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Do E-Commerce Platforms Provide Safety to Trademark Owners Against Infringement?: A Comparative Study Between India and China

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ABSTRACT

This research paper contributes to the study of trademark infringement on e-commerce platforms and its liability within the jurisdictions of India and China. Due to the growing population and commercialization, creative ideas and their implementation become more prominent, which calls for additional protection of trademarks and the rights of the proprietors. China holds the world's largest e-commerce platforms and India as a developing country, has outgrown itself in terms of technology and online shopping. Many brands would smoothly migrate to Indian platforms just to promote their products because India has the second-fastest growing e-commerce sector after China.

Trademark infringement is pretty common anywhere in the world unless strict liability has been imposed if anyone tries to infringe on an already existing trademark. In the 21st century, with the fast growth in technology and means of communication, there has been a drastic shift from offline to online shopping mode. This surge was especially noticeable during the COVID-19 pandemic when we were not allowed to go outside or shop. Customers notice the sale of counterfeit products under the name of infringing trademarks but often take the risk of making a purchase. Though the real proprietor, under whom the infringing trademark activities are carried out, suffers more loss than the customer when the product received is of inferior quality or damaged.

China, though a developed country, is still not able to completely tackle infringement on e-commerce platforms completely. The question this raises is: how are e-commerce platforms held liable for any infringement taking place on their platform and why must India soon tackle infringements taking place online?

Keywords: *E-Commerce, Trademark Infringement, Counterfeit Goods, Direct Selling, Online Shopping.*

I. INTRODUCTION

By 2024, India is estimated to become the second-largest e-commerce market after China, surpassing the U.S. Because of the rapid growth in demand for the e-commerce industry in

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today's world, you will almost certainly be drawn to the online market, which is the use of e-commerce. This industry, no doubt, has huge impacts on enterprises on both a small and large scale.

By enabling us to order our essentials or luxuries online with a single click, e-commerce has only made our lives easier. However, it appears more beneficial for young entrepreneurs and micro-enterprises to showcase their ability through goods and products online. Customers are increasingly choosing e-commerce websites for a variety of products and services, not simply for electronic goods. According to Newton's third law, every reaction has an equal and opposite reaction, which seems to be applicable for e-commerce as well because there seems to be a spurt in the number of customers online, which has attracted numerous sellers to accommodate such needs as well.

There can't just be pros for business owners, as one can say that there are cons with the advent of technology in e-commerce as well, which may seem to be overlooked by many of the costumers.

That is because e-commerce companies in some way promote or sell products and services that are counterfeit and provide trademark infringement as intermediaries. There was a potential surge of ecommerce platforms during the COVID-19 lockdown in India as majority of the platforms delivered goods across India when citizens were forced to avoid interactions to minimum level.

(A) Type of research

The Type of Research methodology in this paper is Secondary and Analytical. Secondary sources have contributed significantly in this paper, relying on various journals, articles, newsletters and statutory laws as well. Having analyzed the relevant and important case laws, where the Judiciary whether in India or China, played a significant role in imposing the e-commerce platforms to implement safety measures and have a track on the infringed trademarks along with counterfeit products sold on the e-commerce platform.

II. EVOLUTION OF TRADEMARK LAW IN INDIA

Innovation is not a new phenomenon that we have witnessed in this generation; our forefathers have been creative and innovative since ancient times. During that time, ownership was defined by two marks: the production mark, which dealt with the origin of products, and the merchant mark, which displayed ownership. There was no trademark law in India until 1940, if there existed any infringement or passing off issues, then these would be dealt with under Section 54

of the Specific Relief Act, 1877. This section gave the court the power to grant a perpetual injunction against the defendant if they tried to invade the rights of the plaintiff. And registration of trademark had to be done only by the Indian Registration Act, 1908. Anyhow, due to the growing population and commercialization in the Country, the creative ideas and its implementation got more prominent widely across calling for additional protection on the trademarks and the rights of the proprietors.

As a result, the Trademark and Merchandise Act of 1958 was enacted, with the goal of providing trademark protection to proprietors, giving them exclusive rights on trademark registration, and preventing the use of marks for infringement purposes. Anyhow, this Act could not provide a solid level of protection to trademark owners, resulting in the previous act being replaced by the Trademark Act of 1999, which is still prevalent in the country. The Trademark Rules 2002 are governed by this Act as it sets the rules of the Act, these both came into effect on September 15th, 2003. The present Act lays more power on the proprietor to safeguard his innovation and rights, enhances protection for trademark owners by imposing a heavy penalty on the infringer, increases the period of registration from seven to ten years, and allows registration of non-traditional trademarks. Primarily, the Trademark Act, 1999, was amended in the 2010 Trademark (Amendment) Act, which embodies an additional Chapter- VI incorporating provisions related to International Registration under the Madrid Protocol. Over the years, it can be seen that the evolution of Indian trademark law has been broadened to cover the registration of both National and International.

