

TERRITORIAL JURISDICTION IN INTELLECTUAL PROPERTY DISPUTES

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BACKGROUND

Jurisdiction refers to the competence or the power of the court to hear and/or determine a case vested before it. Along with the chronology of the most to least powerful courts, the courts are also divided between criminal and civil courts.¹ The Civil Procedure Code, 1908 is considered to be a fundamental law that lays down provisions for governing the procedure to be followed by the civil courts as well as the jurisdiction and powers of such courts.² All the legal proceedings in India must comply with these provisions unless a special statute specifically provides otherwise.³

Under the Civil Procedure Code, Section 20 regulates the choice of the forum under the general procedure and is a residuary provision that covers cases that are not covered by Sections 16-19 of the Civil Procedure Code.⁴ The rationale behind Section 20 of the Civil Procedure Code is to ensure that the defendant does not face any inconvenience or the expense of travelling to far-off places to defend his case.⁵ On the other hand, the amended Copyright Act, 1957 and Trade Marks Act, 1999 lay down provisions for the jurisdiction of the civil courts to hear and/or determine the cases of infringement, keeping in my mind the convenience of the plaintiff.⁶

Primarily, the paper seeks to lay down the variations as well as the statutory interpretation of the provisions on jurisdiction under the Civil Procedure Code, the Trade Marks Act, and the Copyrights Act. Further, the paper seeks to delve into the decisions of various courts in determining the intellectual property disputes arising out of the virtual commercial transactions that are entered into by the parties, thereby answering two key issues:

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¹ Vinod, Vipull. "Civil Adjudication in Cyber Law." *Ram Manohar Lohiya National Law University Journal*, Vol. 7, 2015.

² Isaac, Jithin Saji. "Redefining the jurisdiction clause under copyright and trade mark laws in India." *Journal of Intellectual Property Law & Practice* 10.1 (2015).

³The Civil Procedure Code, 1908

⁴ Ibid at 2.

⁵ Laxman Prasad v. Prodigy Electronics Ltd., (2008) 1 SCC 618.

⁶ The Copyright Act, 1957 and The Trade Marks Act, 1999.

1) If an entity has a presence on the internet, where can a plaintiff/defendant be said to “carry on business”?

2) If the infringement of a copyright/trademark happens on the internet, where does the “cause of action” arise? Lastly, the paper seeks to highlight how the Supreme Court of India has dealt with the problems associated with the practice of “forum shopping”.

LEGISLATIVE PROVISION

• Section 20 of the Civil Procedure Code, 1908

Section 20 of the Civil Procedure Code contains three clauses that are independent of each other. The word “or” in Section 20 of the Civil Procedure Code shows that clauses a) and b) are read disjunctively with clause c). While clauses a) and b) allow the plaintiff to file a suit at a place where the defendant(s) actually and voluntarily resides/carries on business/works for personal gain, clause c) allows the plaintiff to file a suit at a place where the cause of action arises in part or wholly.⁷

“Further, the explanation to Section 20 of the Civil Procedure Code provides that a corporation is deemed to be carrying on its business at the sole or the principal office that is located in India.” However, it is imperative to note that if the cause of action arises at a place where the corporation has a subordinate office, it cannot be claimed that the corporation cannot be sued at such place because it does not carry on its business at such place.⁸ The rationale behind this precedent is that if the plaintiff is not allowed to sue at a place 1) the cause of action arises and 2) the corporation has a subordinate office, it would violate the doctrine of *non-forum conveniens*.⁹

• Section 62 of the Copyrights Act, 1957

Section 62(2) of the Copyrights Act, 1957, beginning with a non-obstante clause i.e. “*notwithstanding anything contained in the Civil Procedure Code...*” provides for the jurisdiction of a District Court at a place where the plaintiff(s) actually and voluntarily resides/carries on business/works for personal gain at the time of instituting the

⁷ The Civil Procedure Code, 1908, § 20.

⁸ Indian Performing Rights Society Ltd. v. Sanjay Dalia, MANU/SC/0716/2015.

