

INTERNATIONAL JOURNAL FOR LEGAL RESEARCH AND ANALYSIS



Open Access, Refereed Journal Multi Disciplinary
Peer Reviewed Edition :

www.ijlra.com

DISCLAIMER

No part of this publication may be reproduced or copied in any form by any means without prior written permission of Managing Editor of IJLRA. The views expressed in this publication are purely personal opinions of the authors and do not reflect the views of the Editorial Team of IJLRA.

Though every effort has been made to ensure that the information in Volume 2 Issue 7 is accurate and appropriately cited/referenced, neither the Editorial Board nor IJLRA shall be held liable or responsible in any manner whatsoever for any consequences for any action taken by anyone on the basis of information in the Journal.

Copyright © International Journal for Legal Research & Analysis

IJLRA

EDITORIAL TEAM

EDITORS



Megha Middha

Megha Middha, Assistant Professor of Law in Mody University of Science and Technology, Lakshmangarh, Sikar

Megha Middha, is working as an Assistant Professor of Law in Mody University of Science and Technology, Lakshmangarh, Sikar (Rajasthan). She has an experience in the teaching of almost 3 years. She has completed her graduation in BBA LL.B (H) from Amity University, Rajasthan (Gold Medalist) and did her post-graduation (LL.M in Business Laws) from NLSIU, Bengaluru. Currently, she is enrolled in a Ph.D. course in the Department of Law at Mohanlal Sukhadia University, Udaipur (Rajasthan). She wishes to excel in academics and research and contribute as much as she can to society. Through her interactions with the students, she tries to inculcate a sense of deep thinking power in her students and enlighten and guide them to the fact how they can bring a change to the society

Dr. Samrat Datta

Dr. Samrat Datta Seedling School of Law and Governance, Jaipur National University, Jaipur. Dr. Samrat Datta is currently associated with Seedling School of Law and Governance, Jaipur National University, Jaipur. Dr. Datta has completed his graduation i.e., B.A.LL.B. from Law College Dehradun, Hemvati Nandan Bahuguna Garhwal University, Srinagar, Uttarakhand. He is an alumnus of KIIT University, Bhubaneswar where he pursued his post-graduation (LL.M.) in Criminal Law and subsequently completed his Ph.D. in Police Law and Information Technology from the Pacific Academy of Higher Education and Research University, Udaipur in 2020. His area of interest and research is Criminal and Police Law. Dr. Datta has a teaching experience of 7 years in various law schools across North India and has held administrative positions like Academic Coordinator, Centre Superintendent for Examinations, Deputy Controller of Examinations, Member of the Proctorial Board



Dr. Namita Jain



Head & Associate Professor

School of Law, JECRC University, Jaipur Ph.D. (Commercial Law) LL.M., UGC -NET Post Graduation Diploma in Taxation law and Practice, Bachelor of Commerce.

Teaching Experience: 12 years, AWARDS AND RECOGNITION of Dr. Namita Jain are - ICF Global Excellence Award 2020 in the category of educationalist by I Can Foundation, India. India Women Empowerment Award in the category of "Emerging Excellence in Academics by Prime Time & Utkrisht Bharat Foundation, New Delhi.(2020). Conferred in FL Book of Top 21 Record Holders in the category of education by Fashion Lifestyle Magazine, New Delhi. (2020). Certificate of Appreciation for organizing and managing the Professional Development Training Program on IPR in Collaboration with Trade Innovations Services, Jaipur on March 14th, 2019

Mrs.S.Kalpana

Assistant professor of Law

Mrs.S.Kalpana, presently Assistant professor of Law, VelTech Rangarajan Dr. Sagunthala R & D Institute of Science and Technology, Avadi. Formerly Assistant professor of Law, Vels University in the year 2019 to 2020, Worked as Guest Faculty, Chennai Dr. Ambedkar Law College, Pudupakkam. Published one book. Published 8 Articles in various reputed Law Journals. Conducted 1 Moot court competition and participated in nearly 80 National and International seminars and webinars conducted on various subjects of Law. Did ML in Criminal Law and Criminal Justice Administration. 10 paper presentations in various National and International seminars. Attended more than 10 FDP programs. Ph.D. in Law pursuing.