Presently, the trademarks in the country are governed by the Trademarks Act, 1999, along with the Trademark Rules 2017. Together, they enlists various procedural aspects that are to be complied with by both the applicant and the registrar; these aspects cover filing, registration, examination, opposition, renewal, rectification, publication, and removal of a trademark. India went ahead with the Madrid System of Trademark Registration on July 8, 2013, allowing registration in several jurisdictions.

III. EVOLUTION OF TRADEMARK LAW IN CHINA

China has the world's busiest trademark office. The Chinese evolution of trademark law is divided into five stages, and these stages evolved mainly due to the international pressure China faced when it expanded its perspective on intellectual property protection and on Western trademark law. The People's Republic of China's government initiated the implementation of the Trademark Law in early 1980, resulting in the "File to File" system that is still in use today. During 1982, China put efforts into merging with and becoming a part of International

Agreements including The World Intellectual Property Organization (WIPO) in 1980, The Paris Convention on the International Protection of Trademarks in 1985, and the Nice Agreement in 1994. Even though China did go ahead and merge with the International Agreements, it still had a weak system for the proper implementation of trademark law. The reforms taken by China were perhaps comprehensive as it made foreign businesses difficult to register and enforce their rights within the Country. In the first stage, China faced external pressure internationally, upon which it reformed the existing regime to blend in with the International Regime.

The second stage began with reforms in China in response to foreign pressure on the protection of its intellectual property rights and its desire to take advantage of WTO trade concessions. This began in 1992, during the period when China was drastically noticed for its extensive market, huge protection capacity, and attraction of foreign brands. Around 1993, the first time that the Trademark Law was amended, China began to initiate its steps to join the WTO (World Trade Organization) and became a party to the TRIPS (Trade Related Aspects of Intellectual Property Rights Agreement), thereby China attempting to improve international standards. These improvements were based on the grant of protection to service marks and the imposition of heavy sanctions on passing off with registered trademarks, along with the adoption of Nice Classification in China. In terms of gaining accession to the WTO, China has restructured its significant economic policies just to comply with the WTO treaties. The People's Republic of China government revised the Trademark Law for the second time in 2001, permitting more liberties on trademark owners to register the descriptive marks, protecting well-known marks, granting extensions to file dispute on trademark infringement, giving power of Judicial review to the Trademark Review and Adjudication Board (TRAB) and establishment of statutory damages.

Anyhow, these reforms were not serving as justice for the IP infringement still taking place in China, even with its accession to the WTO Agreement. China was held accountable by the WTO for its IP infringement on foreign businesses and was pressurized to implement a well-built trademark law.

Due to its economic growth and investment, China surpassed Japan as the world's largest economy in the Third Stage. Because of the high demand for trademark protection by foreign and domestic institutions, China's policymakers on trademark law were able to recognize the need for IP protection throughout all stages of its evolution. The Trademark Law was revised in 2013 by modifying about 53 articles from the Trademark Law 2001. This amendment was brought into place in regard to the provisions on the protections and restrictions of the registered trademark, amendments on the strength of protection, procedural aspects, and enforcement

techniques. This amendment also imposed additional actions that amount to infringement and increased the compensation for the infringement. This amendment effectively completed trademark law as a whole, as it appeared to aid China's economic growth.

The Fourth Stage, the latest amendment of the Trademark Law in China took place in 2019 which simply promotes to tackle two concerns; the first is to tackle trademark applications made in bad faith whereas the other to impose higher punitive punishment on the infringer for trademark infringement.

IV. TRADEMARK INFRINGEMENT IN INDIA

Under the Trademarks Act 1999 as under section 2 (viii (zb)), a trademark is a mark which is represented graphically and distinguishes goods or services offered by one proprietor with that of another, trademark can also be described on the basis of the product's shape, packaging and the colour combination. A trademark is classified under the International Classifications of goods and services which is otherwise called as Nice Classification, the trademark is classified under one of the 45 classes of Nice Classification. Trademark infringement occurs when there is a violation of the proprietor's rights by the other party, also called the infringer. The infringer, who is not unauthorized to use the said trademark, seems to completely use a mark that is deceptively similar to the proprietor's mark or else may also substantially provide the same features for the goods and services as applied by the proprietor. Such ambiguity most likely confuses the public, undermining any goodwill attached to it. .

