

IP Hotline

July 27, 2021

SALE OF INFRINGING GOODS ON THIRD PARTY E-COMMERCE PLATFORMS ACCESSIBLE WITHIN THE JURISDICTION OF THE COURT RELEVANT FOR DETERMINING TERRITORIAL JURISDICTION: DELHI HIGH COURT

In a recent trademark infringement action,¹ the Delhi High Court ("**Court**") held:

- Availability of infringing products on third party marketplace websites such as Amazon which are accessible in Delhi and delivery within Delhi from such third party websites establishes cause of action within Delhi;
- Reiterated that territorial jurisdiction in a trademark action could arise in a location where the Plaintiff has a subordinate office and part of cause of action has arisen (through sale of infringing products), as held in *Ultra Home Construction Pvt. Ltd. v. Purushottam Kumar Chaubey & Ors.*² ("**Ultra Home**").

FACTS

1. The Plaintiff, V Guard Industries Ltd., is a company with its registered office in Kerala and is in the business of manufacturing, distribution, and marketing/selling electrical goods under the registered trade mark V-GUARD. The Plaintiff has a subordinate (supply) office in Delhi.
2. Defendant No. 1, Sukan Raj Jain, is the sole proprietor of M/s N-Guard Electronic Industries, which has its registered office in Karnataka. Defendant No. 2 provides web designing services to Defendant No. 1.
3. In January 2021, the Plaintiff filed a suit against the Defendants alleging trademark infringement on account of the Defendants' use of the trademark "N-GUARD" in relation to machines, electronic, electrical parts and fittings etc.
4. On January 18, 2021, the Court issued an *ex-parte* ad-interim injunction against Defendants restraining the Defendants from using the mark N-GUARD or any other similar mark in relation to their machines, electronic, electrical parts and fittings, etc.
5. Defendant No. 1 ("**Defendant**") challenged the territorial jurisdiction of the Court contending that no part of the cause of action has arisen within its jurisdiction by way of an application under Order 7 Rule 10 of the CPC, and prayed for return of the plaint.

PLAINTIFF'S CONTENTIONS

The Plaintiff contended that the Court has jurisdiction as per Section 20 of the Civil Procedure Code, 1908 on the following grounds:

1. Defendant is carrying on its business in Delhi and is selling its products in Delhi;
2. Defendant's website is interactive and it can be accessed at Delhi to purchase its goods;
3. The availability of Defendant's products on third party marketplace websites like Amazon, Flipkart and Indiamart which can be accessed in Delhi;
4. Defendant's products bearing the trademark "N-Guard" was purchased by the Plaintiff's representative at Delhi via www.amazon.in and the same was delivered in Delhi; and
5. Plaintiff has a network of distributors and retailers in twenty-nine states across the country, its products are sold in Delhi and it also has its supply office in Delhi.

DEFENDANT'S CONTENTIONS

The Defendant, on the other hand, contended that the Court does not have jurisdiction on the following grounds:

1. Defendant is located in Karnataka and is not carrying on business in Delhi.
2. Its website is not interactive and does not allow purchase of products.
3. The Plaintiff's single purchase from Amazon.com is a trap sale which cannot be considered by the Court for determination of jurisdiction, as held in *Banyan Tree Holding (P) Limited v. A. Murali Krishna Reddy and Anr.*³ ("**Banyan Tree**"). The Defendant alleged that the sale relied upon by the Plaintiff neither involved the Defendant, nor its authorized agent, and that it was a one-off sale effected from an unrelated vendor.
4. Plaintiff has wrongly invoked the territorial jurisdiction of the Court under Section 20 CPC as the Plaintiff has admitted that the Defendant has its principal office in Karnataka.

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- The Court held that on a reading of the plaint and the documents filed along with the plaint, it had jurisdiction on the basis of the following:
 - Defendant is carrying on business in Delhi:
 - Defendant's products were being sold on amazon.in, and are also available for sale to customers in Delhi on other third party marketplace websites e.g., Flipkart, Snapdeal, Indiamart and Shopclues where the Defendant himself is shown as the seller.
 - The Court held that whether the purchase made by the Plaintiff on Amazon is a trap sale or not involving unfair means is a matter of evidence and trial.

(ii) Plaintiff has also satisfied the test of Section 134 of the Trademarks Act, 1999 ("**TM Act**"):

Section 134 of the TM Act provides that the Plaintiff can initiate an infringement action where the Plaintiff resides or carries on business.⁴ The Court applied the ratio as laid down in *Ultra Home* which dealt with Section 134 of the TM Act in detail and held that the Plaintiff can file an infringement action in the place where it has a subordinate office provided that a part of the cause of action has arisen in that place. The Court noted that Plaintiff has pleaded that it has its supply office in Delhi. This, coupled with the fact that the Plaintiff had purchased Defendant's products at Delhi from amazon.in satisfies the test laid down in *Ultra Home*.

- Trap sale vs. solitary sale: The Court noted that trap sales are only forbidden if they are contrived by using unfair means for the sole purpose of creating a cause of action. The Court noted that the self-generated sale by the Plaintiff does not appear to be a trap sale as the Defendant is even otherwise selling its products on Amazon and other third party e-commerce platforms which are accessible in Delhi.

KEY TAKEAWAYS

The Delhi High Court has in previous cases considered presence and sale through third party platforms as one of the factors for determination of territorial jurisdiction.⁵ A distinguishing factor between past decisions and the present judgment is that there was no pleading by the Plaintiff that Defendant's infringing goods were available in physical stores in Delhi. Therefore, the Court in this decision considered the Defendant's online presence through third party e-commerce platforms as the sole determining factor for determination of cause of action.

This decision is a lesson for product manufacturers selling their products to distributors to include clear terms in their agreements clarifying the territories and modes through which the distributors can sell the goods. Failure to do so could result in companies facing litigations in territories where they do not intend to do business at all. Companies must therefore ensure that they have control over the channels through which their products are being sold in the market. The Defendant in this case has attempted to argue that the seller through whom the Plaintiff has purchased the product is not an authorized seller of the Defendant. The Court however has not discussed this aspect in its decision, possibly since this is a matter of trial, and since the Defendant itself was listed as a seller of its products in other third party websites.

— Athira Sankar & Aparna Gaur

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You can direct your queries or comments to the authors

¹ *V Guard Industries Ltd V. Sukan Raj Jain & Anr*, CS(COMM) 25/2021, decision dated July 5, 2021

² 2016 SCC OnLine Del 376

³ 2010 (42) PTC 361

⁴ Section 134(2) of the Trademarks Act, 1999 provides: "For the purpose of clauses (a) and (b) of sub-section (1), a "District Court having jurisdiction" shall, notwithstanding anything contained in the Code of Civil Procedure, 1908 (5 of 1908) or any other law for the time being in force, include a District Court within the local limits of whose jurisdiction, at the time of the institution of the suit or other proceeding, the person instituting the suit or proceeding, or, where there are more than one such persons any of them, actually and voluntarily resides or carries on business or personally works for gain."

⁵ In *Marico Limited v. Mukesh Kumar & Ors.*, 253 (2018) DLT 8, the defendant's infringing goods were available in retail stores in Delhi and the defendant was also selling their products in Delhi through the Indiamart website.

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