



INTERMEDIARY LIABILITY FOR TRADEMARK INFRINGEMENT

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Abstract

This article examines the concept of intermediary liability in the context of trademark infringement, exploring the legal responsibilities of online platforms and intermediaries in relation to intellectual property rights. As the digital marketplace continues to expand, the role of intermediaries such as internet service providers (ISPs), social media platforms, and e-commerce websites in facilitating trademark infringement has come under increasing scrutiny. The paper analyzes legal frameworks to assess the scope and limitations of intermediary liability. It also considers the balancing act between protecting trademark owners' rights and fostering the free flow of information online. Through a detailed exploration of case law and emerging trends, this article aims to provide insight into the evolving landscape of intermediary liability and its impact on both trademark holders and digital intermediaries in the modern e-commerce environment.

Keywords: Intermediary, Trademark, Counterfeit, e-commerce, trademark infringement

Introduction

E-commerce is one of the paradigm shifts that India faced in the era of fastest growing economies. As per the facts, India is the destination to major e-commerce hubs with goods and services providers from multinational players. E-commerce platforms have gathered an enormous market over the last decade and a half. In India, initially, these platforms were about customers being able to find different products offered by various brands at the click of a button and having the convenience of home delivery, and of course, the incredible discounts e-commerce offered. Once a substantial market-base was created, these platforms themselves became brands. In that, what they sold was not just the product, but with it, the brand name they had created for themselves over the years. Trademarks, then, hold major value for e-Commerce platforms, because the product is now branded as both the seller's and the platform. The simultaneous growth of both e-commerce and trademarks lead to the upswing in IPR violations through online

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transactions questioning the “nature of the e-commerce”.

Courts in India didn’t get the opportunity to discuss the changing landscape of intermediary liability. But the recent years, changed the Indian jurisprudence by giving handful of settled judgments like *Louboutin vs. Nakul Bajaj*² and *L’Oreal vs. Brandworld*³ on the above issue.

The above-mentioned cases discussed the following three issues to clear the picture of the liability of intermediaries in trademark infringement. The issues are as follows:

1. What constitutes the e-commerce platform be termed as “Intermediary”?
2. What is the relationship between IP rights violations and immunity u/s 79 of the IT Act?

When can an E- commerce platforms claim to be an “Intermediary” under the IT Act?

E-commerce in India is governed by the provisions of Information Technology Act, 2000. Post enactment, the act was amended in 2008, which introduced the term “intermediary” under Sec. 2(w) and Safe Harbour provision under Sec. 79 of the Act.

As per the IT Act, an "intermediary" is defined as any person who on behalf of another person receives, stores or transmits an electronic record or provides any service with respect to that record and includes, among others, search engines, online payment sites, online auction sites, and online marketplaces.⁴

The definition concludes two points:

- a. It is meant to apply only as far as the services of the actor are related to an “electronic record”.
- b. It is an umbrella definition covering all services in respect of an electronic record.

The definition was clear in its terms, but was shadowed by the issue as to whether e-commerce platforms fall under the term “Intermediary”? The issue first rose in the *Louboutin* case before the Delhi court. *Louboutin* (plaintiff), luxury brand specialized in shoes filed a suit seeking protection against unauthorized selling of their products by *Darveys.com* (defendant), member-only luxury online shopping portal. Whereby, the defendants claimed immunity u/s 79 of the IT Act as an “Intermediary”. This was the first time the court dealt with such an issue. Due to lack of jurisprudential evidence or settled theories in favour of such an issue, the Indian court relied on foreign judgments -: European Union (EU) and USA.

² *Louboutin vs. Nakul Bajaj*, (2018) DL 344.

³ *L’Oreal vs. Brandworld*, (2018) DL 980.

⁴ The Information Technology Act, 2000, Sec. 2 (w).

Position in EU

In *L’Oreal SA & Ors v. eBay International AG & Ors*⁵ case, the court dealt with the violation of Trademark rights on online platform discussing the nature of such platforms as an “Intermediary”, *“The question whether the operator of an online marketplace is entitled to the exemption⁶ is based on the role played by the operator i.e. active or inactive. If the operator provides assistance “which entails, in particular, optimizing the presentation of the offers for sale in question or promoting them”, even if the operator has not played active role and he provides the above service, the operator can claim protection as an intermediary. However, the said intermediary, if upon becoming aware of the facts which lead to an inference that the offers made on the website were unlawful, failed to act expeditiously, then the exemption ceases”*

To conclude the EU stand, the courts determine the following factors:

- a. the role of the platform i.e... active or not
- b. Level of control and knowledge over the data stored with the portal

Moreover, if the portal initially had no knowledge of unlawful data but later on, upon obtaining the knowledge about the same no remedial step is taken by the said portal, the portal stands liable.

Position in US

In *Tiffany vs. eBay*⁷ case, the Circuit Judge dealt with the trademark infringement by eBay through counterfeit sale of the plaintiff’s products. The court held that

“The standard for contributory liability, as derived from the common law of tort, required that ‘a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary. Therefore, the court held that eBay would not be liable for contributory infringement of Tiffany’s trademarks unless it had actual knowledge of the specific acts of infringement”.

