
E-COMMERCE IN DOLDRUM: DOUBTS OVER THIRD PARTIES ‘LATCHING ON’ BESTSELLER TRADEMARKS

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ABSTRACT

The emergence of e-commerce has created a number of challenges for IPR protection. Traditionally an action for passing off was restricted to 2 products that had similar marks, logos, names, or labels. It is now extended to a new dimension with the advent of e-commerce. An alternative platform is provided to Enterprises in order to conduct business online. But there are certain features on these e-commerce websites that can damage the intellectual property of entrepreneurs and entities. E-commerce platforms often allow third party sellers to ‘latch on’ bestseller trademarks for their own products. This allows them to ride on the popularity of the products and the design of those products as marketed by the bestsellers. Third party sellers also don’t shy from using photographs identical to that of the bestseller product listings. This is allowed by e-commerce websites through different features like ‘more sellers’, ‘other similar products’, etc.

A conflict of opinions arises regarding this feature. It is still a question whether such options on an e-commerce site fall foul of the Trademarks Act, 1999. It is a recurring difficulty for brands and their IP rights are under shadow owing to the advanced search options and ease of consumers as the driving force for e-commerce websites. The author attempts to explore the issue of trademark protection in light of e-commerce functions and contemporary solutions to the same. The author will delve into a discussion of this issue in light of the recent orders of the High Court of Delhi in the matter of Akash Aggarwal v. Flipkart Internet Private Limited and Ors.. An analysis in light of the Trademark Act, 1999 and its statutory provisions is undertaken to answer the question whether such action would constitute ‘passing off’ under the Act.

Part I: Introduction

The information creation and dissemination saw change after the rise of globalisation and it is just a click away because of the development of a computerised network. But with technology comes its setbacks and cons. As opposed to the traditional economic system, e-commerce creates a network of information and transactions.¹ It allows the processing of information transfer, payment and delivery of the commodity ordered on one single platform and without the hassles of a physical market. It is feasible, inexpensive and efficient.² It changed consumer habits and internet shopping became a convenient mode of buying and selling goods. It gave more agency and discretion to the players in the market. With passage of time, players have started exploring delegation of this discretion to AI enabled shopping associates and applications like Amazon Alexa, Amazon Dash, Mona, Google Home, buyer and robot partners like Pepper.³ However, there are many customers who prefer physical markets and many who deal online but without designating their purchasing power to an AI application.⁴

While Amazon⁵ currently rules much of downtown Seattle, it was initially based out of Bezos's garage in Bellevue. Amazon immediately expanded its product range with records, CDs, and other products. In 1999, Time magazine named Jeffrey Bezos "Individual of the Year" for his advocacy for Internet business. Amazon wasn't the first internet business giant to emerge in the 1990s. Amazon has become the largest online shopping organisation in the world. Amazon currently allows smaller organisations and individuals to sell in its mall. This has helped Amazon capture a much larger market share. Strong, specialised targets have become a top choice over Amazon and other big names.

In 1995, Pierre Omidyar founded eBay in his living room. Instead of selling products directly, Omidyar implemented a bidding phase that allows people to sell and buy items from each other. eBay and similar websites have made it easier for people who lack advanced technology/web skills to sell products on the internet. In the late 90s, business visionaries started creating

¹ Bhaskar, S. M., & Tripathi, R. C., The Electronic Transactions And IPRs: A Need For Digital Time Stamping, 2004, *Journal of the Indian Law Institute*, 46(2), 207–225.

² Weiser, Philip J. The Internet, Innovation, and Intellectual Property Policy. *Columbia Law Review*, vol. 103, no. 3, 2003, pp. 534–613.

³ Vasundhara Majithia, The Changing Landscape of Intermediary Liability for E-Commerce Platforms : Emergence of a New Regime, 15 *IJLT* (2019) 470

⁴ Pollitzer, Elizabeth. Creating a Better Future: Four Scenarios for How Digital Technologies Could Change the World. *Journal of International Affairs*, vol. 72, no. 1, 2018, pp. 75–90. *JSTOR*, <https://www.jstor.org/stable/26588344>. Accessed 19 Dec. 2022.

