that this specific targeting of customers caused “damage or inconvenience” to the plaintiff.

The division bench also considered ‘trap orders’ or ‘trap transactions’ made through websites and examined the extent to which they can form the basis for an action. While the court allowed the plaintiff to establish a *prima facie* case through trap orders, it clarified that such evidence should be obtained by fair means, and that a solitary transaction is insufficient.

In *Himalaya Drug Company v Sumit* the Delhi High Court confirmed its jurisdiction over the overseas defendant, as the infringing copies were accessible to internet users in Delhi. The plaintiff’s herbal database had allegedly been copied and posted on the defendant’s website, which was hosted on a US server. An *ex parte* injunction was granted, following which the plaintiff served a copy of the order on the US-based ISP requesting it to deny access to or disable the infringing website. The ISP server duly removed the site.

In its recent appeal decision in *World Wrestling Entertainment, Inc (WWE) v Reshma Collection* the Delhi High Court Division Bench defined the jurisdictional rules which apply to online retailers concerning trademark and copyright disputes. It observed that since the offer to buy products through WWE’s website had been made in Delhi, the contract had been concluded in Delhi and the money had emanated from Delhi, WWE could be considered to be “carrying on business” in Delhi, as the essential parts of the transaction took place there. The court concluded that as a result of technological advancements and the rapid growth of new online business models, an entity can have a virtual presence in a place which is located at a distance from the place where it has its physical presence. The possibility to conclude transactions through a website at a particular place is virtually identical to a seller having a shop in that place in the physical world.

This decision appears to take into account the impact of technology that has changed the commercial landscape. Other courts are likewise taking into account the new virtual business models.

Cybercrime

The ubiquity of the Internet means that cybercrime is also on the increase. From a rights holder’s point of view, such crimes include:

- sales of counterfeit and infringing goods through trade portals and auction sites;
- the creation of false websites that include the domain names, trade names, colour schemes/layout and logos of well-known brands, in order to lure job seekers or candidates for online training schemes, or to misrepresent that the products or services provided through the site are authorised or approved by the rights holder;
- meta-tagging to divert internet traffic with a view to boosting sales; and
- the unauthorised offer of copyrighted works for download.

Special cybercrime cells have been established in police departments in major cities across India. Their purpose is to investigate and take quick action against cybercriminals. These cells are already receiving numerous complaints from the rights holders about misuse of their brands and copyrighted works to commit fraud and sell counterfeit goods and pirated movies, music, software and books.

ISPs' liabilities and takedown policies

The 2008 amendment to the Information Technology Act 2000 established a notice and takedown regime to limit intermediary liability. It enables rights holders or authorities to notify ISPs of infringing or illicit content, which must be removed by the ISP within 36 hours of notification. A proper takedown policy is crucial to prevent or limit an ISP's liability.

The debate on the role and liability of intermediaries has intensified, given that enforcement online is notoriously difficult, as infringers can conceal their identity through the provision of incomplete information or because they are located in a different country. Increasingly, governments are turning intermediaries into the police. Proponents of free speech argue that regulation of the Internet by holding intermediaries liable for users' online activity is a form of censorship by proxy that imperils free expression and innovation. In India, the situation is even more complex as the government's investment policy does not allow for foreign direct investment in multi-brand retail. Thus, most e-commerce players run 'marketplace' models, offering retailers space to sell their wares and acting as intermediaries for all goods offered for sale on a portal.

In *Super Cassettes Industries Ltd v MySpace Inc* the court recognised that the Copyright Act should prevail over the Information Technology Act. The court took the view that it is no longer adequate for an intermediary to avoid liability by demonstrating due diligence. The court observed that MySpace could not seek shelter

under Section 79, which protects intermediaries that merely provide access to a system for the storage of data or the transmission of third-party information. However, where trademark infringement is alleged, it is arguable that the exclusion of the Trademarks Act from the overriding proviso in Section 81 of the Information Technology Act means that intermediaries can seek shelter under Section 79 of the Information Technology Act and its due diligence threshold.

Businesses that sell goods online and offer space to third parties to sell their goods are concerned about these developments. The commercial reality is that it is impossible to verify every product and service to ensure that it does not infringe IP rights. This also dilutes the elaborate takedown policies and procedures implemented by ISPs to remove infringing goods and content.

An interesting case in this regard, which is pending before the Delhi High Court, involves a mobile application which was uploaded to app stores run by Apple, BlackBerry and Google that allegedly infringed a book publisher's copyright and trademarks in children's story books. The app store owners have argued that their services are akin to those of an ISP, and that therefore they should not be held liable for contributory infringement. They have asserted that an infringement claim in such circumstances should be directed towards the creator of the app. It remains to be seen how the Delhi High Court will rule on this scenario.

