

ANALYSIS OF THE LIABILITY OF E-COMMERCE PLATFORMS FOR TRADEMARK INFRINGEMENT BY THIRD-PARTY SELLERS

Shivam Agrawal*

ABSTRACT

This article examines the various liabilities of e-commerce platforms for trademark infringement by third-party sellers. Examined the legislation, legal standards & framework along with precedent case laws of India and the U.S., U.K., etc. for liabilities of online commerce platforms. Amendments in the scope and ambit of liabilities of e-commerce platforms. Exemptions under Indian Law and possible recommendations. The conclusion includes the issues in brief.

Keywords: E-Commerce Platform, Trademark Infringement, Liabilities of Online Markets, Counterfeit Goods, Intermediary, Contributory Trademarks Infringement, Intellectual Property Infringement.

INTRODUCTION

With the inception of E-commerce platforms, online transactions have increased at a massive level. With this, everything is at one's fingertips from shampoo to socks. Online commerce platforms have offered a plethora of advantages from a friendly interface for users, a wide range of options, and free delivery on most products to simplified payment options, and so on and so forth. However, like every coin has two sides, similarly with the ease and convenience of online shopping, tags along a lot of hurdles and roadblocks that one has to face, be the seller, customer, or the E-commerce platform. Trademark infringement issues amongst other Intellectual property infringement issues are on a surge. Purchasing counterfeit products or duplicate goods is one of the major potholes in this arena. Various government regulations on intellectual property rights have been introduced as a remedy. In order to get a remedy, it is important to know the liabilities of E-Commerce platforms as an 'intermediary' of trademarks, liability against trademark infringement, liability of third-party sellers, and legal standards contained therein.

*BCOM LLB, FIFTH YEAR, GLA UNIVERSITY, MATHURA.

COMMERCE PLATFORMS & THEIR LIABILITIES

E-commerce websites/platforms were originally commission-based businesses that connected sellers to potential buyers. Thus, E-Commerce websites can be termed as 'intermediaries'. The term is defined under Section 2(1)(w) of the Information Technology Act, 2000. As per the Act, E-Commerce websites as Intermediaries will be held liable only when they have knowledge that an act committed by a third party is unlawful. They must observe due diligence. Moreover, it is the obligation of these websites/platforms to take necessary steps to curb and prevent this issue.

The concept of Intermediary Liability comes with the concept of Intermediaries. This liability is based on the most known principle of Vicarious Liability, which means that the master/employer shall be held liable and accountable for all the acts and conduct of his servant/employee/agent during his tenure. This clearly shows and proves that E-Commerce websites shall be held liable for trademark infringement done by third-party sellers registered with the website. This version is supported by various Courts around the globe giving importance to the increasing number of consumers.

Liability is of two kinds on the basis of violation or infringement of Trademarks in the narrow sense, and Intellectual Property Rights in a broader sense. The two kinds are:

Primary Liability - This kind of liability means that an E-Commerce website shall be considered for an infringement if it is done directly by the employee. There is no third party involved in this kind of liability.

Secondary Liability - This kind of liability means that when an infringement is done by a third party, the website will be jointly liable for the acts committed by the former.

Some of the other liabilities of E-Commerce platforms are as follows:

- These platforms use trademarks same or similar to existing trademarks that are registered.
- These platforms violate registered trademarks if they aid in the distribution process of their products and services.

In the event of Trademark infringement, the contributory trademark infringement doctrine widens the area of liability who have contributed to the process of counterfeiting products. In

the US Supreme Court case of *Inwood v. Ives Labs Inc.*,¹ the Court laid down two tests for Secondary or Contributory infringement. One is the intention of the website and, the other is the knowledge and extent of control of the commission of trademark infringement by the third party. The Court held that direct control of the instrument used by the third party to infringe the trademark supported the infringement.

TRADEMARK RIGHTS INFRINGEMENT IN E-COMMERCE PLATFORMS

Trademark in simple words refers to a sign, symbol, word, or phrase that differentiates the goods or services of a company from its competitors. It basically acts as the identity of a brand.

A Trademark Infringement signifies the unlawful use of a trademark without authorization which can be in connection with goods or services and may lead to confusion, deception, or a misunderstanding about the actual company to which the product or service belongs. For eg, selling counterfeit goods, selling products with a similar name, using similar keywords, etc.

LEGAL STANDARDS & FRAMEWORK

Information Technology Act of 2000 includes Intermediaries with respect to E-Commerce platforms in India. Section 2(1)(w) of the IT Act, 2000 defines “Intermediary” with respect to any particular electronic message means any person who on behalf of another person receives, stores, or transmits that message or provides any service with respect to that message. However, the Information Technology (Amendment) Act of 2009 expanded the liability of e-commerce platforms to various service providers like telecom, internet, network, search engines, online pay, e-auction, cyber cafes, etc. as intermediaries under the Act.

E-commerce platforms have no liability with regard to any third-party content until they themselves have the knowledge of such content being illegal or unlawful. The provisions on information intermediation shall apply to the marketplace subject to two conditions:

- The platform owner did not know and should have been aware of the unlawful use of the result of the intellectual activity;
- In the event that the right holder has received an application for intellectual property rights infringement, the platform owner has taken the necessary measures to cease the

¹ 456 U.S. 844 (1982)

violation in good time (for eg, by removing information on counterfeit goods from the website).²

RELEVANT CASE LAWS & PRECEDENTS

In the case of *Christian Louboutin v. Nakul Bajaj & Ors.*,³ the Delhi High Court ruled in favor of the Plaintiff stating that third parties cannot sell products without authorization and that they were not genuine. The facts were that the defendant sold luxury goods on an E-commerce website. The Plaintiff argued that the products which the defendant sold were bearing his trademarks which the latter sold unauthorized by the plaintiff. Additionally, those products were counterfeit ones. The defendant used AdWords and meta-tags to promote his website.