⁵ Namratha Murugesan, Another Amazon Original: How Amazon is Making and Breaking Trademarks, 2020, De-Coding Indian Intellectual Property Law, SpicyIP.

applications for online stores from scratch. Instead of selling products directly, these organisations focused on developing business organisations on the Internet. In 1998 Cofinity was founded and in 1999 Elon Musk founded x.com. These two organizations would later unite and structure PayPal, which has since become one of the largest online remittance processors in the world.

In the late 1990s, online commerce was booming. Startup organisations sold just about anything one can think of. In 2000 the website bubble burst. Several organisations immediately collapsed, and the company went through a period of consolidation. Amazon, eBay and others endure. In any case, many smaller organisations were absorbed or vanished. With the arrival of cell phones on the market, people suddenly had personal computers in their pockets. They could surf the Internet and shop virtually anywhere. This affected web-based businesses immensely. Mobile phones currently account for 50% of all web traffic. Web-based business environments have focused on creating versatile and attractive websites and applications.

Part II: Trademark Infringement and E-commerce

One of the intellectual property rights that finds its relevance on e-commerce websites is trademarks. It refers to a mark capable of being graphically represented that distinguishes the goods or services of one from those of others. It may include the shape of goods, their packaging as well as combination of colour.⁶ The law governing trademarks in India, after independence, was the Trade and Merchandise Marks Act, 1958. Trade names and brands started attaining an immense value with the globalisation of trade. This required establishment of some minimum standards of protection that apply uniformly on States. There was a need for an efficient enforcement procedure which came to be firmly laid down in the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), 1995.⁷ As a result, upon an extensive review, a consequential amendment of the old Act of 1958 was carried out and the new Trade Marks Act, 1999 was enacted that is in accordance with the international systems and practices, and conforms to the TRIPS. This new act along with the Trademarks Rules, 2017 is the procedural law relating to the trademarks. It provides, inter alia, for filing of multiclass applications, registration of service marks, recognition of the concept of well-known marks, increasing the term of registration of a trademark to ten years etc.

⁶ Section 2(zb), The Trade Marks Act, 47 of 1999

⁷ Vaish Associates Advocates, India: Trademarks Law In India – Everything You Must Know, Mondaq, 2011, accessed on 08 December 2022,

There has been a spate in online business or e-commerce. Everything can be bought online and this has increased the platform owners or the intermediaries to strengthen mechanisms to facilitate such online transactions. Indian courts have observed time and again that e-commerce platforms cannot go unpunished when they abet or associate or even initiate unlawful activities on their site.⁸ The Court clarified that if an e-commerce site becomes a functional member, rather than just an intermediary, it would lose the safe harbour guarantee⁹ at that point. Such resistance can only be countered by inactive data carriers on the basis of which, in the literal sense, it is the role of intermediaries. In this way, the security offered to intermediaries is not easy and in the event that they also initiate the transmission, choose the recipient or choose or change the data contained in the transmission, they could lose resistance against which they usually direct. The court's strict approach to web-based commercial players, which by all means appear to be a necessity of great importance, was adopted not only to curb theft and duplication, but also to limit trademark infringement. In all circumstances, including with respect to offering genuinely branded items, but under "modified" or adapted conditions, and tortious interference with contractual business relationships, etc.

The Delhi High Court in a case called Amway India Enterprises Pvt. Ltd vs. 1Mg Technologies Pvt. Ltd and Anr¹⁰, where the aggrieved party in this case, known as Amway India Enterprises Ltd, one of the world's largest direct selling organisations, had filed lawsuits against various defendants (e-commerce websites) to prevent them from selling the products they are offered for sale and promoting or advertising the flagged items of the offending party without permission, consent, or approval.

In the claims, Amway argued that offering its items on such e-commerce sites does not guarantee the credibility or nature of such items. The defendants in this case argued, among other things, that the offended parties could not prevent the merchants from selling the items because the items sold on their basis were certifiable and that such transactions did not constitute trademark infringement. The Court held that, despite the fact that offering commercially certified products online without the consent of the trademark owners would not ipso facto constitute an infringement. The Court also allowed remedies for injured parties by restricting defendant/online business operations from displaying, posting, selling, and repackaging items belonging to injured parties, in addition to resellers providing authorization

⁸ Christian Louboutin SAS v. Nakul Bajaj and Ors, 2018(76) PTC 508(Del), (2018).