Position in India

In *Christian Louboutin vs. Nakul Bajaj* case, the court first sat to discuss the nature of e-commerce platforms as “Intermediary”. The court took the guidelines from the foregoing jurisdictions. The honorable judge J. Singh laid down exhaustive list of 26 activities, which if performed by the platform would bring that platform under the term “Intermediary.” The activities are as follows:

- i. Providing details of seller on the platform

⁵ C-324/09 12 JULY, 2011.

⁶ Article 14 of the Directive 2000/31 i.e. the E-commerce Directive.

⁷ 600 F.3d 93.

- ii. Providing transport facilities to the seller for the movement of the products
- iii. Claiming quality assurance
- iv. Uploading the product on the platform
- v. Claiming authenticity guarantees
- vi. “Creation of the listing” of the said products
- vii. Reviewing the product themselves of via customers
- viii. Paid membership facility
- ix. Advertising the product on the portal
- x. Using the database of the customer to promote the product
- xi. Exclusive discounts to members
- xii. Assistance in order placing via call centre assistance
- xiii. Designing payment gateway
- xiv. Collecting the payment
- xv. Packaging the product under their portal packing
- xvi. Facilitating the product to the final purchaser
- xvii. Giving delivery personnel facility
- xviii. Accepting cash on behalf of the seller
- xix. Final payment to the seller after deducting the commission.
- xx. Exchange of product facilities in case of complaint
- xxi. Deep linking with the seller’s website
- xxii. Entering into agreements with other sellers
- xxiii. Providing after-sales services if product demands so
- xxiv. Trademark through Meta tags
- xxv. Booking ad-space or ad-words on search engines
- xxvi. Promoting its own affiliated companies on the basis of more favorable terms than other sellers;

Summarily, it can be concluded that the court noted that the role of an online marketplace can be ascertained by looking at the following factors broadly:

- a. The role performed by the portal with respect to the goods i.e. the above-mentioned exhaustive list of activities
- b. The policies of the portal with respect to ensuring that counterfeit, illegal goods not traded through the same- enforcing terms of use and consequences upon such violations.

Thereby concluding, the court held that in the present case, Darveys.com was not an intermediary

but was an “active participant”. The court applied the same exhaustive list test in *L’Oreal vs. Brandworld* case and *Skull candy vs. Shri Shyam Telecom*⁸ case, thereby setting the precedent.

What is the relationship between IP right violations and the immunity claimed under Sec 79 of IT Act?

Much ink has been spilled over the issue of whether and when online intermediaries like Amazon, eBay etc become liable for IP rights infringement. It is not the first time that the court has established the relationship between virtual space infringement and safe harbor provisions (Sec. 79 IT Act). The court has once already decided the role of intermediary with respect to Copyright infringement. In that suit, the court ruled in favour of the intermediaries giving priority to their Freedom of speech and expression under the Constitution of India.

It is for the first time that the court settled the role of intermediary with respect to Trademark infringement. Whenever a notice is served to the infringing party, the first defense taken by them is that they are the “intermediaries” and hence claim immunity under Sec. 79 of IT Act.

Sec. 79 of the act states, an intermediary won’t be liable for any third party information being made available by it. It is an exemption qualified by a number of factors such as:

- Due diligence is observed by the intermediary
- No interference/modification with the information/data
- Limited function of the intermediary i.e only provides access to communication.

Moreover, the exemption would fail if it is proved that the intermediary has indulged in any of the following act:

- Conspired, abetted or aided or induced in the commission of the unlawful act
- Doesn’t take remedial action upon receiving the knowledge regarding the unlawful act.

In short, it can be stated that Sec 79 is not a blanket exemption rather a conditional one, with the aim to check the blatant use of this provision. Now referring to the Louboutin case, the court held that the role of the portal was not just of an intermediary but rather an active participant.

To test the liability of the defendant, Sec 101 and 102 of the Trademark Act dealing with falsifying and falsely applying trademarks is relied upon. The court provides the following illustration to give a clear view:

“Any online marketplace or e-commerce website, which allows storing of counterfeit goods, would

⁸ Skull candy vs. Shri Shyam Telecom, (2018) DL 979.
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be falsifying the mark. Any service provider who uses the mark in an invoice thereby giving the impression that the counterfeit product is a genuine product, is also falsifying the mark. Displaying advertisements of the mark on the website so as to promote counterfeit products would constitute falsification. Enclosing a counterfeit product with its own packaging and selling the same or offering 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 marketplace outside the exemption provided under Section 79 of the IT Act.”

Thus, the court didn't hold defendant liable for infringement but ordered injunction against the defendant along with other administrative directions.

Case Laws

1. Christian Louboutin SAS vs. Nakul Bajaj

Christian Louboutin is a designer luxury brand dealing in footwear. Darveys.com is involved in the promotion and sale of luxury products. The site is accessible to only signed members. Through site, the seller identity is not known. Even the website claims for the genuineness of the product. The price of the product is manipulated by the website itself. All the products sold under the trademark of Louboutin without the authorization from the plaintiff. On the above based facts, the court concluded that the defendant cannot be termed as “Intermediary”.