⁹ Dashrath Rupsingh Rathod v. State of Maharashtra, MANU/SC/0655/2014.

suit/proceeding.¹⁰

- **Heydon's Case: The Mischief Rule of Interpretation**

*Heydon's case*¹¹ laid down 4 factors that are necessary to apply the mischief rule of statutory interpretation.¹² Using these factors, the Supreme Court has tried to resolve the mischief surrounding the above-mentioned provisions. First, the pre-existing common law before the enactment of the statute i.e., Section 20 of the Civil Procedure Code. Second, the mischiefs/defects that were not addressed by the pre-existing common law i.e., Section 20 of the Civil Procedure Code did not provide for the inconvenience caused to the injured party (the plaintiff) to travel to far-off places to seek relief. Third, the remedy provided by the Parliament through the statute i.e., Section 62 of the Copyrights Act and Section 134 of the Trade Marks Act create an additional forum to ones given under Section 20 of the Civil Procedure Code. Fourth, the reasons for such remedy to be provided i.e., to encourage injured party to seek relief from the wrong-doer without having to incur the costs involved in travelling to far-off places and without facing the inconvenience of

CARRY ON BUSINESS

The Supreme Court, in *Dhodha House v. S.K. Maingi*¹⁴ interpreted that "carrying on business" and "personal work for gain" are two distinct phrases. This is because the phrase "carrying on business" does not necessarily involve the presence of an agent at a particular place. "The court held that "carrying on business" essentially means not only having an interest in a business at a particular place but also a voice in what is done and a share in the gain/loss."¹⁵

Further, it was held that three conditions need to be satisfied for an entity, not physically present within the said jurisdiction, to "carry on business" under Section 62(2) of the Copyrights Act and Section 134(2) of the Trade Marks Act. These conditions are as follows:

- The agent who the entity acts through it must be a special agent who exclusively attends to the business of such entity and acts in its name.
- Such an agent must be an agent in a strict sense of the term.

¹⁰ The Copy Rights Act, 1957, § 62(2).

¹¹ *Heydon's case*, (1584) 3 Co Rep 7a: 76 ER 637.

¹² *Bengal Immunity Co. v. State of Bihar*, MANU/SC/0083/1955.

¹³ *Indian Performing Right Society Ltd. v. Sanjay Dalia*, 2015 10 SCC 161.

¹⁴ *Dhodha House v. S.K. Maingi* 2006 9 SCC 41.

¹⁵ *Ibid.*

- The essential part of the business must be taken place within the jurisdiction.¹⁶

However, one may ask, ‘*If an entity has a presence on the internet, where can a plaintiff/defendant be said to “carry on business”?*’. To understand the position of law on this, it is imperative to take a look at the following cases:

Further, in *Millennium & Copthorne International Ltd. v. Aryans Plaza Services Pvt. Ltd.*¹⁷, the court interpreted that there is no distinction between an entity having an interactive website of its own that is accessible to consumers in Delhi and an entity availing the service of a third-party website to reach out to the consumers in Delhi when it comes to “carrying on business”. The court also held that a mere reservation by the consumer (even on a third-party website) would constitute “carrying on business” whether such reservation subsequently materializes or not because even if the payment is not made, the service provider cannot turn back a consumer who has made such a reservation. Thus, if for instance, a hotel is located in Mumbai and consumers at Delhi and Chennai make a reservation through a website, the hotel would be deemed to be “carrying on business” in Mumbai, Delhi, and Chennai.¹⁸

CAUSE OF ACTION

Each suit is based on a “cause of action” and there is no suit without a “cause of action”. A “cause of action” is a bundle of facts that are combined with the applicable laws to give the plaintiff the relief that is sought. While discussing a “cause of action” in determining the jurisdiction of a court to determine a particular suit, one may ask, ‘*If the infringement of a copyright/trademark happens on the internet, where does the “cause of action” arise?*’ To understand the position of law on this, it is imperative to take a look at the following case:

“In *Impresario Entertainment & Hospitality Pvt. Ltd. v. S & D Hospitality*²⁰, the court upheld the decision in *Banyan Tree Holding*⁴⁴. It was held that mere accessibility of the defendant’s website by the consumers in the forum state and a “passive website” that does not specifically target the consumers of the forum state cannot give jurisdiction to the court.” Further, in *Sholay Media and Entertainment Pvt. Ltd. v. Yogesh Patel*²¹, the court observed that the

¹⁶ Krishnakumar, Tarun. “Virtual presence as a basis of territorial jurisdiction in trade mark and copyright infringement suits in India.” *Journal of Intellectual Property Law & Practice* 10.2 (2015).