Trademark infringement under trademark law is classified into two types: direct infringement and secondary infringement. Section 29 of the Act defines direct infringement as any direct breach that takes place by an unauthorized person, which means that the person who is not authorized to use the trademark commits infringement by applying it. The use of such trademark by an unauthorized person is deceptively similar and is likely to cause confusion with the proprietor's trademark. The Indian Trademark Act only grants and safeguards legal protection to a registered trademark, whereas if the infringement of an unregistered trademark takes place, then the law for passing off is applied.

Second, while there is no provision in the Trademark Law for indirect infringement, the law holds the principal infringer and anyone who is a part of committing the infringement liable, which is the same principle as vicarious liability. Indirect liability can also take place through contributory infringement; here, three factors are considered here : the person's knowledge about infringement, his or her contribution for infringement to happen, and whether the principal infringer is induced to commit infringement.

The Penalties imposed for trademark infringement ; the Court grants Temporary Injunction, Permanent Injunction, damages or cost of legal proceedings on the infringer / the Court grants imprisonment for not less than 6 months but which can extend up to 3 years or else with a fine of not less than Rs. 50,000 but which may extend upto Rs. 2,00,000/-.

V. TRADEMARK INFRINGEMENT IN CHINA

China is the largest market for high end products and luxury brands, these brands are not only in constant threat of their trademark being infringed but this market is equally been given competition by imitated products which are highly deceptively similar to the luxury brands. Due to the modernization in the use of trademark and patent, China established 3 courts- the first jurisdiction in Beijing named as Beijing Intellectual Property Court, the second in Guangzhou named as Guanzhou Intellectual Property Court and the third in Shanghai named as Shanghai Intellectual Property Court. The Chinese Supreme People's Court interpreted Article 44 of the Trademarks Act and set forth two criteria through which trademark infringement is determined. The first being, the infringer must be aware of the already existing trademark, and the second being that the infringer, through mala fide intentions, wants to gain benefit from the earlier trademark. Article 44 of the Trademark Act states that any trademark is declared to be void, which seems to be in violation of Article 4, Article 10, Article 11, Article 12 or para 4 of Article 19. The Trademark board under these circumstances is delegated with the power to invalidate a trademark which is registered fraudulently by the Infringer.

There is no exception to the fact that China being the lead on e-commerce platforms in Asia makes the business owners, especially the non-native ones to promote their products on the e-commerce websites. They are also at a higher risk of product infringement, as cases in this area have increased since 2010, even with the Trademark Law in place, but policymakers making it less effective to implement it well on the e-commerce platform. The Civil Code of China that came into effect in January 2021, gives the trademark proprietor the liberty to seek punitive damages from the infringer if it is proved that his products have been infringed in a way that shows the intent and seriousness of the infringement. The court takes into consideration the accurate loss of the proprietor, the amount attained by the infringer illegally, and the benefit gained by the impact on the goodwill of the proprietor's business.

The owner of the trademark, whether foreign or domestic, must demonstrate that the infringed mark was well-known and had goodwill, particularly in China's mainland, which excludes Hong Kong, Taiwan, and Macao. The trademark owner must be able to prove that the infringement has been brought to the consumer's attention, leading to a loss in profit, or that his business

goodwill is at risk. Foreign companies are provided with two legal remedies under Chinese law which give them the liberty to take action against an illegal trademark application that is likely to cause infringement. On one instance, the trademark owner can plead for cancellation of the trademark under Article 44 (malicious intent), or on the other, the earlier rights may be invoked by claiming trademark infringement under Article 45. Foreign companies are also given the liberty under the Trademark Law to request the Chinese Trademark Review and Appeals Board (TRAB) invalidate a trademark under Article 44 or Article 45 of the Trademark Act.

VI. ECOMMERCE LIABILITY FOR TRADEMARK INFRINGEMENT

Ecommerce platforms knowingly or unknowingly promote the sale of counterfeit goods, and these platforms are referred to as intermediaries. Intermediary liability has been a greatly used term for e-commerce platforms. This liability promotes on the principle that if any trademark infringement occurs on the platform of the service provider, then the service provider shall be held liable for such an act since they are intermediaries in selling counterfeit products or services online. Ecommerce liability is classified into two:-

- i. **Direct/ Primary Liability;** and
- ii. **The Secondary Liability.**

(A) Direct/ primary liability

To ensure whether the platform is directly liable, an enquiry must be held for fact check whether the platform had performed direct acts of the infringing activity. One example is from:-

