

# THE INTERSECTION OF TRADEMARK LAW AND E-COMMERCE IN INDIA: A STUDY OF ONLINE BRAND PROTECTION

## ABSTRACT

This paper explores the critical intersection of trademark law and e-commerce within the Indian context, focusing on online brand protection. Trademarks serve as essential assets in the digital marketplace, enabling businesses to establish distinct identities, safeguard intellectual property, and foster consumer trust. Through an examination of India's trademark legal framework, including the Trade Marks Act, 1999, the study delves into the registration process and enforcement mechanisms available to protect trademarks in online commerce. It further investigates the role of the judiciary in upholding trademark rights, emphasizing the importance of legal remedies in combating infringement and passing off. Additionally, the paper explores the strategic significance of trademarks in e-commerce, highlighting their role in building brand identity, preventing counterfeiting, and facilitating global expansion. By analyzing the interplay between trademark law and e-commerce dynamics, this research aims to provide insights into effective strategies for online brand protection in the Indian market.

**Keywords-***Trademark Law, E-Commerce, India, Online Brand Protection, Trademark Infringement, Brand Dilution*

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## INTRODUCTION:

With the rise of the internet, electronic commerce (e-commerce) has emerged as a pivotal force driving the global economy. The unparalleled convenience and diverse array of options for consumers, coupled with the cost-effectiveness of inventory management in comparison to traditional retail, have propelled the e-commerce industry to new heights. According to the United Nations Conference on Trade and Development, global e-commerce sales reached an estimated USD 29 trillion in 2017, with India ranking ninth with sales totalling USD 400 million<sup>1</sup>. Projections indicate that by 2022, e-commerce will surpass traditional retail outlets to become the largest retail channel worldwide for various goods and services. India stands out as the fastest-growing market for e-commerce, with a market value exceeding USD 83 billion in 2018 and anticipated growth of 51% per annum, poised to reach up to USD 120 billion by 2020.<sup>2</sup> Notably, the burgeoning middle classes in Tier II and III cities have been a driving force behind the exponential growth of e-commerce, particularly during festive seasons. E-commerce platforms have revolutionized shopping experiences in these cities, providing access to a wide range of products that were previously unavailable.<sup>3</sup>

In recent years, there has been a technological revolution, with the widespread adoption of the Internet, web technology, and various applications reaching new heights. Electronic commerce (e-commerce) has emerged as a vital component of global trade and services, particularly within the Indian economy, as part of the broader information technology revolution. The growth of e-commerce in India presents both significant opportunities and challenges for developing countries like India. While there is already substantial growth in e-commerce, even conservative estimates suggest that this growth will continue to skyrocket in the foreseeable future. The proliferation of companies facilitating e-commerce and technology services in India has increased in recent years. Major Indian portals have also shifted their focus to e-commerce, transitioning from reliance on advertising revenue alone. Online shopping, a key aspect of e-commerce enables consumers to purchase goods and services

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<sup>1</sup>Singh, Meenakshi, Meenakshi Duggal, and Gaganpreet Kaur Ahluwalia. "Assessing the Growth of E commerce in India: A Study of Flipkart's Performance, Viability, and Future Prospects." *The Online Journal of Distance Education and e-Learning* 11(2): 135-148 (April 2023).

<sup>2</sup> Government of India, IBEF (India Brand Equity Foundation) Report, "E-commerce Industry in India" (Accessed on March 20, 2024)

<sup>3</sup> United Nations Conference on Trade and Development, 'Lack of digital in development strategies in focus at ecommerce Week' (2019) accessed 13 March 2024

directly from sellers through web browsers.<sup>4</sup> The diverse range of products available has fueled the growth of e-commerce in India, attracting a wide array of providers and customers, all seeking the best deals and convenience offered by online platforms. Despite its growth, e-commerce in India faces both opportunities and challenges. It encompasses not only buying and selling goods online but also various business processes aimed at supporting these objectives. E-business, on the other hand, entails the transformation of key business processes through internet technology, allowing businesses to adapt to constant changes in the digital landscape. This transformation has significantly altered the essence of the retail sector, with electronic retailing emerging as a new battleground for businesses. While the terms e-commerce and e-business are sometimes used interchangeably, they represent distinct concepts. E-commerce primarily involves transactions conducted over information and communications technology (ICT), including both business-to-consumer and company-to-consumer interactions. On the contrary, e-business utilizes ICT to enhance various organizational processes, encompassing all activities carried out by a business entity over computer-mediated networks. Overall, the integration of internet technology into business operations adds value to consumers and enhances organizational efficiency, ushering in a new era of commerce and business practices.<sup>5</sup>

However, alongside the unprecedented growth of e-commerce, there has been a surge in the sale of counterfeit products facilitated by the expansive reach of online platforms. A survey conducted in India revealed that nearly one in five consumers had received counterfeit products from leading e-commerce websites within a six-month period. Recognizing the proliferation of counterfeits,<sup>6</sup> India's judicial system has taken proactive measures to hold e-commerce platforms accountable, challenging their previously enjoyed statutory exemptions as intermediaries. This paper delves into the intersection of e-commerce and trademark law in India. It begins by exploring the phenomenal growth of e-commerce in India and its anticipated trajectory. Subsequently, it examines the legal framework governing intermediary liability, highlighting the roles and responsibilities of e-commerce marketplaces. The paper then scrutinizes the jurisprudence developed by Indian courts, particularly in addressing intellectual property infringements on e-commerce platforms.<sup>7</sup> It also analyses proposed amendments to existing laws impacting the roles of e-commerce marketplaces and identifies gaps in the regulatory framework. Finally, the paper outlines the challenges confronting e-commerce marketplaces and proposes a self-regulatory mechanism to combat online counterfeiting while ensuring a balanced approach to brand protection.<sup>8</sup>

## ROLE OF TRADEMARK IN E-COMMERCE

By creating a distinctive brand for goods or services, trademarks play a key function in commerce. They help brands stand out from rivals and increase consumer recognition and loyalty. Intellectual property is protected by trademarks, which stop unauthorized usage and imitation. They influence consumer decisions by communicating quality and consistency. Trademarks can also increase in value and turn into significant assets. They make sure that branding is constant, which helps with global expansion. Market position is strengthened by legal protection against infringement. In general, trademarks improve a company's reputation, foster trust, and considerably increase its market presence and success.