2. L’Oreal vs. Brandworld

L’Oreal engaged in the business of manufacturing, distribution and sale of wide range of hair care, skin care, eye care, cosmetics and beauty products. www.shopclues.com is an online market place. Plaintiff filed a suit against the defendant for the injunction to forbid the defendant from selling their products on their portal without license from them. The defendant claimed defense under the safe harbor provision proving themselves to be an intermediary on the following grounds:

- a. The sellers’ details are disclosed on the site
- b. The website has taken down policy
- c. The website is facilitating payment and providing logistical support

However, there are other factors also which need to be discussed such as the guarantee provided by the website, selling look alike products on the same window which constitutes aiding and abetment of violation of intellectual property. Hence the court held the Shop clues to be outside the term “intermediary” and hence cannot avail the benefit of safe harbor provision.

The above rule was applied in *Skull candy vs. Shyam Telecom* case again in 2018 by Delhi High Court.

3. Amazon seller services vs. Amway India Enterprises & Ors⁹

Amway, USA originated company deals in manufacturing and distribution of healthcare, wellness, cosmetic and home products through Direct Selling Business Model (DSBM). It also has its online portal www.amway.in. Amazon, an American company is an e-commerce platform wherein sale of goods takes place.

Amway has filed an application for interim injunction against Amazon, to stop them from selling unauthorized Amway products as it amounts to trademark infringement.

The single bench judge of Delhi High Court passed the order in favour of the plaintiff i.e. Amway Company restricting the e-commerce platforms from selling the products of Amway, Modicare and Oriflame without their consent.

Aggrieved by the order, Amazon filed an appeal before the division bench of Delhi High Court, wherein the division bench reversed the order of the single judge bench on the ground that the mere value-added services being provided by the e-commerce platforms which includes packaging, storage and delivery does not change the nature of the e-commerce platform from intermediary to massive facilitator. Thereby they continue to fall under the term “intermediary and hence within the purview of safe harbor provision.

Conclusion

Analysis

Given this changing nature, the concern of intermediary liability has a greater significance for customers. This has been recognized both by the government and the courts. However, the differences between a physical market and an online market bring into the picture some fundamental questions about enforcement. In a physical market, a trademark is associated with the physical product itself and the seller, whereas online, the amount of information available and the number of sellers increases exponentially, with there being many new added steps in the transaction in terms of selecting and identifying the trade partners, which then becomes an integral part of the process. This will then require the determination of joint liability for the infringement of the platform and the seller.

Initially this case came up as a new chapter in the legal phase with new guidelines regarding the role of intermediaries with reference to trademark infringement. It was considered that the decided case will set up precedents for the upcoming ones. But the result was not the one which everyone wished for. There are various loopholes or grey areas which have not been cleared by the decision.

⁹ Amazon Seller Services vs. Amway India Enterprises, (2020) DL 133.
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In fact, it is so said that the condition has become much worse than it was before this case.

As per my understanding of the legal knowledge, I could gather few grey areas which have been darkened by the present judgment. Some of them are as follows:

- i. One of the prime issues throughout the case was to define the scope of intermediary. It was expected that the case would set the lines precisely. But in reality, the judgment did not succeed in making the distinction between the intermediary defined u/s 2 (w) and those intermediaries defined u/s 79 of the IT Act. The court held that ones who fail to come under safe harbor provision also cease to be an intermediary u/s 2 (w). Such conclusion is blurred as based on no logical reasoning.
- ii. The court interpreted that Sec 79 is applicable only for online platforms and excluded the other activities like delivery, packaging etc. the court could have separated the online and offline elements of e-commerce and analyzed each of them distinctively.
- iii. The next point of issue is the “level of knowledge”. Sec. 79 talks about “actual knowledge”. This is the doubtful area as to what level of knowledge is required to bring the intermediary outside the purview of safe harbor. Does the knowledge should be more than general or just the basic knowledge. Even the court didn’t lay down the specific level of knowledge as to state the defendant liable for infringement.

Recommendations

The statue should precisely define the thin line, demarcating the role of e-commerce platforms as to when they act as intermediary and when they act as active participant.

The IT Act should avoid the confusion arising from the definition of intermediaries under section 2 (w) and those under section 79. The difference between the two creates a gap thereby raising the issue as to any platform which fails to fall under section 79 ceases to be an intermediary under section 2 (w) too.

The legislature should provide proper guidelines ensuring consumer interest as well as the intermediary interest thereby establishing a balance between the two.

The enforcement cell of these E-commerce platforms should be vigilant and efficient upon receiving any such information regarding the unlawful activities and should also review the quality and genuineness of the product before uploading it on the portal.

The E-commerce platform is a complex structure which makes it even more difficult to lift the curtain when infringement takes place as to who is to be held liable. Therefore, there should be clear guidelines as to what activities will make the intermediary liable for the infringement

While the concern for online infringement and protecting rights holders is legitimate, the route that the Court took muddles the issue of platform liability for online infringement, and the legal uncertainty is likely to have a negative effect on the online sale and purchase of goods.