- **L’Oreal Vs eBay, C-324/09**, in this case eBay was held liable by L’Oreal for selling counterfeit products and accused eBay for engaging in the bidding of keywords which promoted the links for those items that infringed the L’Oreal's trademark. The **CJEU** (Court of Justice of European Union) held that it was not the website owner who sells these infringed trademark instead it was the seller, The e-commerce platform does not hold primary liability, but secondary liability may be imposed if they have substantially failed in expediting counterfeit products. The CJEU had also stated that injunctions could be ordered against the ecommerce platforms, as such injunction imposed must be effective and proportionate to avoid and stop the sale of counterfeit items through its platforms.
- **Heather R Oberdorf & Anr. Vs Amazon.com Inc.- 930 F.3d 136 (3d Cir.2019)**. In this case, Amazon was unable to trace the vendor who tried selling counterfeit products. The US Court had held Amazon liable on the product sale, declaring that the platform failed

to perform its due diligence and provide adequate warnings on the product, as required under the laws of Pennsylvania.

(B) Secondary liability

A third party can be held liable under the doctrine of secondary liability for the trademark squatter's actions. Secondary liability lawsuits on e-commerce platforms have seemed to be more effective, the proprietor safeguards his mark by having immediate security on his products against the sale of any further counterfeit products. Secondary Liability is classified as-

1. **Vicarious Infringement;** and
2. **Contributory Infringement.**

Under the first category, an infringement occurs when the third party and the direct infringer have any partnership or any understanding between them, binding them together to enable them for having control over the infringing products. Whereas the second category the liability extends over any infringement that happens indirectly, the third party unknowingly performs any tortious or illegal act.

Overtime, Secondary Liability seems to have gotten a pattern which is recognized by Courts. Search engines were also held liable by Courts for engaging in the infringing sale through keywords advertisement and on the other hand online auctions have also been held liable for engaging in immoral counterfeit and other infringing activities.

- ***Tiffany (NJ) Inc. v. eBay Inc. 600 F.3d 93 (2nd Cir. 2010)*** In this case, Tiffany found that around thousands pieces of silver Tiffany jewelry were being sold as counterfeit items on eBay, and Tiffany had brought this to the attention of eBay for preventive measures to be taken against such illegal acts, but eBay's limit was only said to be on taking down counterfeit items once they have been reported. Tiffany initiated a suit against eBay and accused it of direct selling of the items, leading to an unfair competition, trademark dilution, unfair and false advertisement. The Southern District Court of New York had dismissed all the claims made by Tiffany, and the court questioned Tiffany to determine whether eBay had continued to engage in the performance of supplying or selling of counterfeit good, but Tiffany did not sufficiently provide solid grounds on this issue. The Second Circuit, 2010 went a lot beyond to explain why eBay must not be held contributory liable for selling counterfeit items, as the platform could not legally take any action against counterfeit products of Tiffany unless the issue had been reported first and eBay seemed to be very corporative with whenever Tiffany listed out the counterfeit products, and were removed shortly by the

platform. eBay set strict rules on anti-counterfeiting measures, which consisted of removing counterfeit listings within 24 hours, and around 2003–2007, eBay deleted about 280,000 listings from the platform. As a result, the Second Circuit did not hold eBay secondary or contributory liable because it was clear that eBay was constantly improving its technology, anti-fraud measures, implementing Trust and Safety Department Staff that implemented counterfeit measures by opting for fraud engines, the Verified Rights Owners (VERO) program that gives brand owners an easier procedure to list out the illegal violations on the platform, and sufficient measures.

This brilliant strategy employed by eBay serves as a model for other e-commerce platforms in that they must cooperate with trademark owners, improve their technology despite the time and money required, implement software that allows for quick disposal of listings, and hire staff that takes preventive measures to deal with trademark squatters.

VII. HOW HAS INDIA DEALT WITH TRADEMARK INFRINGEMENT THROUGH ECOMMERCE WEBSITES?

There has been a rapid increase in the number of digital platforms that are transforming traditional business methods, including both B2B and B2C.

In any case, the rise of e-commerce has brought with it its own set of drawbacks for countries, namely the growing problem of trademark infringement through the sale of counterfeit goods. Before the onset of E-commerce platforms, vendors carried out the sale of counterfeit products in a secretive manner within limited areas. However, the rapid growth of such online platforms has resulted in an increase in the use of trademark names and products that are deceptively similar to well-known or already existing trademarks.