1. **Building Brand Identity and Recognition** - Building brand recognition and identity is essential for companies to stand out in a crowded market. A distinctive brand is created by creating a special blend of aesthetic components, messaging, and values that appeal to the target audience. A logo, color scheme, typography, and brand voice embody this identity. Consumers find linking these characteristics with goods or services simpler when consistently used across various platforms. A great brand identity drives customer engagement and market uniqueness by forging an emotional bond, inspiring trust, and fostering loyalty.

Enhancing brand recall is essential for long-term commercial success. It entails forging strong connections between a brand and its products in consumers' minds. The recall is aided by regular exposure to a brand's visual and auditory cues, such as logos, jingles, and slogans. Memory triggers can

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<sup>4</sup>United Nations Conference on Trade and Development, 'India's digital services exports hit \$83 million says new survey' (2018) accessed 13 March 2024.

<sup>5</sup> Shantanu Raman, "Perils of Ecommerce Transaction for Customers: A Review of the Availability of Counterfeit Goods on Marketplace Platforms," 10 JETIR 394 (June 2023).

<sup>6</sup> Pankhuri Agarwal: Online Marketplaces and Intermediary Liability- New Rules of the Game, May 2017, Spicy IP: De-coding IPR.

<sup>7</sup> Mayank Yadav, "E-Commerce Framework for Consumers' Protection from E-Commerce Fraud", 3, Jus Corpus Law Journal, 50 (2022).

<sup>8</sup> Michael Harbone, The History & Evolution of Ecommerce, PAY KICK START, <https://paykickstart.com/the-history-and-evolution-of-commerce/> (Last Modified Dec. 07, 2020).

be reinforced by effective advertising, clever placement, and interesting content. Making use of stories and emotional ties also helps to increase brand recognition. Positive client interactions leave a stronger memory impression of the brand.<sup>9</sup>

2. **Protecting Intellectual Property-** A brand's integrity and market position must be protected at all costs through intellectual property protection. A key component of this protection is the prevention of imitation and counterfeiting. Imitations and fake goods have the potential to damage brand value, undermine consumer trust, and result in losses. Legal protection against unlawful duplication is granted through registering trademarks, patents, and copyrights. Holograms, distinctive packaging, and tracking technologies are anti-counterfeiting strategies that can deter counterfeiters. Constant market and online platform monitoring make spotting and stopping infringement easier than ever. Such precautions not only safeguard a brand's authenticity but also the trust of its customers in the sincerity of its products. Maintaining a competitive edge calls for safeguarding unique offerings. It protects against unlawful duplication or imitation of rivals' exclusive goods, services, or innovations. Trade secrets, copyrights, and patents can all be used to accomplish this protection. Patents give inventions exclusive rights, but copyrights safeguard unique creative works. Trade secrets, such as special formulas or techniques, protect sensitive information from disclosure. Legal protections prevent infringement and maintain the uniqueness and worth of a company's offerings. Businesses can keep their distinctiveness and competitive advantage by ensuring that rivals cannot imitate what makes a brand stand out.<sup>10</sup>
3. **Legal Benefits and Enforcement-** Securing exclusive rights over innovations, ideas, and trademarks is one of the legal benefits of intellectual property (IP) enforcement. Legal ownership is provided by patents, copyrights, and trademarks, which stop unlawful usage. By differentiating items and building client confidence, exclusivity strengthens market presence. Legal action against infringers, imitation prevention measures, and investment protection are all part of IP rights enforcement. Cases involving infringements may result in remuneration and injunctions. This procedure improves a company's comparative advantage and encourages continuous innovation.

Legal Recourse against Infringement-Legal action is taken to defend intellectual property rights as a kind of legal redress against infringement. Businesses can sue infringing parties and demand compensation, injunctions, or restraining orders. The infringement of patents, copyrights, trademarks, or trade secrets is the basis for these legal actions. Courts may order infringers to stop using their work and pay damages. You can also pursue alternative conflict resolution techniques like mediation or negotiation. A successful case depends on solidifying the ownership and infringement evidence. In addition to discouraging infringers, legal action maintains the value of intellectual property, ensuring that companies maintain their competitive edge, unique creations, and brand identity.

4. **Enabling Expansion and Global Reach-** Protection of intellectual property (IP) facilitates business expansion and global reach. Businesses can grow into new markets and regions thanks to the confidence and trust that trademarks, patents, and copyrights provide. Secure intellectual property rights guarantee that distinctive offerings are protected from copying, which promotes customer loyalty. These safeguards draw investors and collaborators, fostering cross-border cooperation. IP enforcement facilitates market access by assuring prospective customers of authenticity and quality. Businesses may easily traverse a variety of regulatory settings if they have a strong legal base. In conclusion, effective IP protections enable companies to investigate local and worldwide growth prospects, thereby solidifying their presence on a global scale.

Extending legal protections for intellectual property (IP) across international borders is called cross-border protection. It guarantees that IP rights are protected and honored in various nations. International accords like the Paris Convention and the World Trade Organization TRIPS Agreement protect businesses. Businesses can expeditiously file for IP rights across several nations using these frameworks. Collaboration with legal authorities, customs agencies, and IP offices in many jurisdictions is necessary for cross-border enforcement. By preventing unlawful use and infringement of IP assets in international marketplaces, this protection enables companies to confidently increase their presence and product offerings around the globe.<sup>11</sup>

<sup>9</sup> Sujan U., "Trademark Violations in E-Commerce," 5, Indian Journal of Law and Legal Research, 1 (2023).

