

Case Analysis - Christian Louboutin vs Nakul Bajaj Ors

written by Rajeev Rambhatla | November 15, 2018

When can E-commerce platforms claim immunity as an Intermediary under the Information Technology Act, 2000?

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The Delhi High Court in its recent judgement in the case of Christian Louboutin Sas ("Plaintiff") vs Nakul Bajaj and Ors^[1], held that an E-commerce platform cannot claim to be an Intermediary under Section 79 of the Information Technology Act, 2000 ("IT Act") if it has played an active role in enabling the violation of Intellectual Property Rights ("IPR"). Justice Pratibha M Singh pronounced the judgement on 02nd November, 2018 while disposing off the instant trademark infringement suit in favour of the plaintiff.

Background of the case

- The Plaintiff is a world famous designer of high end luxury products. Its name, likeness, photographs and product names enjoy goodwill and protection under the Trademark Act, 1999 ("TM Act"). The name "*Christian Louboutin*" in word and logo form, as well as the red sole mark are registered trademarks in India.
- The Defendants operate a website called "www.darveys.com" which sells various luxury products to its users. The website offers the entire Christian Louboutin range of products for sale to its users. The Defendants also use the image of the founder of the plaintiff and the names "*Christian*" and "*Louboutin*" are used as meta-tags on the Defendant's website. The Defendant's website contains a disclaimer which states that the manufacturers of the products have no relation whatsoever with the website and that the products are sourced directly through sellers/boutiques' in India and abroad.
- The Hon'ble High Court of Delhi had granted an interim injunction to the plaintiff on 26th September 2014 whereby the Defendants were restrained from selling any of the Plaintiff's products on their E-commerce website.

Issues raised

The two issues raised before the Hon'ble High Court of Delhi are:

- Whether the Defendants' use of the Plaintiff's mark, logos and image is protected under Section 79 of the IT Act, 2000?
- Whether the Plaintiff is entitled to relief, and if so, in what terms?

Contentions of the Parties

The Plaintiff argued that its registered trademarks were infringed by the Defendants by using the Plaintiff's name, photographs and trademark 'red sole' on their website. The Plaintiff's also contended that the products displayed/sold by the Defendants on their website were counterfeit/not of genuine quality. The Defendants contended that its website gives users an option to choose from 287 different sellers/boutiques across the globe and that its website is merely an 'enabler' of bookings and orders. The Defendants further argued that no sales warranty or after sales service is provided by them. The Defendants contended that all the products listed on their website are 100% genuine and are sold directly by the sellers. The Defendants website also provides a '*seal of authenticity*' guarantee whereby it is claimed that quality checks are carried out on every product before it is shipped to the buyer by third party experts and the Defendants promise to pay twice the money in return to the buyer if any of the products purchased through their website are found to be faulty/counterfeit. The Defendants

submitted that they have no direct dealings with the Plaintiff and that the goods of the Plaintiff were offered for sale on the website of the Defendants but the responsibility was taken by the sellers on whose behalf the goods were sold. The Defendants also contended that the advertisement of the products on its website was solely at the risk, responsibility and expense of the Defendants.

Judgement

Active role played by the Defendant's website

The Court observed the role played by the Defendants' website i.e.

www.darveys.com. The Court then went on to consider the nature of E-commerce sites as opposed to typical websites/aggregators that come under the definition of 'Intermediary'. The Court studied in detail the legal position of various other jurisdictions and the legal position in India itself before concluding that in the case before hand, 'www.darveys.com' plays an active role in the process of selling the products to its customers/members and it is not a mere intermediary. The court was of this opinion because of the role played by the website in not only establishing a link between the seller and the buyer but as the party which inspects/guarantees the authenticity and ensures the delivery by sourcing the goods and storing them at its own warehouses/godowns before delivering the same to the end customer. This role is not the typical role played by a mere intermediary or an online platform which is just an enabler/facilitator/aggregator of bookings between buyers and sellers. The learned single judge of the Delhi High Court opined that E-commerce platforms typically perform a lot of functions and their role/involvement does not end with merely forming link between the buyer and the seller and owing to this active role, E-Commerce platforms cannot claim protection as Intermediaries under Section 79 of the IT Act, 2000. The learned Single Judge while ruling in favour of the Plaintiff directed the Defendants to disclose complete details of all their sellers, including addresses and contact details. The Defendants were further directed to seek the Plaintiff's approval and obtain their permission before selling the Plaintiff's products on its platform. In the case of Indian sellers, the Defendants must get into a proper agreement with them, which guarantees the authenticity and genuineness of the products, and "*provide for consequences of violation of the same*". The Defendants were also directed to take down all listings of products belonging to the Plaintiff. Also, the Defendants were directed to get a guarantee from the sellers that warranties are applicable and shall be honoured by the seller. A seller who is unable to provide this guarantee will not be allowed to sell on the Defendants' platform. Lastly, the Defendants were directed to remove all meta-tags related to Christian Louboutin from their website with immediate effect. The learned Single Judge did not order any damages to be paid to the Plaintiff, because the Defendants submitted that none of the Plaintiff's products were sold on their platform, even though the website advertised and promoted products using the Plaintiff's brand.