Based on a survey conducted in 2018 by Local Circles a social media platform, it was listed that around 38% of customers complained about receiving counterfeit products under infringed trademarks and the sale of counterfeit products through E-commerce platforms, which has surely increased more in the coming years. Snapdeal accounted for approximately 12% of all fake product sales on e-commerce platforms, followed by Amazon (11%), and Flipkart (6%). The survey also reported that the majority of the counterfeit products sold were handbags, shoes, clothing, and fragrances.

One such incident encountered by a famous American shoe brand is Sketchers, the brand held E-commerce platform Flipkart and four of its sellers liable for selling products which were fake

and had seized more than 15,000 pairs of Sketchers in Delhi and Ahmedabad warehouses.

If any trademark infringement occurs then it is the E-commerce platform that is best in place to list down the infringer and its brand from the platform. The famous E-commerce platforms in India that is Amazon, Flipkart and Snapdeal have set up guidelines trying to prevent the sale of products which are deceptively similar trademarks and counterfeit products that seem to infringe the rights of IP Holder with the goodwill of the brand. These platforms have allowed IP Holder to address their issues by providing adequate documents and proof and by taking the vendor along with its brand down.

Intermediaries such as Amazon, Flipkart and Snapdeal are protected under section 79 of the Information Technology Act, 2000. This section states that an intermediary cannot be held liable related to a third-party information, data or communication link made available or hosted by him. These platforms called as intermediary under the Information Technology Act are given protection having complied with Rule 3 of the Information Technology (Intermediaries Guidelines) Rule, 2011 and section 79 of the Act, thereby not being held liable for any third party infringement on the platform.

The Information Technology (Intermediary Guidelines) Amendment Rules, 2018 lays down the guidelines to be followed by the online platforms under Rule 3. The Supreme Court of India amended the following rules:-

- The intermediary must, within 72 hours, provide every necessary detail when requested by any government agency.
- The intermediary must take down and track the originator of data when requested and with the assistance of a government agency.
- The intermediary with over fifty lakhs users in India must be recognized as a Company incorporated under the Companies Act, 1956 or the Companies Act, 2013 by the government of India along with having a permanent registered address in India and thereby appointing a Senior designated functionary with a 24x7 hours coordination with the so required government agency.

The Judiciary has played a significant role in the Country on the liability of the intermediaries as under the Trademark Act, 1999 and the Information Technology Act, 2000.

- ***Christain Louboutin vs Nakul Baja and Ors, (COMM) 344/2018, I.As. 19124/2014, 20912/2014, 23749/2014 & 9106/2015.*** In this case, a famous luxury French brand called Christian Louboutin, known for producing and selling premium quality shoes,

moved to Delhi High Court against an E-commerce website called Garveys for trying to sell counterfeit products under the famous trademark name and for using direct keywords for sale such as "Christian" and "Louboutin" to increase the website traffic to be known. The defendants in this case, had clearly infringed the well-known trademark thereby contending that whatever products made available on the websites were authentic, and called itself an "intermediary," not a seller. Justice Prathiba M Singh, had brought out that the defendant platform had directly stored counterfeit products and made invoices for the same, hence the claims by the plaintiff on trademark infringement were held to be true. But the court did not pass any order against the defendant for damages as Darvey Platform was only involved in advertising and promoting the product with no actual sale taking place.

- **My Space Vs Super Cassettes Industries Ltd, C.M Appeal. 20174/2011, 13919 & 17996/2015.** In this case, Super Cassettes Industries Ltd (SCIL) around 2007 had alleged MySpace for letting users to share SCIL copyrighted work without its prior permission. Previously an interim injunction was granted to plaintiff, SCIL but the respondent was unhappy with the order and went ahead to file an appeal in High Court, the appeal was allowed. The Appellant's (MySpace) Counsel had argued that the appellant is immune under Section 79 of the Information Technology Act, 2000. as it acted an intermediary, and this section was to be read along with Section 81 of the IT Act, 2000, which states that intermediaries cannot be held liable if proper due diligence is carried with no knowledge on infringement. However, the Respondent's Advocate alleged that it is not applicable to apply Section 51 (a) (ii) of the Copyright Act, 1957 since the Appellant already had awareness about the infringed content on the platform.

The High Court Bench reversed the judgment passed by the Single Bench in 2012, which held MySpace liable for infringement activities even though it had no knowledge about the infringement. In 2016, the judgment of the Division Bench set aside the order and called upon the Appellant to implement better and more innovative techniques to safeguard copyrighted work on its platform. The Respondent was ordered to provide a catalogue which listed down all the infringing links and appellant must be committed on erasing the links and content within 36 hours of complain, Hence, the safe harbor immunity was strengthened to the intermediaries under section 79 of the Information Technology Act, 2000.