<sup>10</sup> Deesha Vyas; Mehek Chablani, "E-Commerce Market in India: Enigmatic Difficulties Necessitating Reforms", 3, Indian Journal of Law and Legal Research, 1 (2021)

<sup>11</sup> Ankit Singh, "Regulating E-Commerce in India a Work in Progress," 2, International Journal of Law Management & Humanities, 130 (2019)



5. **Enhancing Brand Value and Investor Confidence-** Recognizing intellectual property (IP) as a priceless intangible asset is essential to raising brand value and investor trust. A business's originality and distinctiveness are denoted by trademarks, patents, and copyrights, which raises its overall worth. Investors are reassured by stable businesses with strong IP protections, which promote trust and future partnerships. These assets can generate additional revenue streams through partnerships, franchising, or licensing. Strong IP management demonstrates a business's dedication to protecting its innovations and influencing investor choices. Businesses may boost brand equity, draw investments, and boost investor confidence in long-term growth. Patents, trademarks, and copyrights inspire confidence by denoting originality and a competitive edge. Investors are aware that protected innovations have the potential to generate revenue and provide market differentiation. Risks are reduced by a well-managed IP portfolio, guaranteeing stakeholders. Additionally, it can be used as finance collateral. A company can get investment, form partnerships, and build a network of stakeholders interested in its success by showcasing a commitment to protecting and using its intellectual property assets.

## CHALLENGES TO TRADEMARK PROTECTION IN ECOMMERCE

1. **DOMAIN NAME** -"Domain names have and will continue to go up in value faster than any other product ever known to human".<sup>12</sup> The domain name is usually an address given to the website so that the person intending to visit the same may visit the website of the identified person. E.g. www.google.com. So far as individual persons or eminent personalities/popular companies are concerned; their identity is established in the virtual world of internet by way of domain names. Thus, the popularity or the fame of any individual or the company will be no different on the internet than the reality. A domain name can be easily remembered and used. It is an instrument of commerce as it identifies and distinguishes the business itself, or its goods or services and specifies its corresponding online internet location. As such, domain names are integral parts of businesses having any online commercial activity. They can be referred to as an 'online identity' of one's business. Since the commercial activities online are increasing day by day, the usefulness and purpose of domain names cannot be ignored. These days, domain names are not just names of websites, but they are business identifiers. *Hon'ble Bombay High Court in held in case of People Interactive (India) Pvt Ltd. vs. Vivek Pahwa and Ors*<sup>13</sup> that "domain name is the online equivalent of a physical address. It takes a user to a particular part of the website where a domain name registrant stores and displays his information & offers his services." Thus, a domain name and trademark perform the same function as "identifiers." But, the process of acquiring a domain name requires no examination as to whether the domain name is distinctive or capable of distinguishing itself from others. Descriptive words or even names of persons can be registered as domain names. Some businesses also use their registered trade mark as domain names. On the other hand, once a domain name has been chosen, the holder can also apply to obtain trademark protection in order to prevent others from using the same.

In India we have no domain name protection Law in that regard is decide under Trade Marks Act, 1999 in addition to those which are decided by WIPO. In this regard, Hon'ble Apex Court in the case of *Satyam Infoway Ltd vs Sifynet Solutions Pvt Ltd*<sup>14</sup> while drawing distinction between trade mark and domain name held that "the distinction lies in the manner in which trade mark and domain name operate. A trademark is protected under the law of a country where such trademark is registered. Thus, a trade mark may have several registrations in many countries throughout the world. On the other hand, since the domain name operates on the internet and it can be accessed from anywhere in the world without any geographical limitation, national laws might be inadequate to effectively protect a domain name". Thus, Indian Courts recognized the lacuna in the Trade mark Act for want of express provision to protect domain names. However, in the absence of explicit legislation, Courts in India applied the provisions of the Trade Marks Act to such disputes. The Court in above case further observed - "There is no statute in India which directly and specifically deals with resolution of domain name conflicts. Though the operation of the Trade Marks Act, 1999 is not extra territorial and may not allow for effective protection of domain names, yet it does not mean that domain names are not to be protected to the extent possible under the laws relating to passing off". Thus, trade mark Act is applied to domain names by Indian Judiciary. It is to be noted that the Trade mark law does not permit any one to carry on his business in such a way as would make the customers to believe that the goods or services belonging

<sup>12</sup> Bill Gates, The Founder of Microsoft

<sup>13</sup> (2016) 6 AIR Bom R 275

<sup>14</sup> AIR 2004 SC 3540

to someone else are his or are associated therewith. Hence, it is necessary to protect the domain names so that the identified names of companies and individuals which are distinct at the market place may not go at the hands of individuals who are nowhere concerned with those names thereby preventing the menace of cybersquatting and passing off.

### PROTECTION OF DOMAIN NAMES AS TRADE MARKS

A domain name may be licensed and covered as a trademark if it relates to the provision of services under the scope of Section 2(z) of The Trade Marks Act, 1999. Following registration, the trademark owner will be granted all of the privileges that are normally granted to trademark owners in the Indian subcontinent. These rights will also include the right to sue for infringement and rights of action against any person for passing off.<sup>15</sup>

