



Through the looking glass: interpreting jurisdiction in online transactions

When it comes to exercising jurisdiction in online disputes, Indian jurisprudence has some way to go – but case law analysis may provide critical insight

Even two decades ago, it would have been difficult to imagine the proliferation and significance of e-commerce. Today, it is ubiquitous and has turned the brick-and-mortar business model on its head – an enterprise operating online can easily transcend territorial boundaries to offer its goods and services to consumers anywhere in the world at a fraction of the cost of opening physical stores. However, if the explosion in e-commerce has been unprecedented, so has the rise in ancillary legal issues. This is particularly true in terms of intellectual property – the relative anonymity of the Internet and its global spread have seen counterfeiters and trademark infringers mushroom, devising new means every day to vie for consumers. Yet when a legal dispute arises, an e-commerce business must subject itself to a court within whose territorial jurisdiction it falls. Rights holders thus find themselves exposed to legal issues that risk being interpreted differently before different courts and jurisdictions.

This article examines some recent decisions passed by Indian courts in cases involving online transactions, focusing on how the issue of jurisdiction in online

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trademark and copyright disputes is far from settled. By analysing noteworthy judgments, it is possible to highlight key areas of concern for both IP practitioners and business owners.

Two distinct approaches

Jurisdiction is governed by the Indian Code of Civil Procedure 1908, which states that a suit may be filed at a place in which the defendant resides, carries on business or works for gain, or where the cause of action arises, wholly or in part. However, Section 62 of the Copyright Act 1957 and Section 134 of the Trademarks Act 1999 provide an additional forum for instituting an infringement action – the place in which the plaintiff resides, carries on business or works for gain. The underlying aim of these sections is to facilitate actions against infringers operating outside the plaintiff’s area of operation.

Navigating these provisions in disputes involving traditional brick-and-mortar entities can prove tricky enough, but when it comes to businesses operating online, the complex question of where to attribute the physical presence of the plaintiff, defendant or cause of

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action takes on a whole other dimension. The Delhi High Court has been seen to apply two diverse approaches in such matters:

- **Purposeful availment:** Under this approach, the plaintiff must show that the defendant has purposefully targeted consumers in a defined area and that a commercial transaction has been concluded within that area, thus giving rise to a cause of action in a territory falling within the jurisdiction of the court before which the suit has been brought.
- **Concluded contract:** Under this approach, the mere virtual presence of the defendant's website and its online accessibility to users in a territory over which the court has jurisdiction is deemed sufficient to invoke that court's jurisdiction.

A landmark case involving the online use, or rather misuse, of trademarks and the issue of determining appropriate territorial jurisdiction was *Banyan Tree v Murali Krishna Reddy* (2008). In this instance, the Delhi High Court applied the purposeful availment approach and observed that for a cause of action to have arisen within a court's jurisdiction, a commercial transaction must have been concluded which resulted in injury to the plaintiff. The Delhi High Court further explained that the mere fact that a website is interactive and allows users to comment on content on the site does not provide a sufficient cause of action for passing off in a jurisdiction in which the defendant has not entered into a commercial transaction. In this case, the plaintiff had failed to prove that the defendant specifically targeted consumers in a particular jurisdiction and, thus, no cause of action had arisen within the jurisdiction of the Delhi High Court. The plaintiff's suit was therefore returned.

However, the September 2017 *Icon Health and Fitness Inc v Sheriff Usman and Anr* (2016) decision marked a shift in the Delhi High Court's opinion. In this case, the court chose to apply the concluded contract test and assumed jurisdiction on the grounds that the defendants' business had a virtual presence within the court's territory. Although the defendants did not reside in Delhi, their infringing products (fitness apps and bands) were sold via online portals including Amazon, Apple's App Store and Google Play – all of which can be accessed from anywhere in India. The court considered the availability of the defendants' products to internet users in Delhi to be a guiding factor and held that this was tantamount to the defendants carrying on business or working for gain in Delhi, thereby fulfilling the criteria set out under the Code of Civil Procedure and enabling the court to exercise its jurisdiction.

Laying the virtual foundations

Various other cases have also involved the issue of determining jurisdiction in online disputes.

In *News Nation Networks Private Ltd v News Nation Gujarat and Ors* (CS (COMM) 334/2016, IA 4525/2016 and 6625/2016) the plaintiff filed a suit before the Delhi High Court for the passing off of its mark NEWS NATION. The plaintiff argued that the court had jurisdiction as the defendant's allegedly infringing

newspapers were circulated online via its website and interactive Facebook pages, all of which were accessible in Delhi. However, in a December 2017 decision, the Delhi High Court returned the case, relying extensively on the principle of purposeful availment set out in *Banyan Tree*.