Avinash Kumar



Avinash Kumar has completed his Ph.D. in International Investment Law from the Dept. of Law & Governance, Central University of South Bihar. His research work is on "International Investment Agreement and State's right to regulate Foreign Investment." He qualified UGC-NET and has been selected for the prestigious ICSSR Doctoral Fellowship. He is an alumnus of the Faculty of Law, University of Delhi. Formerly he has been elected as Students Union President of Law Centre-1, University of Delhi. Moreover, he completed his LL.M. from the University of Delhi (2014-16), dissertation on "Cross-border Merger & Acquisition"; LL.B. from the University of Delhi (2011-14), and B.A. (Hons.) from Maharaja Agrasen College, University of Delhi. He has also obtained P.G. Diploma in IPR from the Indian Society of International Law, New Delhi. He has qualified UGC - NET examination and has been awarded ICSSR - Doctoral Fellowship. He has published six-plus articles and presented 9 plus papers in national and international seminars/conferences. He participated in several workshops on research methodology and teaching and learning.

ABOUT US

INTERNATIONAL JOURNAL FOR LEGAL RESEARCH & ANALYSIS

ISSN

2582-6433 is an Online Journal is Monthly, Peer Review, Academic Journal, Published online, that seeks to provide an interactive platform for the publication of Short Articles, Long Articles, Book Review, Case Comments, Research Papers, Essay in the field of Law & Multidisciplinary issue. Our aim is to upgrade the level of interaction and discourse about contemporary issues of law. We are eager to become a highly cited academic publication, through quality contributions from students, academics, professionals from the industry, the bar and the bench. INTERNATIONAL JOURNAL FOR LEGAL RESEARCH & ANALYSIS ISSN 2582-6433 welcomes contributions from all legal branches, as long as the work is original, unpublished and is in consonance with the submission guidelines.

UNRAVELING THE LEGAL COMPLEXITIES OF COUNTERFEITING IN INDIA'S E-COMMERCE LANDSCAPE

AUTHORED BY - JANVI JOHAR

5th Year Law Student - B.A.LLB (H)

Amity Law School, Amity University, Noida

janvijohar@gmail.com

9873592025

INTRODUCTION

The prevalent effect of information and communication technology has had a substantial impact on many aspects of human existence, with commerce being no exception to the same. India is now experiencing a digital revolution, marked by ubiquitous internet access, notably via mobile devices, with a significant drop in internet use prices. This shift has significantly impacted urban living and provided unequalled convenience for purchasing and selling products and services via the internet.

E-commerce in layman's terms can be described as the purchase and sale of goods or services over electronic systems such as the Internet and other computer networks. The Asia Pacific Economic Cooperation ("APEC") however, has expanded the definition of e-commerce to cover any economic activity that uses a mix of electronic communications as well as information processing technologies.¹

E-commerce, which can be said to have originated in the 1960s with the introduction of Electronic Data Interchange, has grown at an exponential rate. Presently, it would not be wrong to conclude that India is a powerful force in the e-commerce sphere, with expectations of enormous expansion². According to the E-Commerce Industry Report (August 2023), the Indian e-

¹A. Didar Singh, "*Electronic Commerce: Issues for the South*" Trade-related Agenda, Development and Equity, Working Paper, South Centre, October 1999, p. 4.