- i. **Right to sue for infringement:** The owner of a trademark would have the exclusive right to use the trademark in relation to the products or services for which the trademark has been licensed, as well as the ability to seek redress in the event of infringement. If an individual other than the trademark owner uses a domain name that is licensed as a trademark without permission, he will be held responsible for trademark infringement under Section 29 of the Trade Marks Act, 1999.<sup>16</sup>
  - ii. **Rights of action against any person for passing off:** If certain requirements are met, an owner whose mark is not licensed as a trademark may also benefit from the protection of his mark. First and foremost, the trademark owner should develop goodwill or a reputation for his product. Second, the owner of the trademark has to show that someone else has misrepresented his products and it is either misleading or will be misleading to the relevant public, and third, the trademark owner is needed to show that a loss has been caused to his own goods and services as a result of the defendant's goods and services being mistaken for the plaintiff's.<sup>17</sup>
2. **CYBERSQUATTING-** Cybersquatting can be defined as registering, trafficking in, or using a domain name with bad-faith that is mala fide intention to make profit from the goodwill of a trademark belonging to others. The cyber squatter then makes an offer to sell the domain to the person/ who owns a trademark contained within the name at a high price. There are several Indian cases where the cyber squatters have been restrained on the basis of Passing off. In the *Bisleri case*<sup>18</sup>, the Delhi High Court on a complaint by the proprietors of the TM Bisleri and the domain name Bislerimineralwater.com restrained an IT company from using the domain name Bisleri.com. In another judgment passed by the Delhi High court in *yahoo! Inc case*<sup>19</sup>, the Court restrained the defendant from using the domain name Yahooindia.com on the ground that it violated the rights of the plaintiff who was the proprietor of the domain name yahoo.com which was registered earlier in several countries except India. In the case of *Panavision International, L.P. v. Toeppen*<sup>20</sup>, defendant applied for and received registration of the domain name panavision.com which was similar to name of Plaintiff Company. Plaintiff i.e. Panavision International is a well- established manufacturer of filming equipment and camera. It tried to register panavision.com, but was informed about defendant's registration of the domain name. Hence, plaintiff notified defendant of its desire to use the domain name panavision.com. But, defendant demanded \$13,000 to relinquish the domain name. Plaintiff refused to pay and sued the defendant on a federal trademark dilution claim. The Court restrained Toeppen from further use of the web site, and ordered him to relinquish the registration of the domain name to plaintiff. Cybersquatting remains a persistent issue in domain name disputes. It occurs when individuals reserve domain names that include trademarks with the intention of profiting from them, often by offering to sell the domain back to the trademark owner. This practice can also involve registering domain names that are misspellings of trademarks or include geographical regions. In India, domain name registration falls under the jurisdiction of the Internet Corporation for Assigned Names and Numbers (ICANN), and the first person to register a domain name typically retains ownership, even if it is deceptively similar to a trademark. Trademark owners must proactively register their domain names to protect against cybersquatting. Although the defense of prior use applies to domain names, trademark owners must take proactive measures to prevent cybersquatting and unauthorized adoption of their domain names. One potential

<sup>15</sup> Satyam Infoway Ltd. v. Sifynet Solutions MANU/SC/0462/2004.

<sup>16</sup> The Trade Marks Act of 1999, § 2(zb)

<sup>17</sup> Reckitt and Colman Products Ltd. v. Borden Inc. and Ors., MANU/UKHL/0012/1990

<sup>18</sup> Acqua Minerals Limited vs. Pramod Bose and Ors, 2001 PTC 619

<sup>19</sup> Yahoo vs. Akash Arora 1999 PTC 201

<sup>20</sup> Panavision International, L.P. v. Toeppen 141 F 3d 1316 (1998)

remedy for cybersquatting is passing off, which involves the unauthorized use of a trademark on competing or related goods and services. While passing off is a common law remedy and not provided for by statute, trademark owners can seek damages and injunctions to restrain the unauthorized use of their trademarks. However, detecting and addressing instances of passing off can be challenging for e-commerce entities, as there is a higher likelihood of confusion among consumers and a greater number of deceptively similar domain names. Therefore, while passing off can be an effective remedy, it may not fully mitigate the risks associated with cybersquatting in the e-commerce landscape.<sup>21</sup>

- 3. COUNTERFEIT GOODS-** The surge in e-commerce platforms has led to a concerning rise in the global trade of counterfeit goods. According to recent research by the Organization for Economic Cooperation and Development (OECD), counterfeit goods now account for 3.3% of worldwide trade.<sup>22</sup> This proliferation of counterfeit products poses significant challenges, not only for consumers but also for brand owners and regulatory authorities. Counterfeit goods are often sold on e-commerce platforms, where they are not subject to physical checks and inspections, making them more susceptible to duplication and counterfeiting. This not only confuses consumers but also undermines the goodwill and reputation of brands, resulting in both reputational and monetary damages. The scope of counterfeit goods encompasses a wide range of products, including high-end items as well as everyday consumer goods such as apparel, cosmetics, drugs, gadgets, and appliances. The expansion of e-commerce websites has provided counterfeiters with access to a broader range of platforms and customers, enabling them to carry out their illicit activities more easily. One notable example is the case of Nike, which withdrew its products from Amazon in 2017 due to the presence of counterfeit Nike products being sold by third-party merchants on the platform. Counterfeiters often employ tactics such as generating transactions through networks of accounts across various channels, paying for favourable reviews with bots, and boosting sales with fictitious transactions to enhance their reputation and evade detection. Counterfeiting not only poses risks to consumers and legitimate businesses but also has broader implications for public health, safety, and the economy. Counterfeit products, especially in industries like pharmaceuticals, pose significant health risks to consumers. Additionally, the sale of counterfeit goods provides a convenient source of funding for illicit activities such as terrorism. To address the issue of counterfeiting on e-commerce platforms, various legal frameworks are in place. The Trademarks Act, 1999, for instance, considers counterfeiting as trademark infringement and provides for penalties under Section 104.<sup>23</sup> Similarly, the Copyright Act, 1957 allows for criminal proceedings against the illegal sale of copyrighted works. The Consumer Protection (E-Commerce) Rules, 2020, aim to strengthen the selling models used by e-commerce businesses by protecting consumers from unfair trade practices, including counterfeiting. These rules mandate that e-commerce entities maintain due diligence and accuracy in the descriptions and images of goods or services hosted on their platforms. Moreover, the Information Technology (Intermediaries Guidelines) Rules, 2011,<sup>24</sup> require intermediaries such as e-commerce platforms to observe due diligence while discharging their duties, including informing users not to infringe on intellectual property rights. Despite these legal frameworks, combating counterfeiting on e-commerce platforms remains a challenge. Counterfeiters continue to exploit the anonymity and reach of the internet to carry out their illicit activities, making it difficult for brand protection managers to detect and address instances of counterfeiting effectively. Brand protection managers face various challenges in addressing counterfeiting, including delusions about the extent of counterfeit goods affecting their businesses, limited legal assistance and strategies, and the absence of suitable procedures for online brand protection.