- **Kapil Wadhwa & Ors. v. Samsung Electronics Co. Ltd. & Anr. MIPR 2012 (3) 0191.** In this case, Samsung had initiated a case against the Respondent for involving in the

import of products especially printer under the name of Samsung Brand from the foreign Market and then later selling the printers in India at a much cheaper rate. In 2012, a Single bench of Delhi High Court ruled in favour of Samsung. However, an appeal was filed by the Appellants (Kapil & ors) against the said order. Two issues were addressed in this case-

- i. The first is Whether India follows the Principle of National Exhaustion or International Exhaustion.
- ii. The second is whether parallel import of goods is permissible in India?

In first issue, the Division Bench had first intended to comprehend what the word ‘market’ in section 30 (3) of the Trademark Act, 1999 is referred to as, whether it states national or global market as the previous Single Bench had recognized India under the principle of National exhaustion. Whereas, the Division Bench had a more broad perspective by referring and relying upon the objects and the reason for the Trademark Bill, 1999 and thereby had also looked into the communications of India with Uruguay Rounds and Standing Committee report with respect to the Copyright (Amendment) Bill, 2010. The Court had reached upon the conclusion that India is guided by the principle of International Exhaustion, meaning that the product purchased lawfully from foreign market could be sold anywhere in the World.

In the second issue, the Division Bench allowed the parallel import of products in India and the Appellant could not be prevented from this. The Bench also permitted the Appellant to pursue with the sale of printers, on the condition that a disclaimer must be provided about the products been imported internationally. Keeping Samsung (Respondent) free from any guarantee provided on the product and its services, these are applicable only on the Appellant with its own risk.

This Judgement had given a way for lawful purchasers in the Country to pursue with the principle of International Exhaustion and thereby increasing their leads but without any liability on the foreign seller.

- ***Amazon Seller Services Pvt. Ltd. v. Amway India Enterprises Pvt. Ltd. & Others, FAO(OS) 133/2019 And CM Appeal 32954/2019.*** In this case the Single Bench Judge of Delhi High Court had encountered 6 suits together and thereby had restrained the respondents (E-commerce platforms – Amazon, Flipkart, Healthkart and Snapdeal) from promoting or selling any of the products belonging to the plaintiffs (Amway, Oriflame and Modicare). [*Amway India Enterprises Pvt. Ltd. v. IMg Technologies Pvt. Ltd. & Anr., CS(OS) 410/2018*]

The Division Bench of the High Court in 2019 had set aside the order passed by the Single Bench and had allowed the Appellants (e-commerce platforms) to get engaged with the direct selling of the products belonging to the Respondents even if no consent had been granted. The Respondents had argued that the Appellants had, without their prior permission, started selling the products on the platforms, which seemed to be in violation of the Direct Selling Guidelines, 2016 wherein clause 7(6) states that permission shall be granted to the e-commerce platforms for the sale of products by the direct sellers. The Division Bench had stated that the previous order shall have a negative impact on the E-commerce platforms as it restricts the customers' choice of purchasing the products online, and the contentions made by the respondents were also rejected by the Bench relating to the quality and counterfeit products sold on the platform due to insufficient proof.

The Bench addressed 4 issues in this case, by reversing the order passed by the Single Bench in the following manner-

- i. The first to a decision that the Gazette notifications' does not refer to a legal status but instead remains in the nature of advisory only.
- ii. The second, where the Division Bench referred to the case of Kapil Wadhwa & Ors. v. Samsung Electronics Co. Ltd. & Anr. MIPR 2012 (3) 0191, which gave the lawful purchasers the right to sell the products in any place or exporting it to foreign market, which in both ways does not constitute infringement. The Bench further justified that if the lawfully bought products are sold then there is no restrictions on the buyer post sale and the condition under Clause 7(6) of the guidelines was held to be invalid in the present suit due to the absence of any contractual obligation between the Entities and the E-commerce platforms.
- iii. For the third issue, the Division Bench justified that under section 79 of the IT act, 2000 the intermediaries cannot be held liable for any third party information posted on the platform and intermediaries can also provide value added services under section 2(1) (w) of the IT Act, 2000.
- iv. In the fourth issue, the Division Bench had justified that there was no Contract in place for breach of contract to take place and to attract any tortious liability. And further justifying about the e-commerce platform's status to have a safeguard under the Safe Harbor Protection by not being liable for the sale of an infringing trademark or product.