Similarly, in *Impressario Entertainment & Hospitality v S&D Hospitality* (CS(COMM) 111/2017) the Delhi High Court applied the purposeful availment test and in January 2018 refused to exercise its jurisdiction. In this case, the plaintiff ran a chain of restaurants under the name "Social" and sought to prevent the defendant from operating two restaurants in Hyderabad under the name "Social Monkey". Accordingly, it filed suit for trademark infringement and passing off, arguing that the Delhi High Court had territorial jurisdiction in the matter on the grounds that the defendant's restaurants were listed on interactive restaurant guides such as Zomato and Dine-Out, which enabled internet users in Delhi to procure the defendant's services at its restaurants in Hyderabad through online bookings. The court rejected the argument, holding:

At best, only reservation for dining at the defendant's restaurant at Hyderabad can be made at Delhi. The transaction by acceptance of offer takes place only when the person making the reservation goes to Hyderabad and eats at the restaurant of the defendant. Merely by reserving a table in the defendant's restaurant at Hyderabad, the contract does not get concluded.



The inconsistency of the Delhi High Court's decisions seems to have opened a Pandora's box when it comes to cases involving online transactions

However, only six months earlier, in another case involving the same plaintiff and near identical facts – *Impressario Entertainment And Hospitality v Urban Masala* (CS (COMM) 441/2017) – a different bench of the Delhi High Court had concluded that it could exercise valid jurisdiction.

Another important judgment was passed a few years earlier in October 2014. In *World Wrestling Entertainment Inc (WWE) v M/S Reshma Collection* (FAO (OS) 506/2013) the Delhi High Court held that the purposeful availment test (as laid out in *Banyan Tree*) applied only in cases where territorial jurisdiction was at issue on account of a 'cause of action' claim for jurisdiction; where a claim for jurisdiction arose from a claim of carrying on a business in that jurisdiction, the considerations were different. In this case, WWE – a company incorporated in the United States – had filed a case of infringement against Reshma Collection in the Delhi High Court. However, Reshma Collection was based in Mumbai and claimed that it did not conduct business in Delhi. As such, the case was dismissed on the grounds of lack of jurisdiction since neither party

carried on business within the territorial jurisdiction of the Delhi High Court. WWE appealed the decision before the Division Bench of the Delhi High Court.

The Division Bench held that to ‘carry on business’ at a place means having “an interest in a business at that place”, “a voice in what is done” and “a share in the gain or loss and some control at that place”. Drawing from the Supreme Court precedent on jurisdiction in *Dhodha House v SK Maingi* ((2006) 9 SCC 41), the Division Bench stated that for a company to be found to carry on business in a place, the following three conditions must be fulfilled:

- If the business is run by an agent, the agent must be a special agent who attends exclusively to the business of the principal, in the name of the principal.
- The person acting as an agent must be an ‘agent’ in the strictest sense.
- An essential part of the business must be performed at the place in question.

Applying these conditions, the Division Bench observed that WWE had no agents in Delhi; therefore, the first two requirements were unfulfilled. However, as contracts could be concluded on WWE’s website for customers in Delhi, where payments were also initiated, WWE could be construed to carry on business in Delhi. The court noted that “the availability of transactions through the website at a particular place is virtually the same thing as a seller having shops in that place in the

physical world”, thus acknowledging the everyday reality of e-commerce.

This judgment was then relied on with regard to the concluded contract approach used in *Icon Health* – although the facts in the two cases are *prima facie* distinguishable. In *WWE* the plaintiff was found to be carrying on business in Delhi on the grounds that it sold goods directly through its website, thereby satisfying the third *Dhodha House* requirement. In *Icon Health* the defendants were found to sell their products through online intermediaries – including Apple’s App store, Google Play and Amazon – and while upholding that it had jurisdiction in the case, the court did not reference the three *Dhodha House* requirements or analyse whether such online intermediaries constituted agents of the defendants. Thus, a strict parallel cannot be drawn between the two cases.

Further, the inconsistency of the Delhi High Court’s decisions seems to have opened a Pandora’s box when it comes to cases involving online transactions. One particular concern is that litigants may seek to benefit from the uncertainty of outcomes by attempting to choose jurisdictions based not on fact, but on convenience (eg, filing a suit in an IP-savvy jurisdiction such as Delhi or where a successful order is more likely).