Analysis

- Seal of Authenticity and other features of Defendants' which indicate the active role played by their website:

The Hon'ble High Court of Delhi while deciding on the aforementioned two issues first considered the content available on the Defendants' website i.e. www.darveys.com, and on perusal of the website, the Court was of the Opinion

that the website is a members only portal which sells luxury products to its members and even provided a 'seal of authenticity' guarantee and in shipping information the Court remarked that there is an image of a truck with the name "Darveys" imprinted on it which indicates that the website is actively participating in the delivery of the products to its customers/members. The Court then considered the definition of an intermediary under Section 2(w) of the IT Act, 2000 which includes Online Marketplaces and online-payment sites amongst others. The Court then went on to consider some international judgements to examine the legal position on liability of intermediaries in other jurisdictions namely European Union and USA.

- EU Position:

In *L'Oreal SA & Ors. v eBay International AG & Ors*^[2]. Wherein, the issue before the Court of Justice for the European Union ("CJEU") involved was regarding sale of L'Oreal perfumes, cosmetics and hair cutting products on the eBay platform by sellers. L'Oreal contended that its products were being sold on eBay in violation of territorial limitations, some of the products being sold on the platform were counterfeit products and that eBay was advertising L'Oreal products through the Google 'Adwords' referencing service. The CJEU held that advertising through Google 'Adwords' does amount to 'use' of the L'Oreal's mark however since the use is with regard to L'Oreal's products only it does not amount to unfair use. Further, the CJEU insisted that in order to claim immunity an online platform must be an intermediary and when the intermediary becomes aware of any counterfeit/potentially trademark infringing products being listed on its platform and fails to inform the owners of the mark (in this case L'Oreal) about such infringement, then immunity as an intermediary for such a platform ceases to exist. Hence, the CJEU ruled that in order to ascertain whether an online marketplace is entitled to exemption as an intermediary, one must consider the role played by the online market place i.e. active or inactive. Thus, ruling in favour of L'Oreal, the CJEU held that operators of online marketplaces have a duty not only to bring to an end infringement but also to prevent further infringement.

- US Position:

Similar questions were considered by American courts as well, namely in the cases of *Tiffany v eBay*^[3] ("Tiffany") and in the case of *Inwood Laboratories Inc. v Ives Labarotoes Inc*^[4] ("Inwood"). The US Supreme Court in the Inwood case held that "if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one to whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any hard done as a result of the deceit". This test is popularly known as the 'Inwood test'. A US appeals court, in the Tiffany case considered whether the Inwood test of contributory infringement would be applicable to internet based service providers such as eBay. The Court of Appeals held that since eBay did not sell the counterfeit Tiffany good, it shouldn't be held liable however to the extent that eBay advertised the counterfeit merchandise, they were held liable.

- Indian Position:

The Learned Single Judge then went on to consider a judgement of a division bench of the Delhi High Court itself. In the case of *Myspace Inc. vs Super Cassettes Industries Ltd.*^[5], the Delhi High Court dealt with issues regarding

potential infringement of IPR owned by *Super Cassettes*. The learned single judge of the Delhi High Court initially held that *Myspace* was liable for primary infringement under the Copyright Act, 1957 ("Copyright Act"). However, on appeal, a division bench of the Delhi High Court held that owing to the fact that *Myspace* had general awareness instead of specific knowledge with regard to the Copyrighted content of *Super Cassettes*, hence they were liable for secondary infringement. The division bench further opined that "*in case of internet intermediaries, interim relief has to be specific and must point to actual content, which is being infringed*".

Conclusion

This is indeed a welcome judgement given the growing popularity of E-commerce websites in India. This judgement ensures that E-commerce platforms cannot wiggle away from their liability as infringers or as enablers of infringed goods/products thereby protecting the interests of both the original manufacturers/ owners of the Intellectual Property and the consumers thereof.

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[1] CS (Comm) 344/2018, I.As 19214/2014, 20912/2014, 23749/2014 & 9105/2015.

[2] C-324/09, Court of Justice for European Union (CJEU) dated 12th July 2011.

[3] 600 F.3d 93

[4] 456 U.S. 844

[5] 236 (2017) DLT 478

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