VIII. HOW HAS CHINA DEALT WITH TRADE MARK INFRINGEMENT THROUGH ECOMMERCE WEBSITES?

During the rising phase of e-commerce around 2003–2007, many medium and small e-commerce platforms started to establish themselves and earn sufficient profits. Platforms such as Alibaba's establishment of Taobao.com, Ecommerce China's Dangdang and EachNet spread quickly. There was hence an outburst with regards to online vendors from 4 million to 35.5 million, and China witnessed an e-commerce platform boom in 2008, making platforms like Alibaba, Suning, Appliance Company, Netsun and other traders within the territory publicly known. Around 2007, China experienced a hike in search engine use due to being the top country in the world for e-commerce and having crossed 10 billion search requests. China alone has really transformed the way consumers shop, making us turn more towards e-commerce platforms.

But these ecommerce platforms over the years by encountering trademark infringement on their platform were forced to initiate appropriate actions by the Government of China to avoid trademark infringement. Instead, these ecommerce platforms were also held to have either secondary or contributory liability by the court against the plaintiff. Below we shall see what actions have been initiated by the ecommerce platforms to limit the number of trademark infringements taking place and case studies passed by the Chinese Court on the liability of ecommerce websites and the penalties imposed on the infringers.

Out of the majority of the ecommerce websites in China, Alibaba and Taobao are the main platforms that have dominance over Business to Business (B2B) and Business to Consumer (B2C) retails. These platforms are highly exposed to be used by the trademark offenders. Foreign Business and local business who wish to sell their brand through ecommerce platforms are encouraged to keep a constant check on whether or not any vendor seems to sell the same products as the owner as a deceptively similar trademark. A foreign business must register its trademark as early as possible in China, as due to its first-to-file system procedure, trademark protection is only given to the owner whose mark is registered on that basis. China only gives protection to those brands with trademarks registered in its own territory. If the Trademark owner discovers a trademark which seems to be deceptively similar on the ecommerce platform, then the owner is given the liberty to make an online complaint through the platform by detailing out about the mark and how it amounts to infringement. The platform then takes the necessary steps for the deletion of the link by serving a notice to the vendor. By complying with the E-Commerce Law in 2019, Alibaba, Taobao, and Jingdong provided IPR protection to the

trademark owner by deleting the infringing list but giving the vendor a chance for the infringement claim made against him. . Alibaba's platform is so large that it combines Amazon, eBay, and Google as a whole. The Chinese Court, while passing judgment, has held Internet service providers as well as Ecommerce platforms partially liable for any infringement taking place. Below are a few listed case laws.

- ***Gucci America Inc. v. Alibaba Group Holding Ltd., 15-cv-03784, U.S. District Court, Southern District of New York (Manhattan).*** In this case, Kering SA filed a suit against Alibaba around 2015 in the Southern District of New York, claiming that the platform facilitated the sale and promotion of counterfeit Gucci. Prevalent to this, in 2014, a suit against Alibaba was filed and Gucci was awarded a preliminary injunction, but despite the injunction imposed, the complaint was withdrawn as the parties reached an agreement to settle in August of the same year. Kering decided to re-file the suit after Alibaba failed to comply with the terms of the settlement, which primarily consisted of terms requiring Alibaba to be more corporative with the brand by reducing counterfeit products. The Plaintiff were awarded statutory damages and a permanent injunction against the individual vendors. Gucci contended that Alibaba's policies to deal with counterfeit products were pretty weak, which allowed trademark squatters to continue with online sales and had permitted counterfeit activities as this actively attracted more customers to make a purchase on counterfeit products due to the low pricing. The sale of the counterfeit handbag in the name of Gucci was made for around \$2-\$5 per unit, with 2,000 units as the minimum order and 5,000 units as the maximum order. However, the real retail price of a Gucci handbag is \$795.

As said by Jack Ma, Alibaba has taken sufficient measures and taken preventive measures against infringement by deleting the infringer's membership, providing a warning, and removing the listing as well. Unfortunately, whatever policies were implemented it was heavily criticized by foreign brands stating Alibaba was unwilling and least committed to bring reforms in its counterfeit regimes. Unlike ebay, the platform failed to implement strict measures to tackle infringement, and Alibaba was also blamed for engaging in the sale of keywords to the vendor for further promotion of counterfeit goods.

- ***E-Land Fashion (Sanghai) Co. Ltd Vs Zheijian Taobao Network Co., Ltd and Du Guofa (Shanghai No.1 Intermediate People's Court (2011) 5th Civil tribunal (IP) no. 40).*** In this case, the court ruled that if an Internet Service Provider learns or becomes

aware of an infringement, it must take all necessary steps to erase and delete the links. However, in this case, Taobao had removed the listings but it was held liable for infringement because infringers were allowed to continue the sale of counterfeit products on the platform and had not been provided any warnings by Taobao.