In conclusion, the proliferation of counterfeit goods on e-commerce platforms poses significant challenges for consumers, brand owners, and regulatory authorities. While legal frameworks exist to address counterfeiting, effective enforcement and cooperation between stakeholders are essential to combat this growing threat effectively. Brand protection managers must remain vigilant and take proactive measures to safeguard their brands and consumers against the risks posed by counterfeit goods on e-commerce platforms.

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<sup>21</sup> Naumovski, Goce, and Dimitri Chapkanov. "Convergence of Trademark Law and E-Commerce: Overview of US, EU and China Regulations on Trademarks and Domain Names." *African Journals Online*, pg. 424-438 (2014).

<sup>22</sup> Ashok R. Patil; Akshay Yadav, "Suggested Legal Framework for Strengthening the Consumer Protection in E-Commerce Transactions," 12, *GNLU Journal of Law Development and Politics*, 206 (2022).

<sup>23</sup> The Trade Mark Act, 1999 § 102.

<sup>24</sup> Information Technology (Intermediaries Guidelines) Rules, 2011.



4. **JURISDICTIONAL ISSUES-** The recent case of *V Guard Industries Ltd. v. Sukan Raj Jain & Anr*<sup>25</sup>. Before the Delhi High Court delved into the complex issue of territorial jurisdiction concerning trademark infringement disputes on e-commerce platforms. The key question revolved around whether the sale of infringing goods on third-party e-commerce platforms accessible within the forum state satisfies the territorial jurisdiction of that forum or court. *V Guard Industries Ltd.*, headquartered in Kerala, filed a suit seeking a permanent injunction against the sale of offending products on various e-commerce platforms, where the defendant was shown as a verified supplier. The defendants, with their registered office in Karnataka, contested the jurisdiction of the Delhi court, arguing that neither party had its registered office in Delhi, and they did not directly sell products in Delhi. However, the plaintiff argued that since the offending products were accessible on e-commerce platforms within Delhi, the cause of action had arisen in Delhi, and the plaintiff also had supply offices in Delhi. The court, in its judgment, affirmed that self-generated sales relied upon by the plaintiff cannot be termed as "trap sales" if the defendant is found to have targeted products at a place where the said sale was made. In analysing the jurisdictional issue, the court referred to relevant provisions of the Trademarks Act, 1999, and the Civil Procedure Code, 1908. Section 134 of the Trademarks Act<sup>26</sup> allows a plaintiff to initiate a cause of infringement action where the plaintiff resides or has a place of business. Similarly, Section 20 of the CPC enables the plaintiff to institute a suit where the defendant resides or carries on business, or where the cause of action wholly or in part arises. The court noted that additional jurisdictions are available to the plaintiff under Section 134 of the Trademarks Act, beyond those available under Section 20 of the CPC. Crucially, the occurrence of the cause of action was deemed a determining factor under both sections to attract the territorial jurisdiction of the court. Therefore, if any part of the cause of action arises at a place where the plaintiff has its branch or subordinate office, courts at that place would have jurisdiction to entertain a suit against infringement and passing off. In this case, since the defendant's offending products were accessible where the plaintiff had its subordinate (supply) office, the plaintiff was held to be qualified under both Section 134 of the Trademarks Act and Section 20(c) of the CPC.<sup>27</sup> This judgment from the Delhi High Court represents a significant clarification of the law regarding territorial jurisdiction concerning e-commerce platforms. By equating the existence of virtual stores on the internet with conventional physical stores, the court has adapted legal principles to accommodate the evolving landscape of online commerce, particularly relevant in light of the pandemic-induced shift towards online transactions. The judgment underscores the importance of carefully delineating territories for distribution to restrict litigation to areas where business activities are conducted intentionally. This proactive approach can help businesses mitigate jurisdictional issues and streamline legal proceedings in trademark infringement disputes related to e-commerce platforms. Overall, the case sets a precedent for future jurisdictional determinations in similar disputes and provides clarity on the applicability of traditional legal principles to the digital realm.<sup>28</sup>

## LEGAL FRAMEWORK GOVERNING E-COMMERCE IN INDIA

The Consumer Protection Act, 2019, and the Information Technology Act, 2000, currently govern e-commerce in India. However, several gaps exist in these legislations, particularly regarding stringent punishments and intermediary liability clauses, rendering them ineffective in addressing e-commerce issues adequately. Notably, the Consumer Protection Act does not specifically address the problem of counterfeit goods sold on popular e-commerce platforms like Amazon and Flipkart.<sup>29</sup> The bill for the Consumer Protection Act was passed in July and August of the respective houses. However, during the debate on the draft, members highlighted the lack of provisions addressing consumer rights on e-commerce platforms. With the proliferation of e-commerce websites, counterfeit products have become increasingly common, with platforms often disclaiming responsibility for such goods. Effective governance is essential for regulating e-commerce and ensuring smooth trade operations. Economic regulation theory emphasizes the role of government in creating regulatory systems that incentivize market participants to act responsibly. The Department for Consumer Affairs (DCA) and various e-commerce platforms have proposed the establishment of a compensation mechanism for consumers who purchase counterfeit

<sup>25</sup> CS(COMM) 25/2021

<sup>26</sup> Bhushan Shah, *Infringement Of Trademarks On E-Commerce Platforms Forum For Territorial Jurisdiction* (Apr. 9, 2024, 10:20 PM), <https://www.mondaq.com/india/trademark/1332370/infringement-of-trademarks-on-e-commerce-platforms-%7C-forum-for-territorial-jurisdiction>

<sup>27</sup> Code of Civil Procedure, 1908 § 20(c).

<sup>28</sup> Hina Kausar: *E-Commerce Guidelines for Consumer Protection, 2019, an Attempt to Reign the E-Commerce Sector*, Manupatra.