² Mohd. Danish, Trade Promotion Council of India, "*India, the next powerhouse of global e-commerce?*" (Oct 11, 2023), <https://www.tpci.in/indiabusinesstrade/blogs/india-the-next-powerhouse-of-global-e-commerce/>.

commerce sector is expected to develop at a CAGR of 27%, reaching US\$ 163 billion by 2026.³ Recognizing ecommerce's critical position in India's economic landscape, the menace of counterfeit products is a glaring issue that needs attention. Countries globally have endeavored to combat it by addressing loopholes and enacting legislations and India is no exception to it. India, being a member of Trade Related Aspects of Intellectual Property Rights (“TRIPS”) is bound to provide legal remedies in case of any intellectual property infringement⁴; but the paramount question that arises here that can E-commerce platforms be held liable for the sale of counterfeit/fake products sold by third party sellers on their website?

Recently, the Delhi High Court in its recent judgement made a pertinent observation that “*An e-commerce platform cannot become a haven for infringers. Men are not angels and where easy money is evidently visible, the conscience at times takes a nap.*”⁵ Hence, in light of these observations, the author in this research paper shall dwell on the extent of liability of e-commerce platform in relation to counterfeit products. Additionally, the author shall shed light on the drawbacks/disadvantages caused to both the consumers and businesses. Lastly, the author shall also highlight the concept of intermediary as prescribed under the Information and Technology Act, 2000 along the judicial stance on these issues.

NAVIGATING INTELLECTUAL PROPERTY RIGHTS IN THE DIGITAL MARKETPLACE

According to the Oxford Dictionary, intellectual property is defined as “an idea, a design, etc. that somebody has created and that the law prevents other people from copying⁶,” implying they are intangible assets emerging from human innovation. In the realm of e-commerce, where sellers and buyers meet on an online platform, there are essentially two aspects of intellectual property to be considered -First, there is the intellectual property connected with the things being sold, which normally belongs to and resides with the vendor. Second, there are the intellectual property

³Indian Brand Equity Foundation (IBEF), “*E-Commerce Industry in India*”, (Aug. 2023), <https://www.ibef.org/industry/ecommerce> (Last Updated Feb 2024).

⁴ Ruchi Singh, Rommel Pandit, Parmita Nandy Gupta, Sonu Shaji, World Trade Mark Review, “*India: Bolstered anti-counterfeiting regime champions stricter market regulation and enhanced consumer awareness*” (Sept. 29, 2023), <https://www.worldtrademarkreview.com/guide/anti-counterfeiting-and-online-brand-enforcement/2023/article/india-bolstered-anti-counterfeiting-regime-champions-stricter-market-regulation-and-enhanced-consumer-awareness>.

⁵ Shruti Kakkar, The Hindustan Times, “HC: E-commerce platform cannot be haven for infringers, liable for selling fake products” (Jan. 07, 2024), <https://www.hindustantimes.com/india-news/hc-e-commerce-platform-cannot-be-haven-for-infringers-liable-for-selling-fake-products-101704567826463.html>.

⁶ “Intellectual property”, Oxford Learner’s Dictionaries, <https://www.oxfordlearnersdictionaries.com/definition/english/intellectual-property>.

rights inherent to the digital platform itself.

Section 28 of the Indian Penal Code (IPC) 1860 explains “Counterfeit” as that: “*A person is said to counterfeit who causes one thing to resemble another thing, thereby intending by means of that resemblance to practice deception, or knowing it to be likely that deception will be practiced*”.⁷ Further, as an illustration, when a seller advertises a branded footwear on a site such as Amazon or Flipkart, the seller/vendor owns the trademark associated with the shoe brand. Concurrently, the digital platform retains some property rights, which may include patents, trademarks, or copyrights, boosting its uniqueness in the congested online marketplace.⁸ Hence, it would not be wrong to assume that the link between IPR and e-commerce is both complex as well as mutually beneficial.