Looking at other courts in India, a July 2014 decision shows the Bombay High Court following the concluded contract approach. Online matrimonial websites are



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commonplace in India and in 1996 plaintiff 'Shaadi.com' ('shaadi' means 'marriage') was one of the first sites to provide such services. Noticing that a competing website, 'www.ShaadiHiShaadi.com', offered identical services, 'Shaadi.com' filed an action for trademark infringement and passing off before the Bombay High Court (*People Interactive (I) Pvt Ltd v Gaurav Jerry* (Nms (L) 1504/2014 In Suit (L) 622/2014)). For the first time, the court recognised that use of a trademark as a metatag constitutes infringement and passing off, and – more significantly – placed importance on the fact that the defendants had a virtual presence within its jurisdiction. In particular, the court focused on data analysis presented by the plaintiff which demonstrated that the defendant's use of the conflicting website and metatags had successfully diverted more than 10% of internet traffic away from the plaintiff's website. This led the court to hold that it will assume jurisdiction even if a defendant resides and carries on business outside its jurisdiction, provided that the defendant's website is interactive and globally accessible, including from the jurisdiction in which the case is filed.

A similar order was passed in *People Interactive (I) Pvt Ltd v Ammanamanchi Lalitha Rani* (Notice of Motion 2312/2014 in Suit 962/2014), which involved the same plaintiff, 'Shaddi.com', objecting the use of domain name 'GetShaadi.com'. Thus, it seems that so far the Bombay High Court has adopted a more uniform approach on the issue of territorial jurisdiction.

But how do Indian courts compare internationally?

Across the Atlantic

Zippo Manufacturing Co v Zippo Dot Com, Inc (952 F Supp 1119 (1997)) is a seminal case from the United States in which the plaintiff, located in Pennsylvania, sued the California-based defendant before the Pennsylvanian courts for the use of infringing domain names. To determine jurisdiction, the court held that: "The likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of the commercial activity that an entity conducts over the internet." Further, it devised a three-level sliding scale – the so-called *Zippo* test – which has been generally accepted as the standard in federal courts for determining jurisdiction in online cases. The test divides websites into three categories, namely:

- websites that conduct business over the Internet;
- websites through which users exchange information with host computers; and
- websites that do little more than present information.

The first category of websites will likely yield a positive finding of jurisdiction, while websites that simply present information will not. Jurisdiction for the middle category of website is determined by the level of interactivity. This is measured through an examination of the website's features, including its intended uses, the number of communications from in-forum residents through or as a result of the site, the number of in-forum visitors to the site and the number of commercial transactions made through the site by in-forum residents.

In *Zippo* the defendant had contracts with 3,000 subscribers and seven Pennsylvania-based internet service providers, thereby profiting from users in the state in which it was being sued. As such, the court held that it could properly exercise its jurisdiction over the defendant.

The decision in *Toys 'R' Us v Step Two* (318 F.3d 446 (3rd Cir, 2003)) also illustrates the US courts' response to middle-category websites. In this case, New Jersey-based Toys 'R' Us sued Spanish company Step Two before a New Jersey court on the grounds of cyber squatting and trademark infringement. Toys 'R' Us claimed that the defendant operated interactive websites through which a Toys 'R' Us employee, who was residing in the United States, had purchased products from Spain. Although Step Two's website was interactive, the court held that the company did not deliberately conduct business in New Jersey. The court went on to state that the mere operation of a commercially interactive website should not subject the operator to jurisdiction anywhere in the world; rather, there must be evidence that the defendant purposefully availed itself of conducting activity in the forum state by directly targeting its website at the state, knowingly interacting with residents of the state online, or through sufficient other related contacts.



Hopefully the Indian courts will move towards a uniform approach that best serves the interests of IP owners

These principles continue to dominate the issue of territorial jurisdiction when it comes to online disputes and the current US trend is to permit the exercise of jurisdiction over a company whose website enables users to complete a transaction, but not over a company whose website is informational only.

The rocky road ahead

Indian jurisprudence still has some way to go when it comes to exercising jurisdiction in online disputes. The mere virtual presence of an e-commerce business surely cannot be the threshold for determining jurisdiction in cases involving the use of trademarks online. If that were so, rights holders would face an onslaught of legal issues across multiple jurisdictions – transforming their biggest advantage, global reach, into their biggest disadvantage.

Nevertheless, courts around the world continue to struggle with these issues and the question of who has jurisdiction online has no clear, conclusive answer. What is certain is that such disputes are set only to increase in the times ahead – hopefully the Indian courts will move towards a uniform approach that best serves the interests of IP owners. **WTR**



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