

## Country Correspondents

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### India: Protecting brands in a virtual world

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#### RNA Intellectual Property Attorneys

**With the rapid growth of e-commerce, it is important to have an in-depth understanding of the legal regime in order to identify the possible issues involved**

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The last five years have seen a steep rise in internet penetration in India. It is estimated that India already has 300 million internet users and is well on the way to reaching 500 million users by 2018.

The current Indian investment policy permits foreign direct investment in the business-to-business e-commerce sector, but not the business-to-consumer (B2C) sector. Thus, most e-retailers such as Amazon, Flipkart, Snapdeal and Jabong use a marketplace business model, with suppliers storing goods on their behalf and then delivering them once orders have been placed, so as not to fall under the B2C category. The model thus depends on expanding the supplier base in order to provide goods at a competitive price. However, in this arrangement due diligence of suppliers often takes a back seat, meaning that counterfeit and infringing goods have become common.

#### Legal framework

No specific legislation governs online transactions and IP issues in India. However, the relevant provisions of various IP-related statutes and consumer protection laws, coupled with precedents in this area, play an important role.

Under the Trademarks Act 1999, the tests for infringement and passing off of goods sold online are the same as those for goods sold from brick-and-mortar stores. The Copyright Act 1957 protects content stored in electronic format. It also sets out specific provisions for computer programs and grants owners of literary, dramatic and 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, this act is only an enabling act designed to facilitate online transactions and thus must be read in conjunction with the Contract Act in order to determine whether an online transaction constitutes a valid contract.

The Consumer Protection Act 1986 governs the relationship between consumers and providers of goods and services. It does not set out specific provisions for online transactions. All businesses engaged in e-commerce should ensure that they take account of consumer protection issues. Liability for providers of goods and services arises when there is "deficiency

in service”, a “defect in goods” or an “unfair trade practice”. The provider may be asked to remove defects or deficiencies, replace the goods, return the consumer’s money, pay compensation and discontinue the unfair or restrictive trade practice.

## Cybercrime

The ubiquity of the Internet means that cybercrime is also on the rise. Such crimes include:

- selling counterfeit and infringing goods through shopping websites, trade portals and auction sites;
- displaying genuine products, but then supplying consumers with counterfeit products;
- creating false websites which include the 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
- offering copyrighted works (eg, songs, films and software) for download without authorisation.

Special cybercrime cells have been established in police departments in major cities across India in order to investigate and take swift action against cybercriminals. These cells are already receiving numerous complaints from rights holders about misuse of their brands and copyrighted works to commit fraud and sell counterfeit and infringing goods.

Consumer brands and their channel partners are also turning up the heat on India’s online retailers, accusing them of not only undercutting prices, but also encouraging the sale of counterfeit goods on their sites. Many brands have openly stated that they do not sell their

goods online – in a recent press release, Lacoste pointed out that all items of clothing sold online under its brand are counterfeit. For luxury brands, the online marketplace is becoming a priority, given the ease of availability and wide variety of counterfeits being sold. The anonymity of the Internet means that suppliers can easily hide their identity, making it difficult to determine the quantities of goods that they are holding. E-commerce retailers have established takedown procedures and generally act quickly to address any complaints regarding infringement or counterfeiting. However, brand owners have expressed concern that these are merely knee-jerk reactions and often the same goods resurface online under the name of a new supplier.

In light of such criticisms and bad PR with regard to the availability of counterfeit goods, e-tailers are taking a wide range of steps, ranging from physical checks to increased spending on analytics to monitor marketplaces. Multiple cases of counterfeits being sold online spurred eBay to introduce its Verified Rights Owner programme. Overall, anti-counterfeiting measures are being undertaken by brand owners, retailers and legislators, in order to promote awareness of the issue among consumers. However, there is still a long way to go before the situation is under control.

### **Jurisdiction**

One of the issues that frequently arises in disputes involving online transactions is which court has jurisdiction over a case, as a website can be accessed from anywhere in India. The online availability of copyrighted materials presents complex enforcement issues in relation to the rights holder, the infringer and the ISP. In addition, 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 can all play a role in determining jurisdiction.

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 with regard to 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 observed that 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 real world.

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

### **Recent case law**

In *Christian Louboutin v Nakul Bajaj*, the defendant sold the plaintiff's products without permission through its website [www.darveys.com](http://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 also affected the reputation of its brand and consumer goodwill towards it, and that continued use of its name would cause its luxury brand irreparable harm. 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](http://www.ShopClues.com).

## **Goodwill and registration online**

In a recent run of cases, the courts have taken into account the availability of goods online and how goods and services are promoted through social media. They have also acknowledged that reputation and goodwill travel faster than ever in today's interconnected world, reaching thousands of people instantaneously, compared to conventional modes of advertising. Further, in one particular case the court held that online availability and sale of products was a valid sale, which amounted to use of the trademark in question. Thus, overall the courts seem fully cognisant of the changing business landscape.

## **Top tips for tackling online brand enforcement**

Given the impact that the Internet is having, rights holders should consider the following recommendations:

- 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.
- Establish a monitoring programme to keep tabs on any online misuse of your rights.
- Establish a cease and desist notice programme, supported by rigorous follow-up, to safeguard your brands and intellectual property.
- Take advantage 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.

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Ranjan Narula is the managing partner of RNA Intellectual Property Attorneys, a specialist IP firm that he founded in 2004. He has over 20 years of experience in contentious and non-contentious intellectual property, and has worked with the legal department of Burmah Castrol. He was also a partner with Rouse, heading its India practice for 10 years. He advises rights holders on brand management issues and provides strategic advice on IP clearance, protection and enforcement.

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Daleep Kumar became a member of the Bar Council of Delhi in 2010 and has been a registered trademark agent since 2007. With over seven years of experience in contentious and non-contentious IP, he advises a number of Fortune 500 companies on brand clearance projects; prosecuting and contesting trademark applications, oppositions and rectifications; as well as handling copyright and domain name registrations/disputes. He has also been actively involved IP enforcement issues, including infringement, passing off and unfair competition actions.