THE DETRIMENTAL IMPACT OF COUNTERFEITING

Even though E-commerce is a thriving and continually expanding business area that offers several income opportunities, the intellectual property infringement, particularly counterfeiting, is a serious concern for most e-commerce businesses. Estimates vary, but yearly sales of counterfeit products range between \$1.7 trillion and \$4.5 trillion, making the counterfeiting sector one of the world's greatest economies. To add on, it is also responsible for the loss of 2.5 million employment throughout the world.⁹

Apart from this, it would not be wrong to say that repercussions of counterfeiting extend way beyond monetary loss.¹⁰ For instance, when a consumer, with a perception of buying a legitimate product, buys a counterfeit, then the inferior quality of the products, leads to disaffection, ultimately causing erosion of the brand value, associated with the product. Hence, even though businesses invest significant time and effort in building trust, but counterfeits weaken this very foundation by linking unpleasant experiences with legitimate merchandise.

⁷ The Indian Penal Code, §28, No. 45, Acts of Parliament, 1860 (India).

⁸ European Innovation Council and SMEs Executive Agency, European Commission, “*Intellectual Property and E-Commerce in India*”, (June 29, 2023), https://intellectual-property-helpdesk.ec.europa.eu/news-events/news/intellectual-property-and-e-commerce-india-part-2-2023-06-29_en.

⁹ Keith Goldstein, The Forbes, “The Global Impact of Counterfeiting And Solutions To Stop It”, (Aug. 02, 2020), <https://www.forbes.com/sites/forbesbusinesscouncil/2022/08/02/the-global-impact-of-counterfeiting-and-solutions-to-stop-it/?sh=bd2ded31ca27>.

¹⁰ The Business Standard, “*Counterfeiting, smuggling develop into substantial threat to global economy*” (Dec. 16, 2022), https://www.business-standard.com/article/economy-policy/counterfeiting-smuggling-develop-into-substantial-threat-to-global-economy-122121600599_1.html.

Furthermore, legitimate producers deal with an uphill struggle against counterfeiters, who flood the market with low-quality knockoffs, ultimately reducing market share and profitability. Combating counterfeiting necessitates major investment in anti-counterfeit technologies, thereby increasing operating costs and potentially affecting product affordability. Last but not the least, counterfeits can infiltrate supply chains, making it difficult for merchants as well as customers to distinguish between genuine and counterfeit products, thereby jeopardizing the integrity of the entire distribution process.¹¹

UNDERSTANDING THE CONCEPT OF “INTERMEDIARY”

In 2008, an amendment to the Information Technology Act, 2000 established the statutory provisions with regard to intermediary liability. According to Section 2(1)(w) of the IT Act, an "intermediary" is defined as *“with respect to any particular electronic records, means any person who on behalf of another person receives, stores or transmits that record or provides any service with respect to that record and includes telecom service providers, network service providers, internet service providers, web-hosting service providers, search engines, online payment sites, online-auction sites, online-market places and cyber cafes”*.¹² Hence, E-commerce platforms due to its nature of business is an intermediary as per the said provision.

It is to be noted that the primary rule concerning intermediary responsibility is contained in Section 79(4) of the IT Act, which states that intermediaries are not accountable for third-party information hosted by them if their duty is restricted to merely providing access and they do not initiate, choose, or change the transmission initiated by the third party and in order to qualify for this exemption, intermediaries must undertake due diligence.¹³ Rule 3 of the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021, specifies how intermediaries must exercise due diligence. They are obliged to disclose guidelines, publish a privacy policy, and a user agreement that instructs users not to transmit material that violates patents, trademarks, copyrights, or other property rights. Intermediaries shall swiftly limit access to such material upon acquiring knowledge or complaints. Furthermore, the intermediary must clearly display the Grievance Officer's name and contact information, as well as a method for

¹¹ Ankit Agarwal, ET Retail, “The menace of counterfeiting in FMCG Industry & its detrimental impacts on consumers, business” (Sept. 14, 2023), <https://retail.economictimes.indiatimes.com/blog/the-menace-of-counterfeiting-in-fmcg-industry-its-detrimental-impacts-on-consumers-business/103663107>.

¹² The Information and Technology Act, § 2(w), No. 21, Acts of Parliament, 2000 (India).