- ***Xu Chunshan Vs Tian Qinghong, Liu Yanbo and Shandong Shibo, District People's Court 2019.*** In this case, Chunshan the plaintiff instituted a case against the 3 defendants on September 4th, 2019 by requesting to take action against the online retailers on Taobao by providing takedown notices. The Court stated that Tina Qinghong was a direct competitor of the plaintiff as it sold the same Donkey Hide Gelatin Cake. The 3 defendants used illicit means and removed Xu's products online to eliminate direct competition by gaining more size in the market, they carried out these activities in bad faith. The takedown notices seemed to cause a lot of damage to the plaintiff if the court failed to initiate injunctions against the defendants. Hence, the court decided that the defendants would be prohibited until the end of February 2020 from filing any further takedown notices.
- ***Bayer Consumer Care Holdings LLC & bayer Consumer Care AG Vs. Li Qing Hangzhou Yuhang, District People's Court 2018.*** In this case, LiQing had registered his trademark under Class 3 registration, which seemed to infringe on some parts of Bayer's copyrighted Coppertone sunscreen products. Around September 2016, Li set out to target Taobao vendors who were already selling Bayer's Coppertone sunscreen products. Li had also filed a takedown notice against Bayer, claiming that it was a counterfeit product. Li had filed numerous complaints, at least against 121 vendors, claiming that the complaints would only be withdrawn if the vendors were willing to pay for the damages. Bayer had initiated suit against Li in 2017, claiming for an order to be passed against non-infringement, the cessation of unfair competition, and payment for the damages caused. Hence, the Court held that there was unfair competition by Li and ordered a cessation of these activities along with a penalty of RMB 700,000 to the loss incurred by the buyer.
- ***Taobao vs Beijing Weihai, Chaoyang District Court of Beijing, 2018.*** Taobao has encountered a takedown notice by Beijing Weihai against an online seller by submitting an order passed by Chaoyang District upon an infringing product. Taobao quickly removed the online seller, but the seller quickly provided evidence that the order was forged and Beijing Weihai had malicious intentions here. Taobao initiated a civil suit

against Beijing as this error had caused Taobao damage to its business and caused loss. On March 31st , 2020, the Court ordered in favor of Taobao by listing down the facts that the defendant had caused damage to the seller by falsely initiating a takedown notice. This complaint had not only affected the seller but had interfered with Taobao's normal course of business, causing unnecessary expense. The plaintiff's goodwill was put at stake by the defendant's malicious intent. Out of all, the plaintiff was forced to take more preventive measures, including precautions for any takedown notice filed and protecting the proprietor's rights.

IX. CONCLUSION

The demand for counterfeit products does not solely rest on the fact that the vendors want to fake a well-known brand as their own, but rather also on the demand for counterfeit products by consumers at a reasonable rate. Not the entire population of India or China, would spend a lump sum of money on a well-known brand if given the option to buy a counterfeit product of the same well-known brand at a reasonable price. According to the above comparative study of trademark infringement on e-commerce websites, the platforms may face liability for any infringement that occurs, but they have also tried initiating guidelines through takedown notices. However, the only platform that seems to give a better lesson on the implementation of guidelines to safeguard trademark owners from infringement is eBay. As seen in the case of *Tiffany vs eBay*, the e-commerce platform adopted suitable measures by strengthening its software to deal with infringed trademarks and performing necessary due diligence. This platform has set an example for the existing e-commerce platforms in India and China as well. And though the judiciary has played its role in determining the liability of e-commerce platforms for trademark infringement, it is still an issue if these platforms do not take sensitive measures against vendors. The growing population calls for the use of more e-commerce platforms at a faster pace, and since the onset of COVID cases is on the rise again, many consumers would widely use these platforms for convenience and avoid interaction with people. As a result, it is best for these platforms to initiate due diligence and strict measures as soon as possible in order to avoid further harm to the trademark owners and the business's goodwill. But one bitter truth that must be accepted is that, whether or not the products of an authentic brand are available on the website, a consumer would often opt for a product that is similar to the authentic brand but sold under an infringing trademark name, keeping in mind the money that will be invested. India must therefore implement strict due diligence measures to prevent third parties from entering the platform under an infringed trademark. If the number of trademark infringements and counterfeit products is not reduced, India will most likely lose its

potential opportunity for further massive growth through e-commerce platforms and will face backlash similar to how Alibaba in China faces by the foreign brands.

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