<sup>29</sup> Hina Kausar: *E-commerce and the Right of Consumer*, 2016, Manupatra.

products online. However, this proposed mechanism is voluntary and may not adequately address the issue.<sup>30</sup>

A National Conference on Counterfeiting and Role of Enforcement Agencies organized by the Department for Industrial Policy and Promotion (DIPP) aimed to facilitate dialogue among stakeholders and enhance the intellectual property rights (IPR) protection system. Despite efforts to address the problem, counterfeit products remain prevalent in Indian e-commerce markets, posing challenges for consumer safety and product quality assurance. Trademarks play a crucial role in distinguishing products and associating them with their manufacturers. The registration of trademarks grants exclusive rights to their owners, who are responsible for educating consumers about their products' unique features. However, the growing availability of counterfeit goods highlights the need for stricter regulations and consumer protection measures in e-commerce. While Section 79 of the IT Act provides intermediaries with safe harbor protections, there is a pressing need for comprehensive e-commerce legislation and robust consumer protection measures. Emphasizing accountability and responsibility in online marketplaces is essential to safeguarding consumer rights and promoting fair competition. In conclusion, while e-commerce platforms offer numerous benefits to consumers and foster healthy competition, addressing the proliferation of counterfeit products requires stronger regulatory frameworks and enhanced consumer protection measures. Efforts to bridge existing gaps in legislation and enforce stringent regulations are crucial for ensuring the integrity and safety of e-commerce transactions in India.

### COMBATING TRADEMARK INFRINGEMENT IN ECOMMERCE

In the realm of e-commerce, trademark infringement is a significant concern, with legal frameworks and court rulings shaping the responsibilities and liabilities of intermediaries such as e-commerce platforms. Under Section 29 of the Trademark Act of 1999, e-commerce platforms generally escape liability for trademark infringement unless they engage in specialized services like advertising production or provide support to vendors. The Safe Harbor doctrine, enshrined in Section 79 of the Information Technology Act of 2000, shields third-party vendors from liability as long as they are unaware of any illicit activity. However, to qualify for Safe Harbor protection, e-commerce platforms must operate passively, merely disseminating information without initiating or altering it.<sup>31</sup>

In 2022, the Department of Electronics and Information Technology proposed amendments to the Information Technology (Media Guidelines and Digital Media Policy) Act of 2021, imposing various codes of conduct on intermediaries. These regulations required intermediaries to monitor user compliance, adhere to due diligence standards, protect constitutional rights, and promptly address content removal requests within 72 hours. Additionally, a Grievance Appellate Committee was established to handle appeals, ensuring users retained the right to seek legal remedies.<sup>32</sup>

Legal precedent, as seen in the case of *MySpace Inc. v. Super Cassettes Industries Ltd*<sup>33</sup>, underscores the obligation of intermediaries to promptly remove infringing material upon receiving notice from affected parties. Failure to do so within 36 hours of notification may result in the intermediary forfeiting its Safe Harbor protection. Moreover, the Delhi High Court's ruling in *Google LLC v. MakeMyTrip (India) Private Limited & Ors*<sup>34</sup> clarified that the use of trademarks as keywords in advertising programs does not necessarily constitute trademark infringement. The court emphasized the need to challenge the presumption of confusion with evidence and highlighted the inapplicability of certain sections of the Trademark Act in specific contexts.

In *Christian Louboutin SAS v. Nakul Bajaj*,<sup>35</sup> the court stressed the importance of e-commerce platforms maintaining their role as intermediaries and refraining from active participation in trademark infringement. Although the Information Technology Act prevails over the Trademarks Act only in cases of inconsistency, the use of meta-tags to exploit another's trademark name does not provide protection under Section 79 of the IT Act. Additionally, in *Kent RO Systems Ltd. v. Amit Kotak & Ors*,<sup>36</sup> the court clarified that intermediaries are not

<sup>30</sup> Hina Kausar: E-Commerce Guidelines for Consumer Protection, 2019, An Attempt to Reign the E-Commerce Sector, Manupatra

<sup>31</sup> Ana Pokrovskaya, "Liability for Trademark Infringement on E-Commerce Marketplaces" 2 Int'l JILI 87-101 (2023).

<sup>32</sup> Ministry of Electronics and Information Technology, Notification, New Delhi, the 25th February, 2021, G.S.R. 139(E), available

at: <https://mib.gov.in/sites/default/files/Digital%20Media%20Ethics%20Code%20Rules%20%20Noti>

<sup>33</sup> 2016 SCC OnLine Del 6382

<sup>34</sup> 2023 SCC OnLine Del 7965

<sup>35</sup> 2018 SCC OnLine Del 12215

<sup>36</sup> 2017 SCC OnLine Del 7201



required to assess the intellectual property rights of products listed on their platforms but must promptly remove infringing items upon receiving complaints from the original IP rights owner.<sup>37</sup>

The most common violations of rights in the online environment can be considered the fact that online stores - e-commerce platforms - use without the consent of brand owners their trademarks to promote their services and competitors' products, sell counterfeit goods or gray imports. These violations have become widespread because consumers on the Internet do not have the opportunity to directly see the goods, as well as to identify the seller and manufacturer before the purchase. Unscrupulous online stores choose domain names and page names in social networks similar to the names of original brands and manufacturers. A domain name is not an object of exclusive right and is not protected independently. But the courts consider the moment of registration of the domain name and the beginning of use of the disputed site. Therefore, the right holder should first check when the domain name and online store began to be used by a competitor. The right holder may refer to a publicly available electronic domain checker, website archiving services, as well as the history of the online store's age in a social network.<sup>38</sup> Having discovered the illegal use of a trademark on online marketplaces, the right holder should notarize the content of the site, as well as purchase the infringer's goods or services offered on the site. One should not postpone the application to the notary because in the future the infringer may temporarily remove the disputed designation or the offer to sell the disputed goods. The shipping documents and a sample of goods obtained during the purchase will help prove the connection between the actual commercial activities of the infringer and the online store. It is necessary to establish the identity of the infringers. Usually, it is the owner of the online store and the administrator of the domain name of the site. In practice, these are often different people. Information about the owner of the online store can be obtained from shipping documentation received during the purchase of goods, contact information on the site itself and in social networks. An important task is to identify the administrator of the domain name of the site, as it is he who has the technical ability to stop the illegal use of the trademark. The easiest way to do this is to send a lawyer's request to the domain name registrar. However, if it is a third-level domain name, the law does not oblige persons registering third-level domains to collect and store reliable information about their administrators. Then it is necessary to prosecute the owner of the online store, who certainly knows the identity of the administrator of the domain name, as well as apply to law enforcement authorities. In the case of 'gray imports', the most effective protection is the initial entry of the right holder of its trademark in the Customs Register of Intellectual Property Objects.<sup>39</sup> In case of an attempt to import goods marked with a trademark, the customs authorities suspend the importation of such goods and notify the right holder. In this case, most of the evidence necessary for the defense will already be provided by the customs authorities and the right holder will have to apply to the court in a timely manner. Another type of trademark infringement is 'cybersquatting'. This is the registration of beautiful and recognizable domain names similar to the names of famous trademarks for the purpose of their subsequent resale to right holders.<sup>40</sup> A sign that the right holder has encountered cybersquatting is the content of the site: it is either empty or contains neutral content not related to business activities, or an offer to sell the domain name. To defeat a cyber-squatter, the right holder needs to gather evidence of the person's bad faith, including their lack of purpose in using the domain name for its intended purpose. The main evidence will also be a notarized record of the website accessible by such domain name, as well as written documents containing possible appeals of the squatter to the right holder with offers to sell.<sup>41</sup>