¹³ The Information and Technology Act, §79(4), No. 21, Acts of Parliament, 2000 (India).

users to report infractions. The amendment also requires the Central Government to create a Grievance Appellate Committee within three months, which would allow disgruntled citizens to challenge judgements issued by the Grievance Officer. The committee strives to handle appeals quickly, usually within 30 days of receipt.¹⁴ However, it is paramount to mention that under Section 79(3) of the said Act, intermediaries that are found to aid in unlawful acts or despite receiving actual knowledge failed to delete or remove access to such illegal content will be held liable for the same.¹⁵

A bare perusal of these statutory requirements showcases the commitment to enhance accountability and ensure swift action against violations, reinforcing the legal framework governing intermediary liability in the context of e-commerce platform; however, critics view these provisions as legal "subsidies" benefiting e-commerce companies, enabling rapid scalability with minimal legal compliance.

THE JUDICIAL STANCE

One of the most significant legal precedents concerning internet intermediaries' accountability for copyright infringement was in the case of Super Cassettes Industries Ltd. vs. Myspace Inc.¹⁶ Herein the court emphasized that in order to be protected under section 79 of the Information and Technology Act, 2000, intermediaries must not be involved in initiating transmission, selecting receivers, or modifying information, and they must follow the due diligence provisions as outlined under section 79(2)(c) of the Information and Technology Act 2000 read along with Rule 3 of the Information Technology (Intermediary Guidelines) Rules, 2011.¹⁷ To further strengthen the commitment of protection of customer, the Delhi High Court in the case of Luxottica Group SPA vs. Mify Solutions (P) Ltd.¹⁸ mandated the defendant to disclose complete seller information on its website, obtain certificates confirming product authenticity from sellers, and to promptly remove listings upon notification of counterfeit products, in accordance with the provision of the Information Technology (Intermediaries Guidelines) Rules of 2011.

However, the judicial stance saw a shift in its approach, which was prevalent in the case of Kent

¹⁴ Rule 3 of the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021.

¹⁵ The Information and Technology Act, §79(3), No. 21, Acts of Parliament, 2000 (India).

¹⁶ Super Cassettes Industries Ltd. vs. Myspace Inc. (2011) 48 PTC 49 (India).

¹⁷ Rule 3 of the Information Technology (Intermediary Guidelines) Rules, 2011.

¹⁸ Luxottica Group SPA vs. Mify Solutions (P) Ltd. (2018) 254 DLT 472 (India).

Systems Ltd. vs. Amit Kotak¹⁹; herein the Court made an observation that at if intermediaries are required to scrutinize all information uploaded by third -party sellers in order to determine whether it constitutes an infringement of intellectual property rights, then the same would impose a heavy burden on them by transforming intermediaries into a body that examines whether any information hosted by the platform constitutes an infringement. Consequently, in Amazon vs. Amway while exempting Amazon from intermediary liability, the Court held that there can be no distinction between passive and active intermediaries under Section 79 of the Information and Technology Act, 2000. Further, it observed that Amazon in no way can be denied the status of an intermediary merely on the grounds that it provides logistical support and other services to its third-party sellers.²⁰

Then again, the most recent pronouncement in PUMA SE vs. India Mart Intermesh Ltd.²¹ is noteworthy to highlight the need to balance between the safe harbor protection doctrine and intellectual property infringement. Herein while granting an injunction against India Mart, thereby prohibiting them from the use of “PUMA” Trademark as an option in its drop-down menu, the Hon’ble Bench relied on the precedent laid down in Google LLC vs. DRS Logistics (Private) Limited²². This decision emphasized that the definition of "use of a mark" under the Trade Marks Act 1999 went beyond visual representation to include any form associated with commodities. Consequently, the use of “PUMA” in drop-down menu in this present case constituted "use" under the Trade Marks Act 1999. Further, the Court went on to emphasize that including the plaintiff's trademark in the drop-down selection increased the probability of consumer fraud by allowing counterfeiters to present their items as authentic. It was determined that such usage had the potential to unfairly benefit the mark "in a manner which would be detrimental to its distinctive character and repute.