⁹ MySpace Inc. v. Super Cassettes Industries Ltd, 236 (2017) DLT 478 (2016).

¹⁰ Amway India Enterprises Pvt. Ltd. v. 1Mg Technologies Pvt. Ltd. and Anr, CS (OS) 410/2018 (2018).

/consent as a result of the insistence of the parties offended by the publication of their articles. The court required that while the litigation was pending, if the offended parties discovered the display of their items by resellers without their consent at that time, the web-based trading steps should stop the posting of those items within 36 hours.

The evolution of the status of intermediaries has fundamental implications for all the actors involved in e-commerce and forces them to be even more cautious. The opportunity has come for online business organizations to act with a higher level of duty. This includes making clearer the transferability of the rights holders' intellectual property and their other legitimate rights and obligations arising from the respective activities.

Part III: The Doldrum through Decisions

Single Bench Decision

An important case arrived before the Delhi High Court in the matter of *Akash Aggarwal v. Flipkart Internet Private Limited and Ors.*¹¹ where a suit for permanent and mandatory injunction was filed in order to restrain trademark and copyright infringement, passing off, rendition of accounts, delivery up, damages and other reliefs. Mr. Akash Aggarwal is the plaintiff in this case and he is the sole proprietor 'V Tradition'. V Tradition is an entity operating under the same mark engaged in sale of women's clothing. It conducts its business on retail e-commerce websites like 'Meesho', 'Amazon', 'Myntra', as also, that of Defendant, that is, 'Flipkart'.

The mark/name 'V Tradition' is used on all garments manufactured and sold by the Plaintiff. Since August 2020, the Plaintiff operated under the mark/name 'V Tradition' on Flipkart and till date approximately, 2.5 lakhs orders have been received by him from the Flipkart platform with around 1.41 cores clicks supplemented by a total sale of Rs.18 cores since December, 2020. The mark 'V Tradition' is visible on the products sold by the Plaintiff listed on Flipkart. Like any other enterprise, the Plaintiff claims to invest a lot of resources, financial and material, in the creation of garments as well as in engaging models who showcase the garments whose photographs are used for promoting these products on Flipkart.

¹¹ Akash Aggarwal v. Flipkart Internet Private Limited and Ors. CS (COMM) 492/2022, 2nd August, 2022, Justice Prathiba M. Singh.

It is the Plaintiff's contention that third-party sellers are being permitted by Flipkart to 'latch on' and use the Plaintiff's mark 'V Tradition' as well as the photographs of the products sold by Plaintiff. As a consequence, third-party sellers project themselves as themselves as 'V Tradition' when actually they are in no way related to the Plaintiff. They are riding on the Plaintiff's popularity and designs. They're also deceiving consumers by misusing the photographs for products sold under the 'V Tradition' mark.

To technically explain how the defendant, Flipkart allows this 'latching on', the Plaintiff explained that when a third-party seller wishes to list a product on Flipkart, Flipkart itself suggests 'V Tradition' products as one of the most popular listings and 'Best-Sellers'. It allows third party sellers to add various products under the Plaintiff's mark into their own listings with the Plaintiff's product photographs, by way of the 'Opportunities' option under the 'Listings' tab on the 'Flipkart' website.

The plaintiff also presented products that were purchased from third party sellers but at the time of purchase the product listings displayed the photos of plaintiff's model and under the name 'V Tradition' The invoices raised in respect of these purchases show that the third-party seller actually traded as Narayani Fab using the identical mark 'V Tradition'. The brand name and photographs of plaintiff enterprise form part of the product listings of several third-party unauthorised sellers on Flipkart who sell similar looking products as though they are created by the plaintiff themselves.