Recent legal precedents

Meta-tagging

The issue of trademark infringement through meta-tagging arose in *Samsung Electronics v Kapil Wadhwa*, in which an importer of Samsung printers (made in China) had meta-tagged its website to that of Samsung. The main issue in dispute concerned the legitimacy of parallel-imported goods. However, Samsung pressed the meta-tagging point and sought an injunction. The judge granted an injunction restraining the importer from meta-tagging its website to Samsung's; this order was confirmed by the Delhi High Court Division Bench. On appeal, the importer argued that meta-tagging was the only way to obtain genuine, Samsung-approved instructions for operating the products. The court dismissed this argument, stating that the importer could "design their website in a manner where they are able, on their own strength, without any meta-tagging, to display the relevant information".

In *People Interactive (I) Pvt Ltd v Gaurav Jerry* the court accepted the plaintiff's contention that the defendant had been using its registered trademark SHAADI.COM and its registered domain name 'www.shaadi.com' as meta-tags in his domain name 'www.ShaadiHiShaadi.com'. The court found that the defendant had diverted as much as 10.33% of internet traffic away from www.shaadi.com to his own site. Condemning the defendant's conduct as "online piracy", the court granted an interim injunction in favour of the plaintiff.

Online infringement

In *Christian Louboutin v Nakul Bajaj* the defendant sold the plaintiff's products without permission through its e-commerce site www.darveys.com, thus creating doubts as to the quality of those products in the minds of consumers. The plaintiff alleged that the defendant's activities were also affecting the goodwill and reputation of its brand, and that continued use of its name would cause irreparable harm to a luxury brand such as its own. The court granted an interim injunction restraining the defendant from selling unauthorised products.

The Delhi High Court recently restrained online retailer Brandworld from using the brand name L'Oreal to sell or supply any goods, on any website or in any other manner, after the cosmetics company alleged that counterfeit products bearing its trademark were being sold by the merchant on its shopping website www.ShopClues.com.

Top tips to tackle online brand infringement

- Strengthen your IP portfolio: obtain statutory protection for your brands and regularly audit your portfolio.
- Register with popular social media sites such as Facebook, LinkedIn and Twitter, creating dedicated pages and user names for your brands to preclude others from doing so.
- Register key domain names and establish a clear policy on domain name protection (including generic top-level domains) and third-party use of similar domain names.
- Establish a monitoring programme to keep tabs on online misuse of your IP rights.
- Establish a cease and desist notice programme, supported by rigorous follow-up, to safeguard your brands and intellectual property.
- Avail of the takedown procedures established by ISPs, websites and social media sites to remove infringing content.

- Conduct market and online investigations following leads presented by your monitoring programme to take appropriate action against habitual or key infringers from time to time.

India is experiencing a digital revolution, fuelled by a growing young and urban population. In this scenario, devising and implementing an effective IP enforcement programme to address online piracy, infringement and counterfeiting issues is a complex affair. A combination of technological solutions, consumer awareness/education and legal action can help to control, if not eliminate, the problem.

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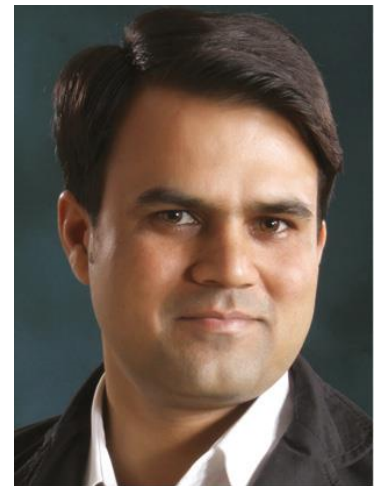


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Daleep Kumar is an associate at RNA, IP Attorneys. He obtained his law degree from Delhi University in 2009 and became a member of the Bar Council of Delhi in 2010. He has been a registered trademark agent since 2007. With over seven years of experience in the IP field, he is actively engaged in advising clients on brand clearance projects; prosecuting and contesting trademark applications, oppositions and rectifications; and handling copyright and domain name registrations and disputes. Mr Kumar also



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Ranjan Narula founded specialist IP law firm RNA in 2004 and is now its managing partner. He has 20-plus years' post-qualification IP experience, both contentious and non-contentious. He worked in-house in the legal department of Burmah Castrol (now BP) for more than three years, and as a partner of leading international IP consultancy Rouse for 10 years, heading its India practice. This combination of in-house and international experience has given him both an acute awareness of the need for commercial solutions and an understanding of the highest levels of international IP service.

Mr Narula has been ranked as a leading IP practitioner by various publications, including the *WTR 1000*, *Who's Who Legal* and *Asia IP Experts*. He currently chairs the India Trademark Office Committee of the International Trademark Association.