In lieu of the same, it would not be wrong to assume that this decision might result in increased monitoring of content on online marketplaces, thereby increasing costs as well as affecting user-generated content. It could additionally alter the relationship between platforms and vendors, causing platforms to exert greater control over merchants. Furthermore, it may raise awareness

¹⁹ Kent RO Systems Ltd. vs. Amit Kotak (2017) 240 DLT 3 (India).

²⁰ Nilanshu Shekhart & Rishabh Manocha, SCC Blog, “Implementation of IP vis-à-vis IT Law and E-Commerce in India” (May 25,2023), <https://www.sconline.com/blog/post/2023/05/25/implementation-of-ip-vis-vis-it-law-and-e-commerce-in-india/>.

²¹ PUMA SE vs. India Mart Intermesh Ltd 2024 SCC On Line Del 17(India).

²² Google LLC vs. DRS Logistics (Private) Limited FAO(OS)(COMM) 2/2022(India).

of counterfeiting and drive platforms, sellers, and customers to maintain greater levels of product authenticity.²³ More importantly, it represents progress towards the idea that courts must carefully apply safe harbor protection to balance the rights and interests of intermediaries and consumers, with the goal of finding a fair and equitable solution to the various issues surrounding marketplace e-commerce entities in India.²⁴

CONCLUSION AND RECOMMENDATIONS

While the adoption of the Consumer Protection (E-commerce) Rules, 2020, represents a step forward in addressing concerns of intellectual property infringement and consumer protection in the online marketplace, there is still a pressing need for clarity and refinement. The issue of intermediary liability must be addressed with caution, ensuring that e-commerce platforms perform their obligations without unreasonably limiting innovation and market growth. Hence, the following recommendations must be considered:

- **Legal Clarity and Compliance:** Regulatory authorities should offer precise guidance on how to apply present legislations, such as Section 79 of the Information and Technology Act 2000, alongside new rules, such as the Consumer Protection (E-commerce) Rules, 2020. This is because clarity in legal interpretation and compliance standards can help e-commerce companies navigate the regulatory landscape successfully.
- **Enhanced communication and Transparency:** E-commerce platforms should develop transparent channels of communications with Intellectual Property owners in order to swiftly acknowledge and respond to allegations of infringement. This step is paramount as transparency in the takedown process is critical for building confidence among all necessary stakeholders.
- **Procedural Fairness:** Through a systematic method for dealing with infringement claims, such as temporarily removing infringing items and giving the distributor a chance to dispute the claim, thereby promotes not only procedural fairness but also protects the interests of all parties involved.
- **Stakeholder Engagement and Review Mechanisms:** Regular stakeholder engagements and regulatory framework reviews allow policymakers to modify legislation to changing

²³ Neha Iyer, World Trade Review, “*Delhi High Court restrains Indiamart from including PUMA marks in drop-down menu search options*” (Jan.31,2024), <https://www.worldtrademarkreview.com/article/delhi-high-court-restrains-indiamart-including-puma-marks-in-drop-down-menu-search-options>.

²⁴ Sumanthi Chandrashekar, Obhan & Associates, “Online marketplaces and intermediary liability: New rules of the game” (Nov. 21,2018), <https://www.obhanandassociates.com/blog/online-marketplaces-and-intermediary-liability-new-rules-of-the-game/>.

industry dynamics and developing concerns. Collaboration among government agencies, business groups, and consumer advocates encourages informed decision-making and keeps regulatory interventions current and successful.

In conclusion, striking a healthy balance between consumer protection, intellectual property rights enforcement, and intermediary accountability in the e-commerce ecosystem necessitates a multidimensional strategy based on legislative clarity, procedural fairness, and stakeholder involvement. By accepting these principles and proactively resolving regulatory issues, regulators may create a climate conducive to long-term growth, innovation, and consumer trust in the digital marketplace.