Overall, legal developments and court rulings continue to shape the landscape of trademark infringement in e-commerce, outlining the responsibilities of intermediaries and the parameters of liability. As e-commerce continues to evolve, it is crucial for platforms to adhere to legal frameworks and cooperate with stakeholders to combat trademark infringement effectively while fostering a conducive environment for online commerce.<sup>42</sup>

## LIABILITY FOR TRADEMARK INFRINGEMENT ON E-COMMERCE MARKETPLACES

<sup>37</sup> Khurana & Khurana "Trademark Infringement in E-Commerce in India: Challenges in Digital Era", <https://www.khuranaandkhurana.com/2024/04/16/trademark-infringement-in-e-commerce-in-india-challenges-in-digital-era/>.

<sup>38</sup> Anna Pokrovskaya, "Protection of Trademark Rights on E-commerce Platforms: An Updated Outlook" Vol. 10, JCBAR.

<sup>39</sup> Maggs, G. E. (2002). Regulating electronic commerce. *The American Journal of Comparative Law*, 50, 665.

<sup>40</sup> Sevastianova, V. N. (2023). Trademarks in the age of automated commerce: Consumer choice and autonomy. *IIC-International Review of Intellectual Property and Competition Law*, 54(10), 1561-1589.

<sup>41</sup> Pokrovskaya, A. V. (2023a). Liability for trademark infringement on e-commerce marketplaces. *International Journal of Law in Changing World*, 1(2), 88

<sup>42</sup> Garber, A. A. (2003). E-commerce: A catalyst for change in intellectual property law. *Business Law Journal*, 6(157).

In India, the evolution of e-commerce has focused heavily on the issue of intermediary liability in India. The first case was in *Avanish Bajaj v State (NCT of Delhi)*<sup>43</sup>, known as the Baze.com case. The problem arose. In this case the CEO of Barce.com (now eBay in) Mr. Vanish Bajaj was arrested after a user posted an offensive video clip for sale on the web. It held that the websites of the e-commerce company can be held accountable under the Indian Penal Code 1860 and the 2000 IT Act, while the Delhi High Court quashed Mr. Bajaj for procedural reasons. It also held. That decision led to a leading appeal by the industry to amend the IT Act to protect brokers from their websites responsibility for content produced by the customer. The IT Act defines intermediaries specifically for online markets including e-commerce websites. In Section 79(1) of the IT Act<sup>44</sup> it is stated that intermediaries are not liable for information made available to third parties, usually excluded from intermediary's liability, which in compliance with Article 79 of the Information Technology Act, 2000 is the default position in Indian law. However, Section 79(1) which grants a general exemption from liability is subject to Sections 79(2) and 79(3), which lay down certain conditions under which protection is granted to intermediaries the intermediary shall not initiate, select or otherwise modify this communication, that he or she fulfills his or her duties under the Act. However, the exemption does not extend when "conspired, encouraged or induced" to commit such an unconstitutional act by the intermediary.<sup>45</sup> Thus, it is quite evident that the exemption of intermediary liability and selling of counterfeit goods is a major problem faced by the consumers in E-commerce. E-commerce stands as a dynamic and continually evolving sector, offering lucrative revenue opportunities. However, the persistent challenge of intellectual property (IP) infringement casts a shadow over e-commerce platforms, threatening the rights and revenue of businesses and creators. Counterfeit goods represent one of the most prevalent forms of IP violations in e-commerce. These counterfeit products flood online marketplaces, often masquerading as genuine items. Such fraudulent practices not only erode brand credibility but also undermine consumer confidence, resulting in significant financial losses for legitimate IP owners.

E-commerce platforms, while facilitating transactions between buyers and sellers, typically cannot be held liable under Section 29 of the Trademarks Act, 1999, unless they engage in activities constituting trademark infringement. The Safe Harbor principle, enshrined in Section 79 of the Information Technology Act, 2000, provides protection from liability or penalty for intermediaries, including e-commerce platforms. To qualify for Safe Harbor, platforms must demonstrate that they were unaware of any illegal activities conducted by third-party sellers. Section 79(2) of the IT Act stipulates that intermediaries must maintain a passive role, merely providing access to a communication system without initiating or modifying information. Compliance with Safe Harbor requires intermediaries to restrict their activities to providing access to third-party information without actively engaging in the transmission or modification of content.