¹⁷ *Millennium & Copthorne International Ltd. v. Aryans Plaza Services Pvt. Ltd.*, MANU/DE/1854/2018.

¹⁸ *Ibid.*

¹⁹ Mulla, Dinshaw Fardunji. *The Code of Civil Procedure*. 19th ed., vol. 1, LexisNexis, 2021.

²⁰ *Impresario Entertainment & Hospitality Pvt. Ltd. v. S & D Hospitality* MANU/DE/0002/2018.

²¹ *Sholay Media and Entertainment Pvt. Ltd. v. Yogesh Patel*, MANU/DE/0262/2010.

defendant had been advertising in the forum state on CDs that were vastly circulated. Moreover, the CDs contained a link to the defendant's website. Since such circulation solicited consumers in the forum state, the defendant had made its goods and services available in the forum state, giving rise to the "cause of action". Thus, the forum state had the jurisdiction. Further, in *Burger King Corporation v. Techchand Shewakramani*²² and *Exxon Mobil Corporation v. Exxoncorp Pvt. Ltd.*²³, the courts held that apart from actual sales of goods, even advertising and promotion of the defendant's products in the forum state gives rise to the "cause of action" to occur in parts.

THE S.C. RULINGS ON FORUM SHOPPING

The practice of "forum shopping" is when the plaintiff (i.e. the party filing the suit) attempts to choose a forum where the most favourable judgement is expected to come from. While forum shopping may be beneficial for such parties, it leads to a misuse of the processes and the functioning of the courts. Thus, the courts in India, including the Supreme Court, have thrown light upon the problems affiliated with forum shopping and have given out possible solutions to the problems arising out jurisdictional disputes. "The Supreme Court, in *M/S Chetak Construction Ltd. v. Om Prakash & Ors.*²⁴, has held that the practice of "forum shopping" cannot be permitted by the court and any/every attempt at "forum shopping" must be heavily crushed by the court."

Further, in various cases like *Patel Roadways Ltd. v. Prasad Trading Co.*²⁵ and *New Mega Transport Co. v. United India Insurance Co. Ltd.*²⁶, the Supreme Court explained the legislative intent behind the insertion of the Explanation to Section 20 of the Civil Procedure Code i.e. "A corporation shall be deemed to carry on business at its sole or principal office in India or, in respect of any cause of action arising at any place where it has also a subordinate office, at such place." It was noted that the word "or" in the explanation indicates that a place where the "cause of action" arises, regardless of whether that is the principal place of "carrying on business" or not, so long as the subordinate office is also located there, such place should be the appropriate forum for the plaintiff to initiate a suit. It was further explained that if the legislative intent was to cover all – the principal place of "carrying on

²² Burger King Corporation v. Techchand Shewakramani, MANU/DE/2262/2019.

²³ Exxon Mobil Corporation v. Exxoncorp Pvt. Ltd 2019 SCC OnLine Del 9193

²⁴ M/S Chetak Construction Ltd. v. Om Prakash & Ors 2002 SCC OnLine MP 424

²⁵ Patel Roadways Ltd. v. Prasad Trading Co 1991 4 SCC 270

²⁶ New Mega Transport Co. v. United India Insurance Co. Ltd

business”, the place of the subordinate office as well as the place where the “cause of action” arose – the word “and” instead of “or” would be inserted in the explanation.

CONCLUSION

It is imperative to note that the *non-obstante* clauses in both Section 62 of the Copyrights Act and Section 134 of the Trade Marks Act indicate that these provisions are deemed to create an additional forum to ones given under Section 20 of the Civil Procedure Code and they do not override/oust the effect of Section 20 of the Civil Procedure Code. These provisions merely stipulate that the District Courts are the forum for the institution of suits/proceedings for infringement of copyrights.

To conclude, it can be seen, from the cases given above, that the Indian courts are developing standards to overcome the confusion and ambiguity with regard to territorial jurisdiction in intellectual property disputes. However, given the complexity and variance of facts and circumstances in every intellectual property dispute, the practice of forum shopping by the plaintiff is unavoidable. Thus, the courts need to set clearer and stricter standards to avoid such problems in the future.