Thus, the plaintiff seeks relief to restrain Flipkart from allowing third party sellers to 'latch on' to his name and products, and stop portraying these third parties as 'more sellers' of Plaintiff's products on his own product listings on the website of Flipkart under the Plaintiff's Trademarks and from enabling the unauthorised sellers from using the product images of the Plaintiff's product listings and name.

Such issues have been raised before district court of Delhi in *Tibra Collection Vs Flipkart Internet Private Limited and Ors*¹² and *Mr. Mahboob Alam Vs. Flipkart Internet Private Limited and Ors*¹³ where ex-parte, ad-interim injunction was granted whereby the Defendants were restrained from mapping/listing their products under Plaintiff's trademarks and copyrights on the website of Flipkart. In *Rekha Nath v. Flipkart Internet Private Limited and*

¹² *Tibra Collection Vs Flipkart Internet Private Limited and Ors*, vide order dated 27.01.2022.

¹³ *Mr. Mahboob Alam Vs. Flipkart Internet Private Limited and Ors*, vide order dated 07.03.2022.

Ors¹⁴ ex-parte, ad-interim injunction was granted against the Defendants whereby the Defendants were restrained from selling products under Plaintiff's trademarks and/or infringing her copyrights over her originally created paintings, on the website of Flipkart. In this case itself, injunction was granted against Plaintiff for becoming 'More Sellers' under the brand 'Rainbow Arts'. The plaintiff contended that executives of Flipkart guided and offered her to latch on to other sellers' listings which are doing well on their platform.

Flipkart did not dispute its role in making this feature available to sellers. As per Justice Pratibha M Singh's opinion this "...is nothing but 'riding piggy back' as is known in the traditional passing-off sense." The court noted that this amounts to an unfair advantage of another enterprise's goodwill that is vested in the business and its mark. The court called this action to be constituting passing off of as known in the physical markets. Encashing upon the goodwill of another bereaves him of the Outcome of a painstakingly built reputation.

The court made it clear that such features allowing latching on by third party seller To the detriment of a brand owner all his products must not be allowed. It is only with the consent and you what rise Asian of that Enterprise that third party can use there mark for the photograph associated with the product. The court also was of the opinion that the product listing of such infringing third parties must be taken down. Thus the plaintiff made out a prima facie case and the grant of interim injunction against Flipkart was allowed in the light of balance of convenience in the favour of the plaintiff and that without this release and a repairable injury would be caused to him and his Enterprise. It was also mentioned in the order that Flipkart shall stand restrained from allowing parties to latch on to the 'V Tradiiton' mark in order to disallow latching on by unauthorised third party sellers. Flipkart was also asked to disable this feature so far as 'V Tradition' is concerned.

Division bench decision

The order of the single bench of DHC was challenged in an appeal by Respondent, Flipkart in the case title *Flipkart Internet Private Limited v. Akash Aggarwal & Anr.*¹⁵ A division bench comprising Hon'ble Mr. Justice Vibhu Bakhru & Hon'ble Mr. Justice Amit Mahajan heard the submissions of Flipkart regarding its policy to allow other sellers to latch on by using the tag 'more sellers' and appear in the product listings under Respondent's name. This, according to

¹⁴ Rekha Nath v. Flipkart Internet Private Limited and Ors, vide order dated 25.05.2022.

¹⁵ Flipkart Internet Private Limited v. Akash Aggarwal & Anr., FAO(OS) (COMM) 282/2022, 27.09.2022,

the Respondent amounts to the act of 'passing off'. The Appellant, owing to the impugned order, undertook to take down all resellers appearing on Respondent's product listing page. However, it was contended that such an order has implications beyond the parties of this case and the observations made therein have far reaching consequences. The order forbids the latching on feature which as per the Appellants violates no particular law.

It requires examination whether the feature of 'latching on' violates the Trademarks Act, 1999 or amounts to passing off goods. It is not in dispute that genuine products can be sold by multiple sellers or even resold on the e-commerce platforms. In such a case, mere appearance of links of other sellers on the web page on one particular seller infringes the trademark of the latter and amount to passing off is a question of law.

