

Managing Partner's Welcome Address



Dear Friends,

This newsletter comes to you from Inttl Advocare, India, by way of a landmark judgment delivered by the Chief Justice, of the High Court of Delhi, in the field of Intellectual Property, on November 23, 2009, which has far reaching implications effecting Intellectual Property litigation in India.

The principle of law, invoking the jurisdiction of a forum court, based on use of the impugned trade mark on an interactive website having worldwide access, has been settled by this judgment.

The court has laid down objective guidelines to determine whether or not the interactive website of a defendant confers jurisdiction on the forum court. Mere accessibility or interactive nature of the website has been held, as not a sufficient factor to confer jurisdiction on the forum court.

We are reproducing the relevant guidelines from the judgment in this newsletter. In case, you are interested in going through the judgment in detail, please let us know and we would be happy to forward a copy thereof to you.

We welcome any suggestions, queries or comments on the judgment from you. We hope you find this newsletter useful.

We take this opportunity to wish you a Merry Christmas and a very Happy and Prosperous New Year, 2010.

Hemant Singh

DELHI HIGH COURT SETS GUIDELINES ON WEB BASED JURISDICTION

Counterfeit and infringing products from shops have come onto the roads and have also crossed borders. The internet enables traders to offer their goods on websites to places that have internet facilities, to display and offer for sale to the customers, even those who are living in the smallest and remotest of Indian towns and villages, goods, that violate the trademark rights of the right holders.

In **Banyan Tree Holdings vs. M. Murali Krishna Reddy** reported as **2008 (38) PTC 288 (DEL)** a question arose for consideration before a Single Judge of the Delhi High Court as to whether a Singapore based company, namely, Banyan Tree Holdings Ltd. being in the hospitality business and managing various hotels and resorts in many parts of the world and having adopted the trade mark BANYAN TREE, can maintain an infringement and passing off action against a party based at Hyderabad, India, having no registered office in Delhi.

The defendant, based in Hyderabad, initiated work on a project under the name 'Banyan Tree Retreat' and advertised the said project through websites namely www.makprojects.com/banyantree. The court had to consider whether the Delhi High Court has the territorial jurisdiction to entertain such an action, considering that the defendant was soliciting business through an interactive website accessible from Delhi which not only provides contact information but also seeks feedback and inputs from its customers.

- (1) Whether this court can entertain the present suit, having regard to the averments and documents, in the context of special provisions in the Trademark and Copyright Acts, which do not provide for exercise of jurisdiction based on internet or web-presence of such alleged infringers, even while making an explicit departure from the general law as to territorial jurisdiction.
- (2) Whether the court can entertain the present suit, in the absence of a long arm statute, having regard to the existing state of law, particularly Section 20, Civil Procedure Code (CPC) and the impact, if any, of the Information Technology Act, 2000 on it.

- (3) Applicable standards for entertaining a suit, based on use of a trademark by a defendant, on its website, or infringement or passing off of the plaintiff's trademark, on such web site and the relevant criteria to entertain such suits.
- (4) Applicable standards and criteria to determine what constitutes "use" or amounts to "cause of action", as the case may be, when the plaintiff relies exclusively on "trap orders" or "trap transactions", in relation to passing off, or trademark infringement cases.

The Division Bench, on 23.11.09 has given its verdict on the reference as follows:

Question (i): *For the purposes of a passing off action, or an infringement action where the Plaintiff is not carrying on business within the jurisdiction of a court, in what circumstances can it be said that the hosting of a universally accessible website by the Defendants lends jurisdiction to such Court where such suit is filed ("the forum court")?*

Answer: For the purposes of a passing off action, or an infringement action where the Plaintiff is not carrying on business within the jurisdiction of a court, and in the absence of a long-arm statute, in order to satisfy the forum court that it has jurisdiction to entertain the suit, the Plaintiff would have to show that the Defendant "*purposefully availed*" itself of the jurisdiction of the forum court. For this it would have to be prima facie shown that the nature of the activity indulged in by the Defendant by the use of the website was with an intention to conclude a commercial transaction with the website user and that the **specific targeting** of the forum state by the Defendant resulted in an injury or harm to the Plaintiff within the forum state.

Question (ii): *In a passing off or infringement action, where the defendant is sought to be sued on the basis that its website is accessible in the forum state, what is the extent of the burden on the Plaintiff to prima facie establish that the forum court has jurisdiction to entertain the suit?*

Answer: In order to show that some part of the cause of action has arisen in the forum state by the use of the internet by the Defendant, the Plaintiff has to show prima facie that the said website, whether euphemistically termed as "passive plus" or "interactive", was specifically targeted at viewers in the forum state for commercial transactions. The Plaintiff would have to plead this and produce material to prima facie show that some commercial transaction using the website was entered into by the Defendant with a user of its website within the forum state resulting in an injury or harm to the Plaintiff within the forum state.

Question (iii): *Is it permissible for the Plaintiff to establish such prima facie case through "trap orders" or "trap transactions"?*

Answer: The commercial transaction entered into by the Defendant with an internet user located within the jurisdiction of the forum court cannot possibly be a solitary trap transaction since that would not be an instance of "purposeful" availment by the Defendant. It would have to be a real commercial transaction that the Defendant has with someone not set up by the Plaintiff itself. If the only evidence is in the form of a series of trap transactions, they have to be shown as having been obtained using fair means. The Plaintiff seeking to establish jurisdiction on the basis of such trap transactions would have to aver unambiguously in the plaint, and also place along with it supporting material, to prima facie show that the "trap transactions" relied upon satisfy the above test.



Conclusion:

The essential ingredients which have to be culled out by way of specific pleadings in a plaint for a claim of the Plaintiff with respect to the territorial jurisdiction of this Court on account of the Defendants hosting a website which is accessible in forum court Delhi are as follows:-

1. Defendant *purposefully availing* itself of the jurisdiction of the forum court;
2. Defendant *specifically targeting* the forum state by way of **“passive plus” or “interactive” Website;**
3. Intention and actual commercial transaction count **(not a solitary trap transaction with someone set up by the Plaintiff itself)** to conclude with the website user **(along with supporting documents);**
4. Resulting in an injury or harm to the Plaintiff within the forum state;

Nevertheless, if the only evidence is in the form of a series of trap transactions, they have to be shown as having been obtained using fair means. The Plaintiff seeking to establish jurisdiction on the basis of such trap transactions would have to aver unambiguously in the plaint, and also place along with it supporting material, to prima facie show that the trap transactions relied upon satisfy the above test.

The guidelines envisaged by The Division Bench of the Delhi High Court vide the above judgment are set to alter the course of substantial infringement and passing off litigation pending before various courts in India forever and may also be useful worldwide as a comprehensive adjudication on an issue affecting IP protection in most countries.

For query, contact us at:
ipcare@inttladvocare.com

Head Office

D - 22 Panchsheel Enclave
New Delhi - 110 017
India
Ph: +91 11 26498062/63/64
+91 11 46190400

Branch Office

F - 252
Western Avenue, Sainik Farms
New Delhi - 110 062
India
Ph: +91 11 29552836, +91 11 29552930