The Information Technology Act, 2000, underwent amendments in 2008 to grant exemptions to intermediaries from liability for third-party information. Subsequent amendments expanded the definition of intermediaries and broadened the scope of protection under Section 79. In response to concerns regarding the misuse of social media and e-commerce platforms, discussions in Parliament led to proposed amendments aimed at imposing additional responsibilities on intermediaries. To address these concerns and ensure harmonious compliance with due diligence requirements, the Ministry of Electronics and Information Technology proposed amendments to the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021.<sup>46</sup> The amended rules, notified in October 2022, specify the conduct of intermediaries, including obligations related to user compliance, accessibility, and adherence to constitutional rights.<sup>47</sup>

Addressing intellectual property (IP) infringement in e-commerce necessitates a multi-faceted approach that integrates legal frameworks, regulatory amendments, and judicial precedents. Landmark cases such as *Samsung v. Kapil Wadhwa*<sup>48</sup>, heard in the Delhi High Court, have underscored the court's stance on the resale of genuine products outside authorized distribution channels. The court emphasized that trademark laws primarily aim to protect rights rather than regulate sales.

Similarly, *Myspace Inc. vs. Super Cassettes Industries Ltd.*<sup>49</sup> highlighted the obligation of intermediaries to promptly remove infringing content upon receiving specific notice from copyright owners. This case reiterated

<sup>43</sup> *Avanish Bajaj v State (NCT of Delhi)*, 116 (2005) DLT427.

<sup>44</sup> IT Act, 2000 § 79.

<sup>45</sup> Pavan Duggal: Law of Intermediaries, Pg No. 232-272 (2016)

<sup>46</sup> <https://prsindia.org/billtrack/amendments-to-it-rules-2021#:~:text=Under%20the%20IT%20Rules%20Users,inform%20users%20about%20these%20restrictions.>, last accessed on April 21, 2024

<sup>47</sup> Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021

<sup>48</sup> 194 (2012) DLT 23

<sup>49</sup> 2016 SCC OnLine 6382

the importance of intermediaries complying with their responsibilities to retain Safe Harbor protection under the law.

In *Christian Louboutin v. Nakul Bajaj*,<sup>50</sup> the court emphasized the liability of e-commerce platforms engaging in the sale of counterfeit products. It stressed the need for caution among intermediaries to enjoy immunity from liability, highlighting the consequences of actively participating in infringing activities. Moreover, the case of *Kent RO Systems Ltd. v. Amit Kotak & Ors*<sup>51</sup> clarified that intermediaries are not required to determine the legitimacy of products but must promptly remove infringing items upon receiving complaints from IP rights owners. This decision further solidified the responsibilities of intermediaries in maintaining a safe and legal online marketplace.

Furthermore, the Delhi High Court's ruling in *Amway India Enterprises Pvt. Ltd. v. 1Mg Technologies Pvt. Ltd. & Anr.*<sup>52</sup> Affirmed the Safe Harbor provisions for online marketplaces, irrespective of the value-added services they provide. This decision reiterated the importance of Safe Harbor protections in fostering a conducive environment for e-commerce platforms

*Samridhi Enterprises vs. Flipkart Internet Private Limited & Ors*<sup>53</sup> highlighted the grievance redressed mechanism specified in IT Rules, 2021, without mandating specific actions in response to notices of infringement. Addressing IP infringement in e-commerce requires a multi-faceted approach, combining legal frameworks, regulatory amendments, and judicial precedents. Safe Harbor provisions play a crucial role in protecting e-commerce platforms and intermediaries, but compliance with due diligence requirements remains paramount. Judicial decisions provide clarity on intermediary liability, ensuring a conducive environment for online commerce while safeguarding intellectual property rights.

## CONCLUSION AND SUGGESTION

In the intersection of trademark law and e-commerce in India, the issue of online brand protection has become increasingly critical due to the proliferation of counterfeit goods on e-commerce portals. Trademark infringement poses significant challenges, impacting consumer trust, brand integrity, and the overall economy. The absence of secondary liability for e-commerce portals under current Indian law presents a notable gap, allowing them to escape accountability for trademark infringement occurring on their platforms.

To address this gap, there is an urgent need for the introduction of secondary liability regulations tailored to combat trademark infringement on e-commerce platforms. Implementing such regulations would incentivize e-commerce platforms to collaborate with brand owners, implement stringent seller verification procedures, and swiftly remove suspected counterfeit products. This approach would not only safeguard the rights of trademark owners but also protect consumers from unknowingly purchasing counterfeit goods. Improved Due Diligence: E-commerce platforms should implement proactive due diligence measures to screen and approve sellers on their platforms. This can include verifying their identities, monitoring their activities, and implementing systems to detect and prevent the sale of counterfeit products.

1. **Strengthening Intellectual Property Protection Agencies:** Governments should allocate more resources to intellectual property protection agencies to enhance their capacity for investigating and prosecuting trademark infringement cases on e-commerce platforms. This includes improving their expertise in online enforcement and providing them with the necessary tools and technology to identify and take action against infringers.
2. **International Cooperation:** Given the global nature of e-commerce, policymakers should promote international cooperation and information sharing between governments, brand owners, and e-commerce platforms. This can help create a unified approach to combating trademark infringements and ensure consistent enforcement across different jurisdictions.
3. **Public Awareness and Education:** Governments and brand owners should invest in public awareness campaigns to educate consumers about the risks associated with counterfeit products and the importance of purchasing from authorized sellers. This can help reduce demand for infringing goods and promote a culture of respect for intellectual property rights.
4. **Technology Solutions:** Policymakers should encourage the development and adoption of technology

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<sup>50</sup> 2018 (76) PTC 508 (Del)

<sup>51</sup> 2017 SCC OnLine Del 7201

<sup>52</sup> FAO(OS) 133/2019

<sup>53</sup> CS (COMM) 63/2023



solutions such as artificial intelligence, machine learning, and data analytics to enhance the detection and prevention of trademark infringements on e-commerce platforms. Governments can provide incentives for the development of such technologies and collaborate with private sector entities to implement them effectively.

By bridging this gap in the legal framework, India can foster a healthier, more trustworthy, and sustainable e-commerce environment. It would encourage e-commerce platforms to take proactive measures to prevent trademark infringement, ultimately enhancing consumer confidence and promoting fair trade practices online.

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