The Court gave a similar opinion in the case of *Google Inc. v. Louis Vuitton SA & Ors.*⁴ It opined that knowledge of the Intermediaries causes a shift in culpability. It ultimately gives a reminder that Intermediaries vis-a-vis E-Commerce websites should take appropriate measures to prevent the sale of counterfeit goods.

In the case of *MySpace Inc. v. Super Cassettes Industries Ltd.*,⁵ the Court ruled that an Intermediary does not require a Court order to ban a product from utilizing its intermediate service to prevent unlawful activity on that product by any third party. If the Intermediary still allows the enjoyment of such a product having knowledge of such activity, then it will be held accountable for not taking due diligence.

The Delhi High Court in the case of *Kapil Wadhwa v. Samsung Electronics*,⁶ ruled that using meta-tags having names of other brands constitutes infringement in regard to Trademark and Intellectual Property in general.

In the case of *Blue Tractor v. Internet Solution LLC*,⁷ an individual entrepreneur filed a claim against Internet Solutions LLC claiming compensation for infringement of exclusive rights to the work of art- the “Blue Tractor” drawing and several trademarks. The Courts recognized that the Company was an information intermediary and found no grounds for holding it liable

² Pokrovskaya, A. V. (2023). Liability for Trademark Infringement on e-commerce Marketplaces. *International Journal of Law in Changing World*, 2 (1), 88-101. DOI: 10.54934/ijlcw.v2i1.40

³ 3 (2018) 253 DLT 728

⁴ C-236/08 Court of Justice of the European Union (Grand Chamber)

⁵ 236 (2017) DLT 478

⁶ 2013 (53) PTC 112 (Del.)

⁷ Decision of the Intellectual Property Rights Court dated 12.11.2021, No. C01-1706/2021 in Case No. A40-64165/2021

for compensation. The Court considered that the Company had not introduced the disputed goods into civil circulation. It had not determined the price or description of the goods and thus, had not become the owner of those goods, which the sellers sold through its website. Additionally, the Company had taken necessary steps to remedy the breach after receiving the complaint by contacting the seller of the disputed goods and blocking the pages that were expressly mentioned in the complaint. The IP Court agreed with the Lower Court's decision and opined that the entrepreneur should contact the seller of the disputed or infringing goods and not the information intermediary.

In the case of *Tiffany (NJ) Inc. v. eBay, Inc.*,⁸ the Court decided that the burden of tracing counterfeit goods lies within the rights holder and not with the marketplace. Moreover, it is the duty of the Defendant to ensure and check that its business does not give rise to illegal activities.

In the landmark case of *L'Oreal SA v. eBay International AG*,⁹ the UK Court held that eBay had no vicarious liability for all the activities of sellers in lieu of the infringement of trademarks who used such websites to sell their products. The Court opined that 'mere assistance' is not sufficient to include e-commerce platforms in the ambit of the contributory trademark liability.

EXEMPTIONS AVAILABLE UNDER LAW

Section 79 of the Information Technology Act of 2000 deals with immunities available to intermediaries. The Section provides that an intermediary shall not be liable for any party information, data, or communication link made available or hosted by him if, the requirements mentioned in clause (2) of Section 79 are fulfilled. The Section does not include cases where the intermediary has conspired, abetted, aided, or induced, in the commission of any act unlawful in nature or on receiving knowledge of the act, or on the government's or its agency's notification that any link of data, information, or communication residing in or in connection with a computer source in the control of the intermediary is used for any illegal activity, and the intermediary fails to disable such access to the material concerned without hampering the evidence. The amendment thus focuses on actual knowledge of the unlawful activity rather than simply knowledge. The Information Technology (Intermediaries Guidelines) Rules, 2011 issued by the Central Government states the procedures of due diligence in detail to be observed by intermediaries, i.e., e-commerce platforms while discharging their duties.

⁸ 576 F. Supp. 2d 463 (S.D.N.Y. 2008), aff'd, 600 F.3d 93 (2d Cir. 2010)

⁹ Case C-324/09, [2011] ECR I-6011 (CJEU July 12, 2011)

RECOMMENDATIONS

The following recommendations or measures can be applied to curtail the issue of liability of counterfeit goods sold through online commerce platforms:

- Providing laws for liabilities of e-commerce platforms for placing and selling disputed or counterfeit goods on their website.
- Introducing prohibitions by law on the advertisement of disputed goods.
- Curb or minimize the spread of disputed or counterfeit goods by using artificial intelligence by the government to find trademark owners to find sales of those products.

CONCLUSION

Through this article, I have examined the issue of analyzing the liability of e-commerce platforms for trademark infringement by third-party sellers. The various issues are liability of e-commerce platforms, infringement of trademark rights in e-commerce, legal standards and framework regarding infringement by sellers on online commerce platforms both in India and around the globe, relevant Indian and international case laws on this issue, exemptions under Indian Law, and possible recommendations therein. The scope and area of liability of e-commerce platforms have changed in a positive sense through various amendments to the Information Technology Act of 2000. The burden of liabilities has shifted from the online commerce platforms to the sellers provided, the former has fulfilled the requisite conditions mentioned in the Act therein. The ambit of knowledge has been updated to a much wider field. The liabilities of secondary sources, intermediaries, sellers of counterfeit goods, contributory trademark infringement sellers, etc. have their respective.

Burdens and liabilities. Also, I have mentioned the exemptions provided under the Act along with probable recommendations to minimize or curb intellectual property infringement cases.