In light of these submissions the division bench found it suitable to keep the operating portion i.e. paragraphs 17 to 20 of the impugned order in abeyance till the question whether a link provided on a web page, which permits a customer to access the site or a web page of another seller per se amounts to passing off is examined.

Part IV: Other Trademark Issues in E-Commerce

Online shopping is one item that has flourished throughout this pandemic. A flourishing industry even before the epidemic, e-commerce platforms have seen a steady rise in popularity as a result of the convenience and security they offer.¹⁶ As this sector expands, so does the number of purportedly counterfeit¹⁷ goods being sold on these internet marketplaces. There are clouds over the responsibility of the parties involved in selling or approving the sale of fake goods or items that violate a trademark owner's rights on these platforms. It is crystal clear from the law that sellers who sell goods with a registered mark or a confusingly similar mark may be held liable for trademark infringement provided there is proof to show that the goods are in fact counterfeit or, at the very least in the case of a nearly identical mark, adopted to confuse the public as to the source of the said goods. The current controversy centres on the responsibility of online shopping sites for trademark infringement.

The crucial aspect of e-commerce that sets it apart from traditional economic models is the existence of a network-based "information" and "transaction" hub. As a result, in e-commerce,

¹⁶ Joan Janneth M. Estremadura, Trademark Infringement in the World of Online Shopping, 2020, Angara Abello Concepcion Regala & Cruz Law Offices (ACCRAALAW).

¹⁷ Kari Kammel, Jay Kennedy, Daniel Cermak and Minelli Manoukian, Responsibility for the Sale of Trademark Counterfeits Online: Striking a Balance in Secondary Liability While Protecting Consumers, 2021.

the entirety of the transaction process including information transfer, payment, and the delivery of physical goods, all of which typically take place and are completed simultaneously in traditional transactions is separated and carried out with the help of a number of service providers.¹⁸ The following two aspects of trademark infringement problems in e-commerce are a result of the aforementioned significant variances.

Selecting, recognising, and deciding on trading partners has become a critical step in the execution of a transaction in the e-commerce method, and is even equally significant to the product itself. The question of whether novel trademark uses that are connected to transaction information constitute trademark infringement is hence one that is frequently discussed in academic and legal circles. Second, collaborative infringement has become quite prevalent, and establishing joint liability for trademark infringement is challenging. Joint infringement is becoming a hot problem in e-commerce infringement since third party service providers are crucial supports in every transaction industry.¹⁹

Finding infringers in an e-commerce environment is a new difficulty. In reality, there are a number of solutions to this issue, including obtaining information via internet real name authentication, obtaining information indirectly from the internet, such as from relevant website owners, domain name holders, or information from ICP recordation, obtaining seller information via sample purchases, and obtaining information from ISPs.²⁰

Selling products on e-commerce platforms that, according to the agreement, could only be sold directly; selling products on e-commerce platforms that, according to the agreement, could only be sold in a certain regional territory; and selling products (such as products of luxury brand) on e-commerce platforms that should only be sold in certain circumstances selected and strictly limited by the trademark owners are just a few examples of such infringements.²¹

In conclusion, issues surrounding trademark infringement on the internet have unique characteristics that swiftly change and grow in response to ongoing e-commerce advancements in everything from forms to contents. Even though the nature of e-commerce as it relates to

¹⁸ Dan L. Burk, Trademark Doctrines for Global Electronic Commerce, 1998, South Carolina Law Review Volume 49 Issue 4.

¹⁹ Goce Naumovski & Dimitri Chapkanov, Convergence of Trademark Law and E-Commerce, Mizan Law Review, Vol. 8, No.2 December 2014.

²⁰ Qu Miao and Sally Wang, Common Issues of Trademark Infringement in E-Commerce and Enforcement, 2015, King & Wood Mallesons, Mondaq.

²¹ Mark Bartholomew, Making a Mark in the Internet Economy: A Trademark Analysis of Search Engine Advertising, 2005, Oklahoma Law Review, Vol. 58:179.

trademark law is the same as that of traditional economy, it is an area that merits continued focus in order to establish how the law should be properly applied in the internet environment in order to create a stable legal environment for e-commerce transactions.